

R U L E S
of
MUTUAL FUND
“ACTIVA BALANCED FUND”

SECTION I
GENERAL PROVISIONS

General provisions

Art. 1. (1) “ACTIVA BALANCED FUND” is a mutual fund within the meaning of Art. 5, para. 2 of the Law on the Activity of Collective Investment Schemes and Other Undertakings for Collective Investments. The Fund is a collective investment scheme, which represents property designed for the purpose of collective investment in transferable securities, or other liquid financial assets provided for in law, of pecuniary resources raised through public offering of shares and operates in compliance with the principle of distribution of risk. The shares in the mutual fund are dematerialised ones and are subject to repurchase, either directly or indirectly, on the basis of the net value of its assets, upon a request made on the part of the shareholders.

(2) The Fund is not a legal entity.

(3) The mutual fund is divided into shares. The Fund constantly issues (sells) and repurchases its shares.

(4) The Fund is organised and managed by the management company "Activa Asset Management" AD in accordance with the Law on the Activity of Collective Investment Schemes and Other Undertakings for Collective Investments (LACISOUCI) and the regulations concerning its application, the Law on Financial Instruments Markets, the Law on Obligations and Contracts and the other applicable legislation of the Republic of Bulgaria.

(5) The management company holds a permit for organising and managing the Fund under para. 1, the said permit being issued by the Financial Supervision Commission under No. 1235-DF from 26 September 2007.

(6) The mutual fund is considered established upon the issue of the permit under para. 5 and its subsequent entry into the register of the Financial Supervision Commission under Art. 30, para. 1 of the Law on the Financial Supervision Commission. The Fund is entered in the register under Art. 30, para. 1 of the Law on the Financial Supervision Commission.

(7) In the course of carrying out its actions of managing the mutual fund, the management company shall act on behalf of and at the expense of the Fund.

(8) The assets of the mutual fund shall be kept by a depository.

Definitions and abbreviations

Art. 2. (Amended, decision of the BD dated 21 October 2019) In these Rules the following words and expressions shall have the meaning as follows:

1. ‘LACISOUCI’:	Law on the Activity of Collective Investment Schemes and Other Undertakings for Collective Investments
2. ‘LPOS’:	Law on Public Offering of Securities
3. ‘MFIA’:	Markets in Financial Instruments Act

Rules of “Activa Balanced Fund” Mutual Fund

4. ‘Ordinance No. 44’:	Ordinance No. 44 on the requirements for the activity of collective investment schemes, management companies, national investment funds and the persons managing alternative investment funds
5. ‘The mutual fund’ or ‘the Fund’:	The mutual fund “Activa Balanced Fund”, which carries out its activity in accordance with the requirements of the LACISOUCI
6. ‘The management company’:	The management company “Activa Asset Management” AD in the town of Sofia, which is a management company within the meaning of Art. 86 of the LACISOUCI
7. ‘the Commission’ or ‘the FSC’:	The Financial Supervision Commission of the Republic of Bulgaria
8. ‘Depository’:	A depository institution which fulfils the conditions and carries out the functions specified in Art. 34 of the LACISOUCI
9. ‘Vice President’:	The Vice President of the Financial Supervision Commission, Head of the ‘Investment Activity Supervision’ Department
10. ‘the Exchange’:	‘Bulgarian Stock Exchange – Sofia’ AD
11. ‘The central depository’:	‘The Central Depository’ AD
12. ‘The Prospectus’:	The Prospectus for public offering of shares in the mutual fund
13. ‘The valuation rules’:	The rules on portfolio valuation and determining the net value of the assets of the mutual fund
14. ‘Working day’:	A day which is a working one for the offices (‘desks’) where shares in the mutual fund are sold and repurchased, the term denoting the working time of the offices during such a day
15. ‘Member State’:	A Member State is a country which is a member of the European Union or another country which belongs to the European Economic Area.
16. ‘Third country’:	A third country is one which is not a member within the meaning of item 15.
17. ‘Regulated market under Art. 152, para. 1 and 2 of the MFIA’:	A regulated market is a multilateral system organised and/or managed by a market operator which meets or contributes to the meeting of numerous third parties’ interests in the purchase and sale of financial instruments through the system and in accordance with the non-discretionary rules of the system, the result of which is the conclusion of a contract involving the financial instruments that are admitted to trading according to the system’s rules and/or subsystems, the system being licensed and regularly operating in accordance with the requirements of the said Law and the acts concerning its application. A regulated market also denotes any multilateral system which is licensed and operative in accordance with the requirements of Directive 2014/65/EU of the European Parliament and of the Council.
18. ‘Another regulated market’:	A regulated market other than the one under Art. 152, para. 1 and 2 of the MFIA, which is regularly operating and is recognized and publicly available.
19. ‘Transferable securities’:	a) shares in companies and other securities that are equivalent to shares; b) bonds and other forms of securitised debt (debt securities);

	c) other transferable securities which give the right to acquisition of transferable securities by way of subscription or an exchange.
20. ‘Money market instruments’:	Money market instruments are those instruments which are usually traded on the money market, and are liquid ones and their value can be precisely determined at any point in time.
21. ‘Tradable rights’:	Rights within the meaning of § 1, item 3 of the Supplementary Provisions of the LPOS, i.e. securities giving the right to subscription for a certain number of new shares in connection with a decision taken in favour of increasing the capital of a public company, and respectively, similar securities issued by foreign public companies.
22. ‘NVA’:	Net value of the assets of the Fund.

Name and logo

Art. 3. (1) The name of the mutual fund is “ACTIVA BALANCED FUND”. The name is written in English language as follows: “Activa Balanced Fund”.

(2) The Board of Directors of the management company approves the logo of the mutual fund.

Management company data

Art. 4. (Amended, decision of the BD dated 23 October 2019) (1) The mutual fund is organised and managed by the management company “Activa Asset Management” AD having its registered seat and headquarters address as follows: town of Sofia 1592, ‘Iskar’ district, 43 Christopher Columbus Blvd., floor 5; mailing address: town of Sofia 1592, ‘Iskar’ district, 43 Christopher Columbus Blvd., floor 5, tel.: 02/4621166, 02/4621167, 02/9651466, 0898122466; e-mail: office@activabg.com; Internet site: www.activabg.com.

The management company has the following scope of activities: Management of the activity of collective investment schemes, including: management of investments; administration of shares, including legal services and accounting services that are connected with the management of assets, requests for information about the investors, evaluation of assets and calculation of the price of the shares, monitoring the compliance with the statutory requirements, maintaining the register of shareholders, carrying out activity of management of a collective investment scheme originating from another Member State, distribution of dividends and other payments, emission, sale and repurchase of shares, performance of contracts, record-keeping; marketing services; Management of the activities of national investment funds; Management, in accordance with the client's contract of a portfolio, including the portfolio of a collective investment schemes, including financial instruments, at its own discretion, without special orders of the client; Providing investment advice on financial instruments; Storage and administration of shares of collective investment schemes.

The Management Company holds a license No 25 - MC from 16.07.2007 for carrying out activities as a management company under Commission Decision No 469 - MC from 20.03.2007 and is entered in the Commission's register by No 350 of 26.03.2007; it is entered in the Commercial Register at the Sofia City Court under file no. No. 4974/2007 with lot no. 115945, volume 1589, reg. 1, p. 47. The company is re-registered in the commercial register with the Registry Agency with UIC 175263888.

(2) The management company has a one-tier system of governance, which comprises a Board of Directors.

Term

Art. 5. The mutual fund is established for an unlimited period of time.

Activity of the Fund

Art. 6. (1) The activity of the mutual fund consists in collective investment in transferable securities and other liquid financial assets – provided for in law – of pecuniary resources with a view to achieving the investment goals specified in Art. 7, this being carried out by the management company in compliance with the principle of distribution of the risk.

(2) The money market instruments in which the mutual fund invests must be liquid ones and it must be possible for their value to be precisely determined at any point in time.

(3) The securities in which the mutual fund invests are as follows:

1. shares in companies and other securities which are equivalent to shares in companies;

2. bonds and other debt securities;

3. other transferable securities which give the right to acquisition of transferable securities through either subscription or an exchange.

Requirements regarding the assets in which the Fund invests

Art. 6a. (1) The securities in which the mutual fund invests must fulfil the following conditions:

1. the losses that the mutual fund may suffer as a result of possessing them are limited by the amount of the price paid for them;

2. their liquidity does not affect the Fund’s capacity for repurchasing its own shares upon the request of its shareholders;

3. they have a reliable evaluation:

a) the securities admitted to trading or traded on a regulated market under Art. 38, para. 1, items 1 through 4 of the LACISOUCI have precise, reliable and regularly checked prices, which are provided either by the market or by evaluation systems that are independent of the issuers;

b) the securities under Art. 38, para. 2 of the LACISOUCI are evaluated on a regular basis and their evaluation is carried out on the basis of information submitted by the issuer, or on the grounds of a competent investment research;

4. there is appropriate information about them:

a) as for the securities admitted to trading or traded on a regulated market under Art. 38, para. 1, items 1 through 4 of the LACISOUCI, accurate and detailed information is regularly submitted as regards the market of the security or, where applicable, as regards the portfolio of the security;

b) as for the securities under Art. 38, para. 2 of the LACISOUCI, precise information is regularly submitted to the mutual fund as regards the security or, where applicable, as regards the portfolio of the security;

5. they are transferable ones;
6. the acquisition thereof is in line with the investment objectives and/or the investment policy of the mutual fund;
7. the risk associated with these securities is adequately laid down in the Rules on the risk management of the mutual fund.

(2) (*Amended, decision of the BD dated 10 May 2018*) It is considered that the requirements set forth in para. 1, items 2 and 5 are applicable to those securities which are admitted to trading or traded on a regulated market under Art. 152, para. 1 and 2 of the MFIA, or on another regulated market, or on an official market of a stock exchange, or on another regulated market in a third country, which is a regularly operating one and is recognized and publicly available, which is included in a list approved by the Commission on a proposal from the Vice-chairman, except where the mutual fund has other information available, which brings about another conclusion.

(3) The money market instruments in which the mutual fund is allowed to invest are regarded as usually traded on the money market providing that they satisfy any of the following requirements:

1. upon their issuance, they have a maturity date that lies not more than 397 days ahead;
2. the remaining period until the maturity date thereof is not more than 397 days;
3. they are subject to regular adjustments of the earning capacity under the conditions of the money market, the said adjustments being made once in each 397 days at the least;
4. their risk profile, including their profile with regard to their credit risk and the risk associated with the interest rate, is in line with the risk profile of those financial instruments the maturity date of which corresponds either with the maturity date laid down in items 1 and 2 or with the adjustments of the earning capacity set forth in item 3.

