

***POLICY FOR TREATMENT OF CONFLICT OF INTERESTS OF KAROLL CAPITAL MANAGEMENT EAD MANAGEMENT COMPANY***

**Art. 1.** The Policy for treatment of conflicts of interests ("Policy") of Karoll Capital Management EAD Management Company (Management Company) has been adopted on the grounds of Art. 127 and Art. 148 of Ordinance No. 44 on the requirements to the activity of the collective investment schemes, management companies, national investment funds and the persons managing alternative investment funds (Ordinance No. 44).

(2) The present rules for prevention of conflicts of interests are intended to reduce to the minimum the circumstances that represent conflicts of interests or in case such a situation occurs – to guarantee the application of a set of measures for fair and equal treatment of the clients of the Management Company with the aim of avoiding damages to their interests.

**Art. 2.** With a view to avoiding conflicts of interests, the members of the Board of Directors of the Management Company, the investment adviser, the employees and other persons contracted by the Management Company shall observe the following principles:

a/ **absence of conflict** – the stated persons shall not be in a position, in which their interests will conflict with the interests of a client of the Management Company or of a collective investment scheme, managed by the Management Company, or in which the interests of an individual client or a collective investment scheme conflict with those of another client or another collective investment scheme;

b/ **equal and fair treatment of and loyalty to the clients and equal and fair treatment of the collective investment schemes** – the Management Company shall always act in the interest of its customers or of the collective investment scheme managed by it. The Management Company shall not be in a position, in which the interests of any of its clients may conflict with the company's obligation toward another client.

c/ **confidentiality** – the Management Company shall not use in its favour or in the favour of a third party any confidential information, which it has obtained as a result of the activity performed by the Management Company;

d/ **The Management Company shall act honestly, fairly and professionally** when providing the services as per Art. 86 of the Law on the Activity of the Collective Investment Schemes and of Other Undertakings for Collective Investment (the Law).

**Art. 3.** The present Policy regulates:

1. The treatment of conflicts of interests in accordance with the size and the organisational structure of the company, as well as the nature, scale and complexity of its activity;

2. The procedures and the measures for treatment and management of conflicts of interests;

3. In relation to the collective portfolio management activities performed by the Management Company, the identification of the circumstances that represent or may cause conflicts of interests, that lead to significant risk of damaging the interests of the collective investment scheme managed by the company, or of one or more clients;

4. The specific requirements for performing activities or providing services as per Art. 86, para. 2 of the Law.

**Art. 4.** When performing its activity, the Management Company shall:

1. Act loyally and fairly to the best interest of the collective investment schemes it manages, and of the integrity of the market;

2. Act with the necessary skills, care and attention to the best interest of the collective investment schemes it manages, and of the integrity of the market;

3. Hold and use effectively the resources and procedures needed for the proper carrying out of the activity;

4. Avoid conflicts of interests and if they cannot be avoided, it shall guarantee that the collective investment schemes it manages are being treated fairly;

5. Reduce to the minimum the risk of damaging the interests of the collective investment schemes it manages and of the clients due to conflicts of interests between the Management Company and its clients, between any two of its clients, between a client and a collective investment scheme that the company manages or between two collective investment schemes managed by it.

**Art. 5.** The Management Company shall act fairly and professionally to the best interest of the collective investment scheme and in relation to the management and administration of the investments of the respective scheme it shall not pay or receive fee or commission, nor provide or receive non-cash benefits unless these are:

1. Fees, commissions or non-cash benefits paid by or to a collective investment scheme;

2. Fees, commissions or non-cash benefits paid by or to a third party, or received by them, or a person acting on behalf of a third party, if the following conditions are met:

a) The existence, nature and size of the fee, commission or benefit, or when the size cannot be established – the method of calculating the amount, must be disclosed to the collective investment scheme in an exhaustive, accurate and comprehensive manner prior to providing the respective service;

b) The payment of the fee or commission, or the provision of non-cash benefits must be aimed at raising the quality of the respective service and must not be an obstacle for the Management Company to perform its obligation to act to the best interest of the collective investment scheme;

3. Specific fees, which are allowed or necessary for the provision of the respective service, including custody fees, settlement and exchange fees, regulatory fees, taxes and legal fees, and fees that, according to their nature, cannot lead to conflicts of interests with the obligations of the Management Company to act fairly, honestly and professionally to the best interest of the collective investment scheme.