(4) The money market instruments in which the mutual fund is allowed to invest are those liquid money market instruments the sale of which requires limited expenses and an adequately short period of time in view of the obligation of the Fund to repurchase its own shares upon the request of the shareholders.

(5) Those money market instruments in which the mutual fund is allowed to invest are of a value which can be precisely determined at any point in time providing that there exist accurate and reliable systems of their evaluation, which satisfy the following requirements:

1. they make it possible for the mutual fund to calculate the net value of its asset in accordance with the value at which the instrument forming part of the portfolio can be exchanged between informed parties that have given their consent under the normal competition conditions;
2. they are based either on market data or on evaluation models, including systems grounded on amortised values.

(6) (*Amended, decision of the BD dated 10 May 2018*) It is considered that the requirements set forth in paras 4 and 5 are present for those money market instruments which are admitted to trading or traded on a regulated market under Art. 152, para. 1 and 2 of the MFIA, or on another regulated market, or on an official market of a stock exchange or another regulated market in a third country, providing that the said market is regularly operating, recognized and publicly available, which is included in a list approved by the Commission on a proposal from the Vice-chairman, except where the mutual fund has other information available, which brings about another conclusion.

(7) The money market instruments under Art. 38, para. 1, item 9 of the LACISOUCI must be freely transferable and there must be appropriate information available about them,

including information that is necessary for making the respective assessment of the credit risks associated with investing in these instruments.

Main investment objectives and strategy

Art. 7. (1) The main objectives of the mutual fund consist in an increase in the value of the investments of the holders of shares through realisation of the maximum possible income while assuming a moderate risk and ensuring the liquidity of the investments of the holders of shares.

(2) The Fund invests predominantly in securities, which are admitted to trading or traded on a regulated market in Bulgaria including shares, debt securities and fixed income instruments.

(3) The investment strategy of the mutual fund provides for the realisation of capital profits from securities, income from dividends/share securities, as well as for current income from debt securities and other financial instruments. For achieving the investment objectives, a strategy of active management of the portfolio of securities, financial assets and pecuniary resources is implemented.

(4) In order to achieve its main investment objectives, the Fund applies appropriate strategies for protection against market risk, currency risk and other risks (‘hedging’): transactions involving options, futures contracts, swaps and other derivatives.

Investment policy. Composition and structure of the assets

Art. 8. (1) For the purpose of achieving its investment objectives, the mutual fund will adhere to a policy of investing primarily in liquid shares, in debt securities and in fixed income instruments.

(2) *(Amended, decision of the BD dated 10 May 2018)* The mutual Fund invests in:

1. shares in companies, tradable rights and other securities equivalent to companies’ shares, which are admitted to trading or traded on a regulated market under Art. 152, para. 1 and 2 of the Law on Financial Instruments Markets (MFIA) or traded on another regulated market in **Bulgaria** – up to 90% of the assets of the Fund;

2. shares in companies, tradable rights and other securities equivalent to companies’ shares, which are admitted to trading or traded on a regulated market under Art. 152, para. 1 and 2 of the Law on Financial Instruments Markets (MFIA) or traded on another regulated market in a **Member State**, as well as instruments admitted to trading on an official market of a stock exchange or traded on another regulated market **in a third country**, which is included in a list approved by the Commission on a proposal from the Vice-chairman – up to 70% of the assets of the Fund;

3. a total of up to 90% of the assets of the Fund into:

a) securities and money market instruments, which are issued by the Republic of Bulgaria or by another Member State or by a third country;

b) money market instruments **other than those traded on a regulated market**, provided that the issue or the issuer of these instruments is subject to supervision with a view to ensuring protection for the investors or the deposits guaranteed by the Republic of Bulgaria or by another Member State, or issued or guaranteed by the Bulgarian National Bank, or by the central bank of another Member State, or by the European Central Bank, or by the European Union, or by the European Investment Bank, or by a third country, and in

the cases of a federal state – by any of the members of the federal state, or by a public international organisation that at least one Member State is a member of;

c) securities and money market instruments issued or guaranteed by persons under item ‘b’ (excluding those under item ‘a’) and admitted to trading or traded on a **regulated market** under Art. 152, para. 1 and 2 of the MFIA or traded on another regulated market within the Republic of Bulgaria or another Member State, or admitted to trading on an official market of a stock exchange, or traded on another regulated market in a third country, which is included in a list approved by the Commission on a proposal from the Vice-chairman;

4. mortgage bonds and other debt securities issued by Bulgarian or foreign banks, which are admitted to trading or traded on a regulated market under Art. 152, para. 1 and 2 of the MFIA or traded on another regulated market within the Republic of Bulgaria or within another Member State, or admitted to trading on an official market of a stock exchange, or traded on another regulated market within a third country, which is included in a list approved by the Commission on a proposal from the Vice-chairman – up to 50% of the assets of the Fund;

5. corporate bonds (with the exception of those under subpara. 4), other debt securities and money market instruments which are admitted to trading or traded on a regulated market under Art. 152, para. 1 and 2 of the MFIA, or traded on another regulated market in **Bulgaria** – up to 90% of the assets of the Fund;

6. securities and money market instruments which are issued or guaranteed by **regional or local authorities** in the Republic of Bulgaria, or a Member State, or a third country, admitted to trading or traded on a regulated market under Art. 152, para. 1 and 2 of the MFIA or traded on another regulated market in Bulgaria or another Member State, or admitted to trading on an official market of a stock exchange or traded on another regulated market in a third country, which is included in a list approved by the Commission on a proposal from the Vice-chairman – up to 50% of the assets of the Fund;

7. debt securities and money market instruments that are admitted to trading or traded on a regulated market under Art. 152, para. 1 and 2 of the MFIA or traded on another regulated market in another **Member State**, or admitted to trading on an official market of a stock exchange, or traded on another regulated market in a **third country**, which is included in a list approved by the Commission on a proposal from the Vice-chairman – up to 70% of the assets of the Fund;

8. shares and units in other collective investment schemes and/or other undertakings for collective investment which comply with the conditions laid down in Art. 4, para. 1 of the LACISOUCI and have their **registered seat in Bulgaria, or in another Member State, or in a third country**, and fulfil the requirements set forth in Art. 38 para. 1, subpara. 5, item ‘a’ of the LACISOUCI, **provided that**, according to the Statutes and rules of these collective investment schemes, the latter are allowed to invest no more than 10 per cent of their assets in other collective investment schemes – up to 10% of the assets of the Fund;

9. deposits in credit institutions, which are payable on demand or can be withdrawn at any time, and have a maturity date not more than 12 months ahead; the credit institutions in a third country must abide by the rules and be subject to supervision, which the Commission on a proposal from the Vice-chairman counts as equivalent to those under the European Union law – up to 50% of the assets of the Fund;

10. recently issued securities, provided that the terms and conditions of the issue comprise the assumption of an obligation to demand admittance – not later than one year following the issue thereof – for their being traded on ‘Bulgarian Stock Exchange-Sofia’ JSC or another official market of another stock exchange, or another regulated market,

which is included in a list approved by the Commission on a proposal from the Vice-chairman – up to 90% of the assets;

11. other securities and money market instruments that are admissible in accordance with Art. 38, para. 1 of the LACISOUCI – up to 10% of the assets of the Fund;

12. other securities and money market instruments that are admissible by law, other than those specified in items 1 through 11 above, including those which are not admitted to trading and/or are not traded on a regulated market, inasmuch as that is allowed by law – up to 10 per cent of the assets of the Fund.

(3) *(Repealed, decision of the BD dated 23 October 2018)*

(4) The mutual fund may not acquire precious metals or certificates over them.

Other investment strategies and techniques. Repo transactions.

Art. 8a. The Fund is entitled to make use of techniques for effective management of a portfolio, these techniques being contracts of purchase or sale of financial instruments under the proviso for repurchase of the financial instruments (repo transactions), providing that the transactions are appropriate from the economic point of view; and the risks associated therewith are adequately identified in the process of managing the risk, and on condition that they serve for achieving at least one objective from among the following ones:

1. reducing the risk;
2. decreasing the expenses;
3. generating additional revenues for the Fund, the risk level of the said revenue corresponding to the risk profile of the Fund and the rules on diversification of the risk;

The use of repo transactions should not bring about a change in the investment objectives and restrictions or higher risks for the Fund, the said objectives, restrictions and risks being those specified in the Rules of the Fund.

The collective investment scheme may only include repo transactions in the event that the counterparties thereto are credit institutions or financial ones which are subject to prudential supervision on the part of a competent authority of a Member State or another state which is a party to the Convention on the Organisation for Economic Cooperation and Development.

In its financial statements, the Fund provides specific information about all those financial instruments which are bought and, respectively, sold under repo transactions, disclosing the total amount of the contracts effective as at the date of drawing up the respective statement, and giving information about the contracts terminated during the reporting period.

When contracting the repo transactions, the risk exposure of the Fund to each separate counterparty may not exceed 10 per cent of the assets of the counterparty if the latter is a bank under Art. 38, para. 1, subpara. 6 of the LACISOUCI and may not exceed 5 per cent of the assets of the counterparty in all other cases.

The Fund is entitled to contract repo transactions for the purchase of financial instruments under the proviso for their repurchase by the seller at the price and within the term laid down in the contract between the two parties, in compliance with the following restrictions:

- a) for the time of duration of the contract, the Fund may not sell the financial instruments forming the subject matter of the contract if the counterparty has not exercised

its right or the deadline for repurchase has not expired, except where the Fund has no other resources available for performing its obligations under the contract; the previous sentence shall not be applied in those cases where the counterparty has failed to perform its obligations under the contract of a repo transaction and, according to the contract, the non-performance provides the Fund with the opportunity to sell the financial instruments;

b) the Fund must ensure that the value of purchases under the repo transactions is at a level making it possible for the Fund to perform its obligations – at any point in time – to repurchase its own shares and units upon the request of their holders.

c) those financial instruments which can be the subject of a repo transaction are the following ones:

1. money market instruments within the meaning of Art. 38, para. 1, subpara. 9 of the LACISOUCI;

2. bonds issued or guaranteed by a Member State or another state which is a party to the Convention on the Organisation for Economic Cooperation and Development, or the central banks of such states, or their local self governance bodies, or the European Central Bank, the European Investment Bank or a public international organisation that at least one Member State is a member of, as well as qualified debt securities which are issued or guaranteed by third countries having a credit rating not lower than the investment one awarded by a credit rating agency which is registered or certified in accordance with Regulation (EU) No. 1060/2009;

3. shares or units issued by a collective investment scheme which calculates the net value of the assets at least twice a week, and its registered seat or the registered seat of the company managing it is located either in a Member State or in another country which is a party to the Convention on the Organisation for Economic Cooperation;

4. bonds traded on a regulated market in a Member State or in another country which is a party to the Convention on the Organisation for Economic Cooperation, and the trading in the said bonds is sufficiently liquid;

5. shares traded on a regulated market in a Member State or in another country which is a party to the Convention on the Organisation for Economic Cooperation, on condition that these shares are included in the official index of the said market.

The Fund is entitled to contract repo transactions for the sale of financial instruments under the proviso for their repurchase on the part of the Fund at the price and within the term specified in the contract signed by the parties; and on the maturity date the Fund must have sufficient resources available for paying the amount agreed for repurchase of the financial instruments.

(A new one, decision of the BD dated 23 October 2018) When contracting transactions involving off-exchange derivatives, including repo transactions the Policy on collaterals and reinvestment of cash collaterals of the Fund and the Policy on providing for losses from assets received as a collateral will be applied, in compliance with the requirements set forth in Art. 48a of Ordinance No. 44.

Investment restrictions

Art. 9. (1) The management company does not have the right to invest more than 5 per cent of the assets of the Fund in transferable securities or money market instruments that are issued by the same person.

(2) The management company is not allowed to invest more than 20 per cent of its assets in deposits with the same person under Art. 38, para. 1, subpara. 6 of the LACISOUCI.

(3) The risk exposure of the Fund to the counter party under a transaction involving derivative financial instruments traded off-exchange may not exceed 10 per cent of the assets in those cases where the counter party is a credit institution under Art. 38, para. 1, item 6 of the LACISOUCI, while in all the other cases it may not exceed 5 per cent of the assets.

(4) The management company is entitled to invest up to 10 per cent of the assets of the mutual fund into transferable securities or money market instruments that are issued by the same person, provided that the total value of these investments with persons in each one of which the Fund has invested more than 5 per cent of its assets does not exceed 40 per cent of its assets. The restriction under the first sentence shall not apply to the deposits in those credit institutions upon which prudential supervision is exercised, neither shall it apply to those transactions with these institutions which involve derivative financial instruments traded off-exchange. When calculating the total value of the assets under sentence one, the securities and the money market instruments under para. 6 are not taken into account.

(5) Apart from the restrictions under paras 1 through 3 above, the total value of the investments of the Fund in transferable securities or money market instruments that are issued by the same person, together with the deposits with the said person, and the exposition to the said person arising as a result of transaction which involve derivative financial instruments traded off-exchange may not exceed 20 per cent of the assets of the Fund.

(6) The management company has the right to invest up to 35 per cent of the assets of the mutual fund in transferable securities and money market instruments that are issued by the same person, if the securities and money market instruments are issued or guaranteed by the Republic of Bulgaria, or by another Member State of the European Union, or by the regional or local authorities of a Member State, or by a third country or by a public international organisation that at least one Member State is a member of.

(7) The investment restrictions under paras 1 through 6 may not be combined ones. The total value of the investments of the Fund in transferable securities or money market instruments issued by the same person, together with the deposits with the said person, and the exposition to the said person arising as a result of transaction which involve derivative financial instruments traded off-exchange as set forth in paras 1 through 6 may not exceed 35 per cent of the assets of the Fund.

(8) Those companies which are included in the same group for the purposes of drawing up a consolidated financial statement in accordance with the established accounting standards are regarded as one person in those cases where the restrictions set forth in paras 1 through 7 apply.

(9) The total value of the investments in transferable securities or money market instruments that are issued by the companies within the same group may not exceed 20 per cent of the value of the assets of the Fund.

(10) The mutual fund does not have the right to acquire more than:

1. ten per cent of non-voting shares that are issued by the same person;
2. ten per cent of the bonds or other debt securities that are issued by the same person;
3. twenty-five per cent of the units in the same collective investment scheme or another undertaking for collective investments which fulfils the requirements set forth in Art. 4, para. 1 of the LACISOUCI;
4. ten per cent of the money market instruments that are issued by the same person.

(11) The management company is allowed to invest no more than 10 per cent of the assets of the mutual fund in shares of the same undertaking for collective investments under

Art. 38, para. 1, subpara. 5 of the LACISOUCI, regardless to whether or not the said undertaking has its registered seat in a Member State, abiding by the additional conditions and restrictions regarding the total amount of such investments, as laid down in Art. 8, para. 2, item 8.

(12) The restrictions laid down in paras 1, 4, 6, 7 and para. 10, item 1 shall not apply where the exercised rights concern subscription and ensue from transferable securities and money market instruments which form part of the assets of the Fund.

(13) In the event of a violation of the investment restrictions, this violation being due to reasons beyond the control of the management company or resulting from the exercise of rights to subscription, the management company shall give priority to bringing the assets of the Fund in line with the investment restrictions, giving consideration to the interests of the holders of units, doing so through sales transactions not later than six months following the commitment of the violation. In these cases it is within 7 days following the commitment of the violation that the management company shall have to notify the Commission, providing information about the reasons for the violation and the measures taken for the remedy thereof.

(14) The total value of the Fund’s exposition relating to the derivative instruments may not exceed the net value of its assets.

(15) The Fund has the right to invest in derivative financial instruments while abiding by the restrictions set forth in paras 7 through 9 and on condition that the total exposure to the basic assets does not exceed the investment restrictions under paras 1 through 9.

(16) In those cases where the Fund invests in index-based derivative financial instruments, these instruments are not combined for the purposes of the investment restrictions laid down in paras 1 through 19.

(17) In those cases where transferable securities or money market instruments contain an embedded derivative instrument, the exposure of the Fund to the said derivative instrument is taken into consideration when calculating the total exposure under para. 14.

Restrictions on the activity of the Fund

Art. 10. (1) The management company is not entitled to acquire – at the expense of the Fund – voting shares of the same issuer in those cases where they would allow the Fund to exert considerable influence over the said issuer.

(2) In those cases where the management company or the depository act at the expense of the Fund, they do not have the right to grant loans or stand surety for third parties.

(3) Regardless of the restrictions laid down in para. 2, the management company and the depository are entitled to acquire transferable securities, money market instruments or other financial instruments under Art. 38, para. 1, items 5, 7, 8 and 9 of the LACISOUCI in those cases where the value thereof has not been paid up in full.

(4) In those cases where the management company or the depository act at the expense of the Fund, they do not have the right to enter into a contract of short selling of transferable securities, money market instruments or other financial instruments under Art. 38, para. 1, items 5, 7, 8 and 9 of the LACISOUCI.

Other conditions regarding the performance of investment activity

Art. 11. In the event of inconsistency between the provisions of Arts 8 through 10 of these Rules and any subsequent amendments to the LACISOUCI and the regulations concerning the application thereof in relation to the requirements and restrictions concerning the composition and structure of the investments and the activity of the mutual fund, the new regulatory provisions shall apply on condition that they are more restrictive than the provisions of the Rules. In these cases the management company shall bring the Rules of the Fund in line with the regulatory amendments within the shortest reasonable period of time.

SECTION II FUND’S PROPERTY and UNITS

Divisibility of the property of the Fund

Art. 12. (1) The management company separates its own property from the property of the mutual fund and draws up separate financial statements regarding its own property.

(2) The depository accounts for the pecuniary resources and other assets of the mutual fund separately, and separates the non-cash assets of the Fund from its own assets.

(3) The depository is not answerable to its creditors with the assets of the Fund. The creditors of the depository are entitled to being satisfied from those shares of the Fund which are opened by the depository. The creditors of a member of the mutual fund do not have the right to direct their claims against the assets of the Fund.

Net value of assets

Art. 13. (1) (*Ameded, decision of the BD dated 23 October 2018*) The net value of the assets of the mutual fund cannot be below BGN 500 000. This minimum amount must be reached within two years following the issue of the authorisation for the organisation and management of the mutual fund. In the event that the net value of the assets of the mutual fund does not reach BGN 500 000 within the period under sentence two of this paragraph or the average monthly net value of the assets of the mutual fund keeps being lower than BGN 500 000 for 6 consecutive months, it is within 10 working days that the management company must announce the reasons for it, the measures it will take for bringing in new investors and the period during which these measures will be implemented and the period in which it is expected that the mutual fund will restore the amount of the net value of its assets. The said period of 10 working days starts running from the expiry of the two years’ term under sentence two of this paragraph, or, respectively, from the expiry of the 6 consecutive months under sentence three. The announcement is made on the Internet site of the management company or in another way which is appropriate for coming into contact with the investors. The management company submits to the Commission a copy of the information announced, doing so not later than the working day following the announcement, as well as information about the results of the measures undertaken, not later than the 10th day of each month until reaching the minimum amount under sentence one.

(2) The net value of the assets under para. 1 is the value of the rights (the assets) of the mutual fund diminished by the value of its payables (liabilities). The net value of the assets of the Fund is determined in accordance with the procedure set forth in the Rules on portfolio valuation and determining the net value of assets and these Rules.

(3) The net value of the assets of the mutual fund is increased or decreased in accordance with the change in the number of shares issued and repurchased, and in accordance with the changes in the market value of the investments of the Fund and its liabilities.

Shares

Art. 14. (1) According to § 1, item 4 of the Supplementary Provisions of the LACISOUCI, the shares of the Fund are financial instruments issued by the Fund, which show the rights of their holders upon its assets. The shares are registered in accounts with ‘Central Depository’ AD and can be publicly offered.

(2) The nominal value of each share of the property of the mutual fund is BGN 10 (ten Bulgarian leva).

(3) In return for the shares bought, the investors make contributions in cash.

(4) On the basis of the net value of its assets, the mutual fund is allowed to issue fractional shares in return for an in-cash contribution of a certain amount providing that the number of shares issued for the amount paid cannot be a whole number.

(5) The number of shares of the Fund is changed as a result of their sale or repurchase and is not limited to a minimum or a maximum number.

Procedure for borrowing financial resources on the part of the mutual fund

Art. 15. In those cases where they act at the expense of the Fund, the management company and the depository do not have the right to take out loans, except in the cases under paras 2 and 3.

(2) In those cases where they act at the expense of the Fund, the management company and the depository are entitled to acquire foreign currency through a compensatory loan, the purpose thereof being to provide an effective management of the expenses of the Fund. A compensatory loan is present in those cases where, in return for a currency amount deposited by the Fund, a bank with which the Fund has contractual relationships provides the granting of a loan to the Fund in the respective foreign currency by a bank which is a counterparty. The exposure of the Fund under the loan described in this paragraph may not exceed 10 per cent of its assets. Paras 7 and 9 shall be applied accordingly. The pecuniary resources of the loan under this paragraph can be used for:

1. payment for the orders placed for repurchase of shares of the Fund outside the territory of the Republic of Bulgaria;

2. purchase of instruments under Art. 38 of the LACISOUCI.