**Art. 6. (1)** With a view to determining the types of conflicts of interests that occur in the course of providing services and activities, whose existence can harm the interests of the managed collective investment scheme, the Management Company shall monitor, using a pre-defined minimum criteria, whether it or a person contracted by it, or a person directly or indirectly related to the Management Company, by means of exercising control over it, falls within any of the following situations, regardless of whether as a result of providing collective portfolio management services, or otherwise:

1. The Management Company or any person stated in para. 1 can make profit or avoid loss at the expense of a collective investment scheme, managed by the Company;

2. The Management Company or any person stated in para. 1 has interest in the result of the service or activity provided to a collective investment scheme or to another client, or in a transaction performed on behalf of a collective investment scheme or another client, which is different that the interest of the respective scheme;

3. The Management Company or any person stated in para. 1 has financial or other incentive to prefer the interest of another client or group of clients to the interests of the collective investment scheme that the company manages;

4. The Management Company or any of the persons stated in para. 1 perform the same activities for a collective investment scheme and for another client or other clients who are not a collective investment scheme;

5. The Management Company or any of the persons stated in para. 1 receives or will receive from a person, other than the collective investment scheme managed by the company, a benefit in relation to the activity provided to the collective investment scheme consisting of collective portfolio management in the form of cash, goods or services, other than the standard commission or fee for such a service.

(2) When determining the types of conflicts of interests, the Management Company shall take into account:

1. The interests of the Management Company, including those deriving from its belonging to a group or from performing services and activities, the interests of the clients and the obligation of the Management Company toward the collective investment schemes it manages;

2. The interests of the collective investment schemes managed by the company when they are more than one.

**Art. 7. (1)** The persons contracted by the company who participate in various activities related to conflicts of interests, shall perform these activities with a degree of independence that corresponds to the scale and activity of the Management Company and of the group, to which it belongs, as well as to the significance of the risk of damaging the interests of the clients.

(2) The Management Company shall guarantee and ensure that there is no direct relation between the remuneration of persons contracted by it, who participate in a certain activity, and the remuneration of other persons contracted by the Management Company, who participate in another activity, or between the income generated from them, if a conflict of interests may arise in relation to these activities.

(3) The Management Company shall guarantee and ensure prevention or restriction of any person to have undue impact on the manner, in which a person contracted by the Management Company performs collective portfolio management activities.

(4) The Management Company shall guarantee and ensure prevention, and if this is not possible, control on the simultaneous or successive participation of a person contracted by it in certain activities of collective portfolio management, if such participation can hinder the management of the conflicts of interests.

(5) If the effect of one or more measures and procedures as per para. 2-5 does not ensure the required level of independence, the Management Company shall undertake alternative or additional measures and procedures that are needed and appropriate to ensure the respective degree of independence.

**Art. 8. (1)** The Management Company shall maintain and update regularly a register of the types of activities of collective portfolio management performed by it or on its behalf, during which:

1. A conflict of interests has occurred that poses a significant risk of damaging the interests of one or more collective investment schemes managed by the company, or other clients, or

2. In case of performing collective portfolio management, a conflict of interests can occur that poses a significant risk of damaging the interests of one or more collective investment schemes managed by the company, or other clients.

(2) In cases when the organisational or administrative structure established by the Management Company for the management of conflicts of interests is not capable of ensuring to a sufficient and reasonable degree the prevention of risks of damaging the interests of a collective investment scheme managed by the company, or of the unitholders of such a scheme, the senior management or another competent internal body of the Management Company shall be duly informed so as to take the necessary decision that will guarantee that in all cases the Management Company acts to the best interest of the collective investment scheme and of its unitholders.

(3) In the cases as per para. 2, the Management Company shall inform the investors as appropriate and shall ground its decision, where the information shall be provided on a durable medium.

**Art. 9.** The Management Company shall not conclude contracts with third parties to delegate to them functions and activities on sale and redemption of units of collective investment schemes, if their interests can be in conflict with the interests of the Management Company or of the collective investment scheme managed by it.

**Art. 10 (1)** The members of the Board of Directors, the investment adviser contracted by the Management Company, the employees of the Management Company and their related parties, as well as other

persons employed by the Management Company, if they have access to internal information or to other confidential information related to a collective investment scheme or to transactions of such a scheme whose activity is managed by the Management Company or if the activity of such persons could cause conflicts of interests, shall not perform the below activities:

1. Conclude personal transactions that meet at least one of the below criteria:

a) The person has no right to conclude such a personal transaction within the meaning of the Law on the Measures against the Market Abuse with Financial Instruments;

b) The transaction is related to abuse or to illegal disclosure of confidential information;

c) The transaction goes or is likely to go against the obligation of the Management Company pursuant to the Law or the Markets in Financial Instruments Act;