(3) (*Amended, decision of the BD dated 10 May 2018*) The Commission on a proposal from the Vice-chairman is allowed to give permission to the Fund to take out a loan of an amount of up to 10 per cent of its assets, providing that the following conditions are cumulatively fulfilled:

1. the term of the loan is not longer than 3 months and the loan is necessary for covering the liabilities related to the repurchase of shares of the Fund;

2. the conditions of the loan contract are not more unfavourable than those which are the customary ones for the market.

(4) The decision regarding the taking out of a loan at the expense of the Fund is made by the Board of Directors of the management company.

(5) (*Amended, decision of the BD dated 10 May 2018*) For obtaining a permission for taking out a loan, the management company files an application to the Commission

approved by the Vice-chairman model and accompanied by the documents required by virtue of an Ordinance.

(6) (*Amended, decision of the BD dated 10 May 2018*) The Commission renders his/her decision on the application for taking out a loan by way of giving or refusing to give the respective permission.

(7) (*Amended, decision of the BD dated 10 May 2018*) After obtaining the permission for taking out the loan, the management company is obliged to notify the Commission of the loan contract that has been signed and to submit a copy thereof within 3 days following the date on which the contract was signed.

(8) The Fund is only allowed to take out more than one loan in those cases where, within the same period, the total amount of the loans does not exceed the amount specified in para. 3.

(9) Until the full extinguishment of the debt, the management company is obliged to keep submitting to the Commission a report on the spending of the financial resources of the loan and its extinguishment, submitting such a report once a month, not later than the 10th day of the next month.

Issue price

Art. 16. The shares of the mutual fund are acquired at their issue price under Art. 21, para. 1.

Indivisibility

Art. 17. (1) The mutual fund issues and repurchases a whole number of shares. In accordance with Art. 14, para. 4 of these Rules and in compliance with the procedure set forth in the rules of the Central Depository, the mutual fund is allowed to issue fractional shares as well.

(2) In those cases where a share (a whole or a fractional one) is owned by several persons, they exercise their rights over it jointly, after appointing an authorized person. The said person must have been authorized by way of an explicit written Power of Attorney notarized in accordance with the law.

Register of shareholders

Art. 18. The register of shareholders of the Fund is maintained by the management company through a subaccount opened with the ‘Central Depository’ AD.

Transfer of shares

Art. 19. Shares of the mutual fund are transferred freely, without any restrictions or conditions, providing that the requirements of the operating legislation concerning the disposition with dematerialised financial instruments are complied with.

Net value of assets of the mutual fund and net value of assets per share. Methods of evaluation of assets and liabilities

Art. 20. (1) The net asset value of the Mutual Fund and the net asset value per unit shall be determined twice a week (on Tuesdays and Thursdays) under the terms and

procedure of the applicable legislation, these Rules, the Prospectus and the Valuation Rules under para.2. When the day of calculation is a non-working day, the net asset value of the Mutual Fund and the net asset value per unit are calculated and announced on the next working day. The issue value for the purchase of shares of the Fund is calculated twice a week (on Tuesdays and Thursdays) and is announced as share issue value. The orders for subscription of shares submitted on a working day are executed at issue price, respectively redemption price, on the nearest working day following the day of the announcement of the price:

- a) Orders submitted on Thursday, Friday, and Monday are issued at issue price calculated on Tuesday.
- b) Orders submitted on Tuesday and Wednesday are issued at issue price calculated on Thursday.

When the day of calculation of a issue price is a non-working day, the value is calculated and announced on the next working day.

The redemption price at which orders for the redemption of shares of the Fund are executed is calculated twice a week (on Tuesdays and Thursdays) and is announced as a redemption price. The redemption orders submitted on a given working day are executed at issue value, respectively redemption price, for the nearest working day following the day of the announcement of the price:

- (a) At redemption price calculated on Tuesday, orders placed on Thursday, Friday and Monday shall be executed.
- (b) At redemption prices calculated on Thursday, orders placed on Tuesdays and Wednesdays shall be executed.

When the day of calculation of a redemption price is a non-working day, the value is calculated and announced on the next working day.

(2) The management company adopts Rules on portfolio valuation and determining the net value of assets of the mutual fund, these Rules laying down the principles and methods of evaluation of assets, as well as the organizational system of the said activity.

(3) When calculating the net value of the assets, accruals are accounted for the remuneration amounts due to the management company, and the other expenses in accordance with the regulatory requirements and the contracts entered into.

(4) The net value of the assets of the Fund is equal to the aggregate of the carrying value of all the assets of the Fund, decreased by the aggregate of the carrying value of all the liabilities. The net value of the assets per share is equal to the net value of the assets divided by the number of outstanding shares of the Fund. The carrying value of the assets and liabilities is determined in accordance with the Rules on portfolio valuation and determination of the net value of assets of the Fund.

(5) The evaluation of assets of the Fund is carried out upon the initial acquisition (recognition) at acquisition price, which also includes the expenses on the acquisition. The subsequent evaluation of assets of the Fund is carried out at fair value.

(6) (*Amended, decision of the BD dated 10 May 2018*) The subsequent evaluation of the securities of the Fund is carried out at fair value in the event that the latter can be determined, as follows:

1. the fair value of government securities issued by the Republic of Bulgaria within the country and traded on trading venues with an active market is calculated on the grounds of the arithmetic mean of the bid prices upon the market closure on the last working day, the said prices being announced by at least two licensed primary dealers of government securities.

1.1. In the event that the price is calculated on the grounds of gross prices submitted by the licensed primary dealers, it is directly used for the revaluation. Where the price is a net one, on the grounds of the interest characteristics and the interest rate coupon it is transformed into gross value and is used for the revaluation.

1.2. (*Amended, decision of the BD dated 23 October 2018*) In the event that it is impossible to apply item 1.1, the fair value is determined in the following way:

- in the event that no transactions involving them are contracted on the day of evaluation, the fair value of transferable securities and money market instruments admitted to trading or traded on trading venues is determined at either the closing price or another similar indicator which is made public by the trading venues, the said price or indicator being the one of the closest day of the 30 days’ period preceding the day of evaluation.

- in the event that no trading is carried out on trading venues on days which are working ones for the country, the fair value of transferable securities and money market instruments admitted to trading or traded on trading venues is the closing price on the day of the last trading session preceding the day of evaluation. In the event that no transaction is contracted on the day of the last trading session preceding the day of evaluation, the fair value of these instruments is determined at either the closing price or another similar indicator which is made public by the trading venues, the said price or indicator being the one of the closest day of the 30 days’ period preceding the day of evaluation. When evaluating bonds and other forms of securitised debt (debt securities), the interest accrued for the respective days is taken into account as well.

1.3 (*Amended, decision of the BD dated 23 October 2018*) Where it is impossible to apply any method item 1.2, it is necessary to apply the method of discounted cash flows, using the formula shown in 2.1, item ‘h’ of the Rules on portfolio valuation and determining the net value of assets. The discount rate can be calculated in any of the following ways:

a) the current earning capacity until the maturity date of the securities, this capacity depending on the interest characteristics described in the Prospectus or the Memorandum of the respective issue; or, where the above is inapplicable, the following method is used:

b) the calculations are grounded on the prices of the latest issues with the respective maturity, which the licensed primary dealers are obliged to quote. These most recent issues with the respective maturity are hereinafter called for short ‘primary issues’. Those issues the price of which must be determined are called ‘the issues sought’.

For the purpose of calculation, the prices of the primary issues are determined in accordance with item 1.

2. The fair value of securities and money market instruments issued by the Republic of Bulgaria abroad, and the fair value of those securities and money market instruments which are issued by another Member State or a third country and are traded on trading venues with an active market is determined as follows:

a) at the bid price upon the market closure on the day of evaluation, the said price being made public through the price information electronic system;

b) in the event that the foreign market is closed on the day of evaluation – at the bid price upon the market closure on the last working day, the said price being made public through the price information electronic system;

c) in those cases where the price calculated on the grounds of items a) through b) is a gross price, the latter is directly used for the revaluation. Where the price is a net one, on the grounds of the interest characteristics and the interest rate coupon it is transformed into gross value and is used for the revaluation;

d) (*Amended, decision of the BD dated 23 October 2018*) in the event that it is impossible to apply the ways described in items ‘a’ through ‘b’, the evaluation is carried out

using the method under item 2 of the Rules for the valuation of the portfolio and determination of the net asset value.

3. The fair value of Bulgarian and foreign shares and rights admitted to trading or traded on regulated market or another trading venue is determined at the average weighted price of those transactions involving the said shares and rights which were contracted during the current working day, the said price being made public through the trading system or the stock exchange bulletin, providing that the total amount of the transactions involving them that were contracted in the course of the day is not lower than 0,02 per cent of the amount of the respective issue.

a) (*Amended, decision of the BD dated 23 October 2018*) in the event that it is impossible for the price to be determined in accordance with the procedure set forth in the preceding item, the price of the shares and, respectively, the price of the rights is determined as the arithmetic mean of the highest bid price of those orders which are valid as at the time of closing the market on the day of evaluation, and the average weighted price of those transactions involving the respective securities which were contracted during the said day. The price is only determined in accordance with this procedure if there are transactions contracted and bid-price orders placed.

b) (*Amended, decision of the BD dated 23 October 2018*) in the event that it is impossible to apply item ‘a’, the price of the shares and, respectively, the price of the rights is equal to the average weighted price of those transactions involving the said shares or rights which were contracted during the most recent day – within the 30 days’ period preceding the day of evaluation – on which such transactions were contracted. In those cases where during the preceding period of 30 days there was an increase in capital or an issuer’s stock split, or payment of a dividend was announced, the average weighted price under the first sentence is adjusted by the capital increase ratio, or, respectively, by the stock split ratio, or by the amount of the dividend providing that the most recent day – within the 30 days’ period preceding the day of evaluation – on which such transactions were contracted precedes the day after which the holders of shares do not have any more the right to participate in the increase of capital, or, respectively, the stock split day or the day after which the holders of shares have no more rights to a dividend.

d) in those cases where it is impossible to apply the evaluation methods described in items ‘a’ through ‘b’, as well as in the cases of shares that are not traded on active regulated markets, the subsequent evaluation is carried out by way of subsequent application of the following methods:

- the method of net carrying value of assets,
- the method of price/profit ratio of similar companies, and
- the method of discounted net cash flows.

4. The subsequent evaluation of shares in collective investment schemes under Art. 38, para. 1, item 5 of the LACISOUCI, including the cases of temporary suspension of repurchase, is carried out at the latest repurchase price that has been made public until the end of the day preceding the day of evaluation.

5. The subsequent evaluation of derivative financial instruments is carried out in accordance with the procedure set forth in item 3.

6. The subsequent evaluation of Bulgarian and foreign bonds admitted to trading or traded on active regulated markets in the Republic of Bulgaria, and the subsequent evaluation of Bulgarian bonds admitted to trading or traded on active regulated markets in Member States is carried out at the average weighted price of transactions involving them that are contracted during the last working day and are made public through the trading

system providing that the amount of transactions involving them for the day is not below 0,01 per cent of the amount of the respective issue.

In those cases where it is impossible for the price to be determined in accordance with the procedure set forth in item 6, the subsequent evaluation of bonds is carried out at the average weighted price of those transactions involving them which were contracted during the most recent day – within the 30 days' period preceding the day of evaluation – on which such transactions were contracted.

7. The subsequent evaluation of Bulgarian and foreign securities admitted to trading or traded on active regulated markets abroad that are regularly operating, recognized and publicly available:

a) at the latest price of a transaction involving them which is contracted on the respective market on the last working day;

b) *(Repealed, decision of the BD dated 07 March 2013)*

c) in the event that it is impossible to apply the evaluation method described in letter 'a', the evaluation is carried out at the latest price of a transaction involving them which is contracted within the last 30 days' period;

8. The subsequent evaluation of derivative financial instruments the underlying asset of which is securities admitted to trading or traded on regulated markets abroad, which are regularly operative, recognized and publicly available, is carried out in accordance with items 7.

(7) In those cases where no trade is carried out on a regulated market on days which are working ones for the country, as well as in those cases where the trade in certain securities is temporarily suspended, the subsequent evaluation of the securities admitted to trading on a regulated market is assumed to be equal to the evaluation that is valid for the day of the latest trade session. In the event of subsequent evaluation of bonds in accordance with the first sentence, the interest accrued for the respective days is taken into account as well.

(8) The rule under para. 7 shall not apply in those cases where no trade sessions are held on the regulated market for more than 5 working days.

(9) The rule under para. 7 shall also apply in those cases where no trade session is held on the regulated market because the day is not a working one in the respective country, although it is a working one in the Republic of Bulgaria.

(10) Those securities and financial instruments which cannot have their fair value determined in accordance with the procedure set forth in para. 6, items 1 through 8, as well as those which are not admitted to trading on regulated markets are evaluated at their fair value calculated in accordance with the principles and methods laid down and described in detail in the Rules approved by the Financial Supervision Commission regarding portfolio valuation and determining the net value of the assets of the Fund.

(11) Bank deposits, cash available, pecuniary resources in current accounts and short-term receivables are evaluated as at the day of evaluation as follows:

1. fixed-term deposits – at their nominal value;
2. cash available – at its nominal value;
3. demand deposits – at their nominal value;
4. short-term receivables that do not have a fixed interest rate or income – at their cost;
5. short-term receivables that have a fixed interest rate or income – at their cost.

(12) The subsequent evaluation of those money market instruments which are admitted to trading or traded on a regulated market is carried out in accordance with para. 6, items 7. In the event that it is impossible to apply para. 6, items 7, the value is determined in

accordance with the principles and methods laid down and described in detail in the Rules approved by the Financial Supervision Commission regarding portfolio valuation and determining the net value of the assets of the Fund.

(13) The financial assets denominated in foreign currency are restated in their BGN equivalent, the latter being determined in accordance with the rate of exchange of the Bulgarian National Bank (BNB) valid for the day of evaluation.

(14) The value of liabilities is equal to the aggregate of the carrying values of short-term and long-term liabilities as shown in the balance sheet. The liabilities denominated in a foreign currency are calculated in accordance with the official rate of exchange of the BNB valid as at the date of evaluation. The evaluation of liabilities is carried out in accordance with the International Accounting Standards and the accounting policy of the Fund.

(15) Twice a week (on Tuesdays and on Thursdays) the management company announces the issue price and the repurchase price of the shares in an appropriate way from among those specified in the Prospectus for public offering of the shares of the Fund.

(16) In the event of inconsistency between the paragraphs above and any subsequent changes in the regulations concerning the calculation of the net value of the assets of the mutual fund, the new regulatory provisions are applied as from their entry into force. In these cases the management company brings the Rules of the Fund in line with the regulatory changes within the shortest reasonable period of time.

Sale and repurchase of shares

Art. 21. (1) The mutual fund has the obligation of constantly (i.e. each working day) offering its shares to the investors at their issue price, which is based on the net value of the assets per share.

(2) (*Amended, decision of the BD dated 23 October 2018*) Upon the request of shareholders, the mutual fund is obliged to repurchase its shares at a price which is based on the net value of the assets per share. In the event that a fractional share has been issued, the repurchase is carried out at a price which is based on the net value of the assets per share multiplied by the fraction of a whole share that is held by the investor. The previous sentences do not apply in the cases of suspension of the repurchase under Art. 23 of these Rules.

(3) The calculation of the net value of the assets of the mutual fund and the net value of the assets per share is carried out in accordance with the procedure set forth in Art. 20 of these Rules. In the event of calculation of the net value of the assets per share, the issue price and the repurchase price are rounded to the nearest four decimal places.

(4) It is not later than the end of each working day on which calculation was carried out of the NVA per share, the issue price and the repurchase price of the shares of the mutual fund that the management company announces these data at all those ‘desks’ where orders for sale and repurchase of shares are accepted and contacts with the investors take place, and on the Internet site of the management company.

(5) The Prospectus of the mutual fund may lay down conditions regarding the minimum amount of transactions of purchase and repurchase of shares.

(6) The sale and the repurchase of shares of the mutual fund is carried out by the management company on behalf of and at the expense of the Fund at the issue price or the repurchase price valid on the first working day following the day on which the written request is made. The order for the purchase of shares is executed up to the amount paid by the investor, the number of whole shares bought being rounded to the closest smaller whole

number, and a fractional share being issued for the remainder of the amount paid, in accordance with the procedure set forth in the rules of the Central Depository.

(7) All the orders for sale and, respectively, for the redemption of shares of the Mutual Fund received in the period between two calculations of the issue value and the redemption price shall be executed at the same value.

(8) The sale of shares of the mutual fund is carried out not later than the 7th day following the date on which the order was placed. The repurchase of shares of the Fund is carried out not later than the 10th day following the date on which the order was placed.

(9) Where a mistake has been made in the course of calculation of the net value of the assets per share, and as a result thereof the issue price is overstated by more than 0,5 (zero point five) per cent of the net value of the assets per share, the management company is obliged to reimburse the difference to the investor that has bought the shares at an overstated issue price, the amount for this reimbursement being provided from the financial resources of the mutual fund, and the reimbursement must take place within a period of 10 days after the mistake is found, except where the investor has acted in bad faith.

Where a mistake has been made in the course of calculation of the net value of the assets per share, and as a result thereof the issue price is understated by over 0,5 (zero point five) per cent of the net value of the assets per share, the management company is obliged to reimburse, at its own expense, the difference to the mutual fund within a period of 10 days after the mistake is found.

Where the mistake that has been made does not exceed 0,5 (zero point five) per cent of the net value of the assets per share, the management company takes measures required for both avoiding any mistakes in the course of calculation of the net value of the assets per share and sanctioning those officials who are at fault.

These rules also apply to those cases where a mistake has been made in the course of calculation of the net value of the assets per share and as a result of it the repurchase price per share is either understated or overstated.

(10) In the event of introduction of an additional rate (the issue price per share exceeding the net value of the assets per share by the amount of the expenses on the sale of shares) and, respectively, in the event of introduction of a discount (the repurchase price per share being below the net value of the assets per share by the amount of the expenses on the repurchase of shares), or in the event of a change in the additional rates and/or discounts introduced, the management company notifies the shareholders and the other investors in an appropriate way specified in the Prospectus, doing so immediately after the changes in the Rules of the Fund are approved by the Financial Supervision Commission. The obligation under the preceding sentence is performed not later than the day following the day on which the approval of the changes is made known.

(11) The management company suspends the sale of shares in those cases where the repurchase of shares of the Fund is temporarily suspended. In the said cases the suspension of the sale of shares continues as long as the temporary suspension of the repurchase continues.

(12) It is immediately after taking the decision regarding it that the management company notifies the shareholders of the Fund of the suspension of the sale/the repurchase, this notification being given at the places ('desks') for sale and repurchase, as well as through a publication made in the way specified in the Prospectus, and via the Internet.

(13) In the event of resumption of the sale/the repurchase, the management company announces the issue price and the repurchase price on the day preceding the resumption.

Obligations of the management company in the event of sale and repurchase of shares

Art. 22. (1) When performing its activity of sale and repurchase, the management company:

- ensures the use of a network of offices (‘desks’) where the orders for sale and repurchase of shares are accepted and the contacts with shareholders in the mutual fund take place, and provides the conditions for acceptance, and accepts the said orders each working day;
- opens subaccounts of the mutual fund’s shareholders at its own account with the Central Depository;
- accepts orders from the investors each working day, the content of the said orders being in compliance with the one specified in the regulations concerning the purchase and repurchase of shares of the mutual fund;
- each working day, it submits to the Central Depository the information required under the Rules, which is necessary for the settlement of the contracted transactions involving the mutual fund’s shares sold/repurchased;
- twice a week (on Tuesdays and on Thursdays), it sends to the depository the calculated net value of the assets, the net value of the assets per share, the issue price and the repurchase price of shares of the mutual fund, as well as the whole information related to the calculation thereof, including the number of those shares sold and repurchased the settlement of which has been completed;
- immediately considers all the statements, opinions and recommendations of the depository that have been made or given by the latter in the course of performance of its functions;
- not later than the end of the working day, it enters into the accounts all those transactions and operations that have been carried out at the expense of the mutual fund;
- performs any other legal and factual actions relating to the sale and the repurchase of shares in accordance with the operating legislation, these Rules and the Prospectus of the Fund.

(2) The management company is obliged:

- to receive the payments made by the investors and/or to deposit the pecuniary resources received in cash for the sale of shares of the mutual fund into the bank account that has been especially opened with the depository for this purpose, doing so not later than the end of the next working day;
- to carry out the transactions of sale of shares of the mutual fund within a period not longer than 7 days following the date on which the order was placed, and to carry out the transactions of repurchase of shares of the Fund within a period not longer than 10 days following the date on which the order was placed;
- to carry out the purchase of shares of the Fund at the first issue price which is made public following the day on which the order was placed, and to carry out the repurchase at the first repurchase price which is made public after the day on which the order was placed;
- all those orders for purchase and, respectively, for repurchase of shares of the Fund received within the same day are carried out at the same price, the latter being the next issue price and, respectively, the next repurchase price that has been made public.