2. Providing advice or support, outside of what is normal for the implementation of its business or contractual obligations, to another person to perform a transaction with financial instruments that, if it were a personal transaction of a person contracted by the Management Company, would fall under the hypotheses as per para. 1, item 1 or Art. 42, para. 3, item 1 and 2 of Ordinance No. 38 on the requirements to the activity of the investment intermediaries or would otherwise represent abuse of information related to non-executed orders;

3. Disclosure, outside of what is normal for the implementation of its business or contractual obligations, while observing Art. 9, item 1 of the Law on the measures against market abuses related to financial instruments, of any information or opinion to another person, if a person contracted by the Management Company knows or is supposed to know that as a result of such disclosure, the person will undertake or is likely to undertake one of the following actions:

a) Conclude a transaction with financial instruments that, if it were a personal transaction of a person contracted by the Management Company, would fall under the hypotheses as per para. 1, item 1 or Art. 42, para. 3, item 1 and 2 of Ordinance No. 38 or would otherwise represent abuse of information related to non-executed orders;

b) Provide advice or support to another person to execute such a transaction.

(2) The persons under para. 1 shall inform the Management Company in due time about any personal transaction pursuant to the Rules for concluding personal transactions.

## **RIGHTS IN PROVIDING THE SERVICES AS PER ART. 86, PARA. 2 OF THE LAW**

**Art. 11.** (1) The Management Company, in relation to the activity as per Art. 86, para. 2 of the Law, shall avoid conflicts of interests, and should these arise, it shall treat the clients fairly, disclose information and prevent causing damage to the clients' interests.

(2) A conflict of interests when providing the additional services as per Art. 86, para. 2 of the Law is a situation, which occurs in relation to the Management Company's activity and may harm the clients' interests.

(3) When establishing conflicts of interests, the existence of which can harm a client's interest, the Management Company shall consider whether it, a person employed by it under a contract or a person directly or indirectly related to it by reason of control falls within any of the following hypotheses as a result of providing the services as per Art. 86, para. 2 of the Law or otherwise:

1. It has the opportunity to make financial profit or avoid financial loss at the expense of the client;

2. It has interest in the result of the service provided to a client or in a transaction executed at the expense of a client, which is different from the client's interest in this result;

3. It has a financial or another incentive to prefer the interest of a client or a group of clients instead the interest of another client;

4. It performs the same activity as the client;

5. It receives or will receive from a person, other than the client, benefits in relation to a service provided to the client in the form of cash, goods or services in breach of the legal provisions or other than the standard consideration or commission for this service.

6. It concludes personal transactions in breach of the requirements of the Rules for concluding personal transactions, the Markets in Financial Instruments Act and Ordinance No. 38;

(4) The listing under para. 3 is not exhaustive, insofar as other situations may occur in the operation of the Management Company, which may qualify as conflicts of interests, where they shall be resolved pursuant to the rules of the present Policy.

**Art. 12.** While performing services as per Art. 86, para. 2, the Management Company shall undertake all necessary actions to establish potential conflicts of interests between:

1. The Management Company, including members of management and supervisory bodies, persons who can conclude transactions, independently or jointly with other persons, in the name of clients of the Management Company, all other persons contracted by the Management Company and the persons related to it for reasons of control, on the one side, and its clients, on the other side;

2. Its individual clients.

**Art. 13. (1)** If despite the application of the present rules, there still exists a risk for the client's interests, the Management Company shall not perform activity at the expense of the client if it has not informed them about the general nature and/or sources of the potential conflicts of interests.

(2) In the cases as per the previous paragraph, the Management Company, prior to performing activity at the expense of a client, in relation to which there is a conflict of interests, shall provide to the client, on a hard copy, information, which is sufficient for the client, with a view to the client's characteristics, to take informed decision regarding the service in question, in relation to which conflict of interests occurs.

(3) The officers of the Sales and Front Office sector or the investment advisers shall inform the clients of the Management Company about the potential conflicts of interests under the previous paragraph.

**Art. 14.** While performing the activity as per Art. 86, para. 2 of the Law, the Management Company shall guarantee and ensure the absence of direct links between the remuneration of the persons performing mainly a given activity and the remuneration of the persons performing mainly another activity for the Management Company, or the incomes gained by the latter, if a conflict of interests may occur in relation to these activities;

**Art. 15** While performing the activity as per Art. 86, para. 2 of the Law, the Management Company shall guarantee and ensure prevention or limitation of the possibility for any person to exercise improper influence on any person contracted by the Management Company.