Terms and procedure for temporary suspension of the repurchase

Art. 23. (1) It is upon decision of the management company that the mutual fund may temporarily suspend the repurchase of its shares, doing so in extraordinary cases only –

where the circumstances require it and the suspension is justifiable in view of the interests of the investors, this including the following cases:

1. where the contracting of transactions is terminated or suspended or subject to restrictions on a regulated market on which more than 20 per cent of the assets of the mutual fund are listed or traded, and the temporary suspension lasts for the time during which the contracting of transactions is suspended or restricted;

2. where it is impossible to properly assess the assets or the liabilities of the mutual fund, or the management company is unable to undertake acts of disposition with the assets of the Fund without injuring the interests of the investors, and the temporary suspension lasts for the time of the said impossibility;

3. if a decision has been made in favour of dissolution or transformation through merger or takeover of the mutual fund, and the temporary suspension lasts for the period from the time the decision is taken until the time the procedure is completed;

4. *(Repealed, decision of the BD dated 23 October 2018)*

5. *(Amended, decision of the BD dated 23 October 2018)* in the event of denunciation of the contract with the depository due to culpable conduct on the part of the latter as well as in the case of imposition of restrictions on the activity of the latter, which either bring about impossibility of performance of his obligations under the contract of depository services or may injure the interests of the shareholders of the Fund.

(2) The management company immediately suspends the sale of shares in those cases where the repurchase of shares of the mutual fund is temporarily suspended. In these cases the suspension of public offering lasts as long as the temporary suspension of the repurchase lasts and, respectively, as long as the period by which the temporary suspension of the repurchase of shares is extended.

(3) The management company notifies the Commission and the depository of its decision not later than the end of the working day, and notifies them of the resumption of repurchase not later than the end of the working day preceding the resumption. The management company notifies the shareholders of the Fund of the suspension of repurchase and, respectively, of the resumption thereof, doing so immediately after taking the respective decision, by announcing the latter in the way specified in the Prospectus. The management company announces on its Internet site the decision regarding the suspension of the repurchase and, respectively, of the resumption thereof.

(4) In the event that an extension of the period of temporary suspension of the repurchase of shares is necessary, the management company notifies the Commission and the depository, doing so not later than 7 days prior to the expiry of the deadline initially set. Where the suspension period is shorter than seven days, including those cases in which the repurchase is suspended due to technical reasons, the management company gives its notifications under the preceding sentence not later than the end of the working day preceding the date on which the repurchase was supposed to be resumed.

(5) Those orders which are placed after the final announcement of the repurchase price, prior to the initial date of the period of temporary suspension are not executed. The management company reimburses the amounts to the investors that have placed orders for the purchase of shares or units, transferring the amounts either to their bank account or to the cash desk of the company not later than the end of the working day following the day on which the decision regarding the suspension of the issue of shares was taken.

(6) The repurchase is resumed by the management company upon the expiry of the deadline set in the decision regarding the suspension of repurchase and, respectively, in the decision regarding the extension of the period of suspension of the repurchase. The notification of the resumption is given in accordance with the procedure set forth in para. 3.

The issue price and the repurchase price after the resumption of repurchase must be made public on the day preceding the resumption. The next determination and announcement of the issue value and the redemption price shall be made on the days specified in the prospectus.

Reinvestment of the Fund’s income

Art. 24. (1) The mutual fund shall not distribute any income – this being also valid for the income under the Fund’s annual financial statements certified by a registered auditor – among the holders of its shares.

(2) The management company reinvests the income of the mutual fund under para. 1 in the activity of the latter with a view to increasing the net value of the assets of the Fund in the best interests of the holders of shares of the Fund.

(3) It is allowed for the income of the preceding year to be reinvested – either in full or in part – into the activity of the Fund and be accounted for in one of the following ways:

- in the retained earnings of previous years;
- in the ‘Reserve Fund’;
- for covering losses from previous years.

SECTION III RIGHTS OF SHAREHOLDERS

Rights of the investors in the Fund

Art. 25. (1) Each share gives equal rights to its holder.

(2) (*Amend., decision of the BD dated 23 October 2018*) Each share gives its holder the right to the respective portion of the property of the Fund, this including the events of its liquidation, the right to repurchase, the right to information and the right to lodge a complaint. Terms and procedure for lodging complaints by investors are regulated by The policy on accepting and processing complaints of ‘ACTIVA ASSET MANAGEMENT’ AD, available on the website of the Management Company www.activabg.com.

(3) In the cases of acquisition of fractional shares, the property rights are acquired and exercised in proportion to the fractional share held.

The right to repurchase

Art. 26. (1) Each investor in the mutual fund is entitled – during the working time of the sales desks – to request that the shares he/she holds should be repurchased by the mutual fund under the conditions laid down in these Rules and the Prospectus, except for those cases where the repurchase is suspended in accordance with the provisions of the law or these Rules.

(2) The request for repurchase may only concern the shares held by the investor or a part thereof.

(3) The repurchase of shares is carried out at a price equal to the net value of the assets per share. In the event of a fractional share the repurchase is carried out at a price which is equal to the net value of the assets per share multiplied by the portion of a whole share held by the investor.

(4) The orders for repurchase of shares are executed within a period not longer than 10 days following the date on which the order was placed, at the first repurchase price that has been made public after the day on which the order was placed.

The right to liquidating dividend

Art. 27. (1) Each holder of shares of the Fund has the right to a portion of the property of the Fund in the event of a liquidation of the latter, the said portion corresponding to the shares held.

(2) The said right can be exercised as much as, after satisfying the creditors of the Fund, there still is property remaining for distribution.

(3) In the event that the property remaining after the extinguishment of the liabilities to the creditors of the Fund is insufficient for paying the shares of all the investors, the latter shall be satisfied proportionately to the shares held.

The right to information

Art. 28. (1) Each holder of shares is allowed to receive public information regarding the activity of the Fund, this being information contained in these Rules, the Prospectus of the Fund, the investor’s key information document, as well as information relating to the management company.

(2) The Prospectus, the investor’s key information document and the latest published annual and 6 months’ statements of the Fund are submitted free of charge to each investor that is willing to get acquainted with them in connection with taking an investment decision.

(3) The information is made available to the investors and the shareholders via the Internet page of the management company, and at the office of the latter, as well as at the places (desks) at which the sale and the repurchase of shares of the Fund is carried out. In the event that the investors make such a request, the management company submits a free paper copy of the information.

SECTION IV ORGANISATION AND MANAGEMENT OF THE FUND

General provisions

Art. 29. (1) The management company organises the mutual fund by way of adopting and updating these Rules, the Prospectus, the evaluation rules, the Rules on risk management as well as any other acts that are necessary for the Fund’s structure and operation, and performs other organisational actions as well.

(2) The management company manages the mutual fund by taking the necessary decisions connected with its organisation, operation and dissolution, as well as with the current operational management of the Fund. The decisions under the preceding sentence are taken by the Board of Directors of the management company.

(3) The investment decisions regarding the assets of the mutual fund are taken by the investment consultant of the management company.

Representation of the Fund

Art. 30. (1) (*Amended, decision of the BD dated 23 October 2018*) In carrying out the activity under Art. 4, para. 1 of the LACISOUCI, related to the public offering of the shares of the Fund, as well as their redemption, the management company acts on behalf and at the expense of the Fund.

(2) The management company, the members of its Board of Directors and its investment consultant shall act in the best interests of all the holders of shares in the mutual fund and are obliged to treat them fairly.

Fund management functions

Art. 31. (1) The management company is obliged to manage the activity of the Fund by doing the following:

1. raising pecuniary resources through public offering of shares (sale of shares of the Fund);

2. investing the pecuniary resources thus raised into transferable securities and/or other eligible liquid financial assets, including fixed-income instruments;

3. repurchasing of shares of the Fund.

(2) The management company sells and repurchases shares of the mutual fund and provides a network of ‘desks’ (offices) for contacting the investors and performing the said actions.

(3) Those functions of the management company which are connected with investing the pecuniary resources that have been raised include an analysis of the market of financial instruments, formation of a portfolio of securities and other liquid financial assets, a revision of the portfolio thus formed and an evaluation of its efficiency.

(4) In the course of carrying out its activity under para. 1, the management company calculates the NVA per share, the issue price and the repurchase price of shares of the Fund under the control of the depository, and maintains accounting records, takes care of the recording and book-keeping, and performs any other similar obligations.

(5) The management company manages the advertising and marketing activity of the mutual fund and gives information about the Fund on its Internet site.

(6) The management company also carries out any other activities that are necessary in connection with the lawful operation and dissolution of the Fund.

(7) In the course of carrying out the activity of managing the mutual fund, the management company is obliged to implement the investment policy with a view to achieving the investment objectives of the Fund, and to abide by the investment restrictions provided for in law, in these Rules and in the Prospectus, as well as to comply with the valuation rules, the Rules on risk management and the other internal acts of the Fund.

(8) The management company is allowed to enter into a contract, delegating to a third party the functions and actions under Art. 86, para. 1 and para. 2, item 1 and 4 of the LACISOUCI, fulfilling the conditions of Art. 106, para. 1, items 1 through 8 of the said Law.

In those cases where the delegation of functions and actions concerns the management of investments, the following additional requirements must be fulfilled as well:

1. the delegation must be carried out in accordance with the criteria for redistribution of the investments that are periodically laid down by the management company;

2. the third party to which functions are delegated must be licensed or registered for the purposes of management of assets and must be subject to supervision of compliance with the requirements regarding the performance of activity;

3. there should be collaboration ensured between the Commission and the body which supervises the third person in those cases where functions of investment management are delegated to a person from a third country.

(9) As for those matters which are not explicitly regulated in these Rules, it is the provisions of the LACISOUCI, the ordinances regarding its application and the other relevant regulatory acts that apply.

Decisions of the management company regarding the activity of the Fund

Art. 32. (1) In the course of carrying out its functions under Art. 31, the management company takes decisions regarding any matters connected with the organisation, the performance of activity and the dissolution of the Fund, including:

1. making amendments and supplements to these Rules, the Rules on portfolio valuation, the Rules on risk management and the other internal acts, as well as those regarding the updating of the Prospectus of the Fund;

2. concluding, controlling the performance of, suspending and denouncing the contracts with the depository and those investment intermediaries which execute the investment orders relating to the management of the portfolio of the Fund;

3. appointing and discharging the registered auditors of the Fund;

4. drawing up the annual financial statements of the Fund and approving them after their certification by the registered auditors;

5. determining the net value of the assets of the Fund, the NVA per share, the issue price and the repurchase price of its shares, doing this twice a week (on Tuesdays and on Thursdays);

6. taking decisions regarding temporary suspension/resumption of the repurchase and extending the period of time set for temporary suspension of the repurchase, in accordance with the conditions and procedure set forth in these Rules;

7. taking decisions regarding the conclusion of a loan contract;

8. taking decisions relating to transformation and dissolution of the mutual fund;

9. appointing liquidator/s in the event of occurrence of grounds for dissolution of the Fund.

(2) The decisions under para. 1 are taken by the management company on the terms and conditions and in accordance with the procedure set forth in its Statutes.

(3) (*Amend., decision of the BD dated 10 May 2018*) Any change in the Rules of the mutual fund, the valuation rules and the Rules on risk management, or a change in the contract regarding depository services, as well as a replacement of the depository or of the management company is allowable only after the approval by the Commission on a proposal from the Vice-chairman. As for taking a loan on the terms and conditions set forth in Art. 27 of the LACISOUCI, it is allowable only after the permission of the Commission on a proposal from the Vice-chairman.

(4) The transformation and dissolution of the mutual fund is carried out with the permission of the Commission.

Prohibitions in respect of the management company

Art. 33. The management company is not allowed:

1. to carry out activity beyond the investment objectives and strategy of the mutual fund as described in these Rules and the Prospectus;
2. to receive income in the form of discounts from the commission remuneration of those investment intermediaries through which its orders are executed, or to receive other income or non-cash incentives in those cases where this gives rise to a conflict of interests or violates the obligation of the management company to equally treat and conduct due diligence into the interests of the persons and funds the activity or portfolio of which it manages;
3. to submit untruthful or misleading information, including information about the composition, the value and the structure of assets in the mutual fund’s portfolio, as well as information about the state of the market of financial instruments;
4. to use the assets of the Fund for objectives which contravene the law, or the application acts, or these Rules or the Prospectus of the Fund.

Remuneration of the management company

Art. 34. (1) (*Amend., decision of the BD dated 4 October 2018 and 11 October 2019*) The annual remuneration of the management company amounts up to 2.30 (two point thirty) per cent of the average annual net value of the assets of the mutual fund. The management company is allowed to decline a part of this remuneration.

(2) The remuneration under para. 1 accrues each working day. It is at its own discretion that, on certain days, the management company is allowed not to provide any remuneration or to provide remuneration that is lower than the allowable one.

(3) The daily remuneration accrued during the month is paid to the management company in the aggregate for the whole month, on the first working day of the following month.

(4) (*Repealed by decision of the BD dated 21 October 2019*)

Fees and other expenses borne by the mutual fund

Art. 35. (1) Apart from the remuneration of the management company specified in Art. 34, the operating expenses of the mutual fund also comprise:

1. all the expenses related to the establishment of the mutual fund, including fees of the Commission due for the issue of permission for organising and managing the Fund, a fee payable to the Central Depository for the registration of the shares of the Fund, as well as the remuneration of consultants;

2. the remuneration of the depository – in accordance with the contract signed with the depository;

3. the remuneration and the fees payable to the investment intermediaries, banks, the Central Depository and other similar ones connected with investing the assets of the mutual fund;

4. the remuneration payable to the auditors for certifying the annual financial statements of the mutual fund, the expenses on advertising and marketing the Fund, as well as those for contacts with the investors, the current fees on supervision, membership and other similar ones payable to the Commission, the Bulgarian Stock Exchange and other regulated markets, as well as those payable to the Central Depository and other government bodies and institutions connected with the activity of the Fund;

5. the expenses on transactions involving financial instruments and, in the event of revaluation of investments in financial instruments – the expenses on foreign exchange rate losses and the extraordinary expenses that are not incurred through the fault of the officials, as well as any other expenses determined in accordance with the procedure set forth in law;

6. other costs specified in these Rules as being at the expense of the Fund, court costs and other expenses connected with the protection of the interests of the shareholders in the mutual fund, as well as other extraordinary expenses connected with the activity of the Fund.

(2) The management company reimburses the expenses made for the Fund under para. 1 by deferring them in an appropriate way in the best interests of the Fund, providing that the minimum net value of its assets under Art. 9 of the LACISOUCI has been achieved.

(3) In those cases where the management company invests assets of the Fund in shares of collective investment schemes and/or other undertakings for collective investment that are managed – directly or by delegation – either by the same management company or by another company with which the management company is connected through common management or control, or through direct or indirect participation, the management company or the other company do not have the right to collect fees for the sale and repurchase at the expense of the assets of the Fund.

Restrictions on the expenses borne by the Fund

Art. 36. The management company is not entitled to collect fees which are not provided for in these Rules.

Expenses borne by the investors

Art. 37. (1) The management company does not include in the issue price of the purchased shares any additional rate for the purpose of covering the expenses on the sale.

(2) The management company does not reduce the repurchase price of the shares with a discount for the purpose of covering the expenses on the repurchase.

(3) *(Repealed by decision of the BD dated 10 May 2018)*

Confidentiality

Art. 38. (1) The members of the Board of Directors of the management company, the employees thereof as well as any other persons working for the management company under a contract do not have the right to disclose, except where they are authorized accordingly, or to make gains for either themselves or other persons from any facts or circumstances concerning the account balance and the operations involving the accounts of the mutual fund, the same being also valid for any other facts and circumstances which constitute a trade secret and came to their knowledge in the course of performing their official and professional obligations.

(2) *(Amen., decision of the BD dated 10 May 2018)* Apart from the Commission, the Vice President and the authorized officials of the administration of the Commission, and the regulated market – for the purposes of their control activity and within the ordinance related to the check – the management company is only allowed to give information under para. 1 in the following cases:

1. with the consent of its client;

2. in accordance with the procedure set forth in Part Two, Chapter Sixteen, Section IIIa of the Taxation and Social Security Procedure Code; or

3. by a decision of the court that is rendered on the terms and conditions and in accordance with the procedure set forth in Art. 91, paras 2 and 3 of the Law on Financial Instruments Markets.

Responsibility of the management company

Art. 39. The management company is held responsible to the shareholders in the mutual fund for any damages sustained by them as a result of non-performance of the obligations on the part of the management company, including incomplete or incorrect performance as well as a failure to perform in due time in those cases where the latter is due to reasons for which the Company is held responsible.

Replacement of the management company

Art. 40. (1) Replacement of the management company is only made after an approval on the part of the Financial Supervision Commission in those cases where :

a) the Financial Supervision Commission revokes the licence of the management company or imposes restrictions on its activity, these restrictions making it impossible for the management company to fulfil its obligations to the Fund and being able to infringe on the interests of the investors;

b) the General Assembly of the management company takes a decision according to which the activity of the latter will be terminated;

c) the management company is declared bankrupt.

(2) (*Amended, decision of the BD dated 23 October 2018*) In the event that any of the circumstances specified in para. 1 is present, the management company immediately submits to the depository all the available information and documentation connected with the management of the Fund. Until entering into a contract with another management company or transformation of the Fund through merger or takeover, it is the depository that manages the Fund, by way of exception, for a period not longer than 3 /three/ months.

(3) The Financial Supervision Commission approves another management company on the terms and conditions and in accordance with the procedure set forth in Chapter Five, Section I of Ordinance 44.

SECTION V DEPOSITORY

Requirements to the depository

Art. 40a. (1) (*Amended, decision of the BD dated 23 October 2018*) A depository can be any bank which fulfils the requirements set forth in Art. 35, para. 1 of the LACISOUCI. A depository may as well be an investment intermediary meeting the requirements of Art. 35, para. 2 of the LACISOUCI.

(2) (*Amended, decision of the BD dated 23 October 2018*) The management company and the depository should as well satisfy the following requirements:

a) no one can be a member of the governing body of the management company and a member of the governing body of the depository at the same time;

b) no one can be a member of the governing body of the management company and an employee of the depository at the same time;

c) no one can be a member of the governing body of the depository and an employee of the

- management company at the same time;
- d) in those cases where the governing body of the management company is not charged with supervisory functions within the company, no more than one third of those members of the body of the company who are charged with supervisory functions can be at the same time members of the governing body, or of the body charged with supervisory functions, or be employees of the depository;
 - e) in those cases where the governing body of the depository is not charged with supervisory functions within the depository, no more than one third of those members of the body of the depository who are charged with supervisory functions can be at the same time members of the governing body of the management company, or of the body of the management company charged with supervisory functions, or be employees of the management company.

(3) in those cases where the depository acts at the expense of the Fund, the depository is not entitled to take out loans except for the cases specified in the regulations.

(4) in those cases where the depository acts at the expense of the Fund, the depository is not entitled to provide loans or stand surety for third parties.

(5) the depository is not entitled to offset its receivables against the Fund at the expense of either the pecuniary resources entrusted to the depository or the financial instruments of the Fund.

Functions of the depository. Rules on determining the remuneration of the depository

Art. 41 (1) (*Amend., decision of the BD dated 10 May 2018*) The dematerialised financial instruments held by the Fund are registered with a depository institution within the meaning of § 1, item 79, letter ‘b’ of the Supplementary Provisions of the Law on Financial Instruments Markets, while the other assets of the Fund are kept by the depository, the latter making all payments at the expense of the Fund. In the event that the depository is an investment intermediary, the pecuniary resources are kept under the conditions of Art. 93 of the Law on Financial Instruments Markets.

(2) (*Amended, decision of the BD dated 23 October 2018*) The depository:

1. exercises control over the determination – on the part of the management company – of the net value of assets, the issue price and the repurchase price of the shares of the Fund;

2. ensures that the emission, the sale, the repurchase and the cancellation of shares of the Fund is carried out in accordance with the LACISOUCI, the acts concerning its application and these Rules;

3. ensures that the value of the shares of the Fund is calculated in compliance with the provisions of the LACISOUCI, the acts concerning its application and these Rules;

4. carries out regular checks on consistency of those accounts maintained by the management company and the depository which relate to the assets of the collective investment scheme, including the accounts maintained by the third person in the cases under Art. 37a of the LACISOUCI;

5. ensures that all the pecuniary resources from transactions involving assets of the Fund’s portfolio are transferred in due time in favour of the Fund;

6. ensures that the income of the Fund is distributed in accordance with the LACISOUCI, the acts concerning its application and these Rules;

7. ensures that the collection and use of the income of the Fund are carried out in accordance with the law and these Rules, and monitors whether the remuneration of the management company is calculated and paid in accordance with the law and the Rules of the

Fund and whether the restrictions on the expenses borne by the Fund are respected, the said restrictions being laid down in these Rules;

8. undertakes acts of disposition with the Fund's assets entrusted for safekeeping in those cases where authorized persons have given such instructions and the said instructions do not contravene the law, or these Rules or the contract relating to depository services;

9. reports at least once a month to the management company in connection with the assets entrusted and the operations carried out involving the said assets, this including the submission of a complete list of the assets of the collective investment scheme not later than the 5th day of the next month;

10. in the event of revocation of the licence for carrying out the activity, as well as in the event of dissolution or the management company being declared bankrupt, the depository performs management actions for a period not exceeding three months until a contract is concluded with another management company or the Fund is transformed through merger or takeover providing that an approval of either the replacement of the management company or the transformation of the Fund is obtained from the Financial Supervision Commission;

11. monitors the cash flows of the Fund, which includes monitoring whether all the payments made by the investors or on their behalf and at their expense upon the subscription for shares in the collective investment scheme are received and recorded in the accounts which:

a) are open in the name of the Fund or in the name of the management company acting on behalf of and at the expense of the Fund, or in the name of the depository acting on behalf of and at the expense of the Fund;

b) are open with a central bank, or a bank licensed in accordance with the procedure set forth in the Law on Credit Institutions, or a bank licensed in a Member State, or a bank having authorization in a third country; and

c) are managed in accordance with Art. 35a, para. 5 of the LACISOUCI.