**Art. 16** While performing the activity as per Art. 86, para. 2 of the Law, the Management Company shall guarantee and ensure prevention, and if this is impossible, control on the simultaneous or successive participation of a person contracted by the Management Company in certain services or activities, if such participation may cause harm to the due management of the conflicts of interests.

**Art. 17.** The Management Company shall keep and update the information about the types of services or activities performed by it or at its expense, in which a conflict of interests occurs or may occur in the process of performing the service or the activity, which leads to material damage to the interest of a client or clients of the Management Company.

### ***METHODS OF AVOIDING AND MANAGING CONFLICTS OF INTERESTS***

**Art. 18.** The methods used to avoid the occurrence of conflicts of interests, or if such a conflict has occurred – to ensure fair, loyal and equal treatment of all clients and collective investment schemes managed by the Management Company shall be:

a/ **Full and preliminary disclosure** of information about potential and concrete conflicts of interests by the persons contracted by the Management Company;

b/ **Refusal to act in case a conflict of interests occurs**, where the above-stated principles cannot be observed;

c/ **Avoiding the simultaneous or successive** participation of a person in the provision of certain services or activities, if such participation may cause harm to the due management of the conflicts of interests;

d/ **Observing the principle of "need-to-know"** – the exchange of information (about the financial capacity of clients, portfolio structure, investment intentions, prepared but not distributed recommendations or investment consultations, etc.) between various departments of the Management Company, where such exchange can cause conflicts of interests and such information can harm the interests of one or more clients or collective investment schemes, shall be done upon agreement by the head of the legal compliance unit and by the members of the Board of Director of the Management Company on a need-to-know basis;

e/ **Absence of direct links between the remuneration of the persons** performing a given activity mainly and the remuneration of the persons performing mainly another activity, or the incomes gained by the latter, if a conflict of interests may occur in relation to these activities;

f/ **Fair determination of the salary and of all additional payments to the persons** contracted by the Management Company in a way that does not create prerequisites for improper implementation of the functions assigned to such persons.

g/ **Individual control over the persons** contracted by the Management Company whose main functions are related to performing activities of collective portfolio management on behalf of clients or provision of services to clients or investors whose interests can be in conflict or who represent different interests in any other way, which can be in conflict, including with the interests of the Management Company;

h/ **Individual control over the persons** whose main functions include provision of services on behalf and/or for the account of clients or provision of services to clients where a conflict may arise between the clients' interests, or if these interests are conflicting in any other way and conflicts may arise between them, including the interest of the investment intermediary;

i/ **Prohibition on the simultaneous performance of functions by the persons** contracted by the Management Company, if such simultaneous performance creates conditions for subjective and non-professional carrying out of the official obligations and could lead to conflicts of interests.

**Art. 19.** The management of conflicts of interests shall be done using the following methods:

**1. Disclosure of information by the persons** contracted by the Management Company about:

- Held financial instruments, both directly and via related parties;
- Related parties;
- Qualifying holdings in other participants on the capital market, issuers or public companies;
- Full-time or service contracts with other legal entities clients of the Management Company or its competitors;
- Corporate office held;
- Existence of loan or debt relations with legal or natural persons clients of the Management Company or related to clients of the Management Company;
- Performing the same activity as the client of the Management Company;
- Other circumstances required pursuant to the current legislation or defined by an order of the Board of Directors;
- Performing a personal transaction or action;
- Possession of internal or confidential information.

**2. Setting up of effective internal organisation**, which is conducive to preventing abuse with information representing professional secrecy within the Management Company.

**3. Abstaining from action** – if for a person contracted by the Management Company a situation occurs that is qualified as a conflict of interests when providing a certain service, that person shall abstain from taking decisions or actions on the provision of the respective service.

### ***FINAL PROVISIONS***

The terms used in the Policy shall have the meaning assigned to them in the Law, the Markets in Financial Instruments Act, Ordinance No. 44, Ordinance No. 38 of the Financial Supervision Commission.

The Board of Directors of the Management Company shall review and assess annually the correspondence of the present Policy with the services provided and activities performed by the Management Company, where in case of gaps and/or need of improving the internal organisation, it shall amend the Policy. Regardless of the requirement under the previous sentence, the managing body shall adopt amendments of the present Policy in case it is deemed necessary.

To the cases not regulated by the present Policy, the relevant legislation shall apply.

The present Policy has been adopted at meeting of the Board of Directors of 22.11.2017 and it repeals all previous versions.

The present Policy shall be provided for information and implementation to the members of the Board of Directors of the Management Company, as well as to all persons contracted by it.

Legal representatives of the Management Company:

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Daniel Ganev – Managing Director

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B. Kotseva – Member of the Board of Directors