12. The depository manages the pecuniary resources of the collective investment scheme doing as follows:

a) the accounting records are maintained and the accounts are drawn up in a way which makes it possible for the Fund's assets held to be immediately differentiated from the assets held for another customer, and from the depository bank's own assets;

b) the accounting records are maintained and the accounts are drawn up in a way which ensures their correctness;

c) regular checks are implemented on the compliance between the accounts that are drawn up by the management company and the depository regarding the assets of the Fund. In the cases under Art. 37a of the Law on the Activity of Collective Investment Schemes and Other Undertakings for Collective Investments (LACISOUCI) the compliance with the accounts drawn up by the third party must also be checked;

d) the necessary measures are adopted for ensuring that all those pecuniary resources of the Fund which are deposited with a third party can be clearly distinguished from the pecuniary resources of the depository as well as from the pecuniary resources of the said third party, this being due to the individual accounts of the holders drawn up by the third party, or to equivalent measures resulting in the same level of protection;

e) the necessary measures are implemented for ensuring that the pecuniary resources of the Fund in the accounts with a person under para. 4, item 2 of the LACISOUCI are kept either in an individual account or in accounts separately from all the accounts for keeping the pecuniary resources of the person in the name of which the assets of the collective investment scheme are kept;

f) appropriate organisation is introduced and the necessary actions are taken for minimizing the risk of loss or decrease in the amounts as a result of abuse, fraud, poor management, improper maintenance and keeping of accounting records, this including the cases of negligent conduct.

13. As far as the financial instruments of the Fund are concerned, the depository:

a) keeps all those dematerialised financial instruments which are entered in the financial instruments account opened and maintained by the depository, as well as any other financial instruments that can be physically delivered to the depository (financial instruments held in custody);

b) ensures that all the dematerialised financial instruments are entered in the financial instruments account opened and maintained by the depository in accordance with the requirements set forth in Art. 35a, para. 5 of the LACISOUCI, in separate accounts opened in the name of the management company, which acts on behalf of and at the expense of the collective investment scheme, in a way making it possible for them to be identified, at any point in time, as financial instruments of a certain collective investment scheme.

(3) in the course of performing its obligations, the depository acts independently and in the best interests of all the holders of shares of the Fund.

(4) (*Amended, decision of the BD dated 23 October 2018*) The depository is held liable to both the Fund and the holders of shares of the Fund for any damages caused by the depository or a third person under Art. 37a of the LACISOUCI in the event of a loss of financial instruments held in custody. The depository is not held liable for the said losses in case of proving that they result from an external event which is beyond the depositor's control and the consequences of which are inevitable regardless of the measures taken for preventing against them. The depository is held liable to both the Fund and the holders of shares of the Fund for any other damages sustained by them which are caused as a result of negligence or wilful non-performance of the obligations laid down in the LACISOUCI on the part of the depository, or members of the management or the supervisory bodies of the latter.

(5) The depository separately accounts for the pecuniary resources and the other assets of the Fund, and separates the non-cash assets of the Fund from its own assets. The depository is not held liable to its creditors through the assets of the Fund. The creditors of the depository are entitled to satisfaction from the shares held by the depository in the Fund.

(6) The remuneration payable to the depository, the fees and the commission that the latter is allowed to receive are laid down in the contract signed with the depository. The amount of the remuneration payable to the depository must be based on the customary remuneration for work of the same nature and amount, and the market conditions within the country. The remuneration payable to the depository may be determined as a fixed amount for a certain period and/or as fees and commission for certain operations specified in either the tariff of the depository or the contract with the depository, for instance: fees and commission for the maintenance and management of financial instruments accounts, money transfers, control over the calculation of the net value of the assets of the Fund.

(7) The contract with the depository is concluded in accordance with the requirements and restrictions laid down in law.

(8) (*A new one, adopted through a decision of the BD dated 23 October 2018*) The depository is not entitled to delegate to third parties the functions specified in Art. 35a, paras 3 through 6 of the LACISOUCI. The depository is allowed to enter into a contract through which it delegates to third persons the functions specified in Art. 35a, paras 7 and 8 of the LACISOUCI in the event that the conditions laid down in Art. 37, paras 2 through 7 of the LACISOUCI are fulfilled.

Replacement of the depository

Art. 42. (1) *(Amend., decision of the BD dated 10 May 2018)* A replacement of the depository is only allowable after receiving the approval of the Commission on a proposal from the Vice-chairman, on the terms and conditions and in accordance with the procedure set forth in the operating legislation.

(2) *(Amend., decision of the BD dated 10 May 2018)* The contract with the depository can be terminated by the management company at the expense of the Fund with a three months’ prior notice given after the approval of the replacement of the depository, the said approval being obtained from the Commission on a proposal from the Vice-chairman.

(3) The Board of Directors of the management company is obliged to file with the Financial Supervision Commission the documents necessary for the approval of the replacement of the depository, doing so immediately after becoming aware that the depository no more fulfils the requirements set forth in Art. 35 of the LACISOUCI.

(4) The contract with the depository lays down the specific deadlines, conditions, and procedure for the transfer of the assets of the Fund to another depository, in accordance with a contract signed with the latter, after the approval of the Financial Supervision Commission of the replacement of the depository and the expiry of the respective prior notice.

SECTION VI DISCLOSURE OF INFORMATION

Statements and other information

Art. 43. (1) The management company submits to the Financial Supervision Commission an annual report and a six months’ report covering the first 6 months of the financial year, and submits any other important information, in accordance with the deadlines provided for in the law, and the conditions and requirements regarding the minimum content of the information disclosed.

(2) The management company makes public the information about the Fund under para. 1 in the way specified in the Prospectus and the document of key information for the investors.

(3) In addition to the six months’ and the annual reports, the management company also submits to the Financial Supervision Commission the additional information required by virtue of an Ordinance.

(4) It is not later than the 10th day of the month following the reporting one that the management company submits to the Financial Supervision Commission the monthly balance sheet of the Fund and information about the amount and structure of investments in the portfolio by issuers and types of securities.

(5) *(A new one, adopted through a decision of the BD dated 23 October 2018)* It is not later than the 10th day of the respective month that the management company publishes on its Internet site summary information about the structure of the portfolio of the Fund as at the last day of the preceding month, the said information necessarily containing data about the percentage of those assets of the Fund which are invested in the various types of financial instruments.

SECTION VII TRANSFORMATION and DISSOLUTION

Transformation

Art. 44. (1) The Fund may only be transformed by way of merger or takeover, following the permission of the Financial Supervision Commission.

(2) The Fund may not be transformed into an undertaking for collective investments which is not a collective investment scheme within the meaning of the LACISOUCI.

(3) The transformation of the Fund is carried out through a decision of the Board of Directors of the management company and after the Financial Supervision Commission has given its permission.

(4) In the event of transformation of the Fund, the provisions that apply are those of Chapter Fourteen, Section I, III and IV of the LACISOUCI and Chapter Four, Section I of Ordinance No. 44.

(5) The transformation of the Fund is carried out in accordance with the procedure and conditions set forth in an Ordinance.

Dissolution

Art. 45. (1) The Fund is dissolved under the following circumstances:

1. by decision of the Board of Directors of the management company;
2. in the event of revocation of the authorization of the management company for organizing and managing the Fund;

3. in those cases where within a period not exceeding three months after revocation of the licence, or dissolution, or the management company being declared bankrupt, there is no new management company elected or the Fund has not been transferred by way of merger or takeover.

(2) It is within a period of 14 days following the day on which the grounds for dissolution of the Fund arise that the management company is obliged to file with the Financial Supervision Commission an application for the issue of permission for dissolution.

(3) The dissolution of the Fund is carried out in accordance with the procedure and conditions set forth in an Ordinance.

(4) The persons not having the right to be appointed liquidators are those members of the Board of Directors of the management company or other persons who have worked for the management company regarding whom a systematic violation of the LACISOUCI, or the LPOS, or the MFIA, or the acts concerning the application thereof has been established.

(5) In the event of dissolution of the Fund, the obligations of the liquidator and the protection of the creditors of the Fund are governed by Art. 267, Art. 268, paras 1 and 3, Art. 270, Art. 271 and Art. 273 of the Commercial Law, the functions of a governing body under Art. 270, para. 2 and Art. 272, para. 4 of the Commercial Law being carried out by the management company.

Originals

Art. 46. These Rules are signed in 1 (one) original in Bulgarian language.

CONCLUDING PROVISIONS

§1. All those matters which are not explicitly regulated by these Rules shall be governed by the provisions of the LACISOUCI, the Law on Obligations and Contracts, the MFIA and the other applicable legislation.

§2. In the event of inconsistency between the provisions of these Rules and any imperative provisions of a regulatory act, it is the latter that shall apply, without its being necessary to introduce a change in the Rules, except where that is explicitly provided for in either the regulatory act or these Rules. In the cases under the preceding sentence, the management company shall take timely measures for bringing these Rules in line with the regulatory acts and the changes therein, respectively.

§3. These Rules are adopted on 16 July 2007 by the Board of Directors of the management company ‘Activa Asset Management’ AD and amended on 9 July 2008 as the amendment comes into force on 23 July 2008. Subsequently, the Rules were amended on 30 March 2012, 04 May 2012, on 30 August 2012, on 24 September 2012, on 07 March 2013, on 01 April 2013, on 11 April 2014, on 29 December 2016, on 10 February 2017, on 26 March 2018, on 10 May 2018, on 04 October 2018, on 23 October 2018, on 11 October 2019 and on 21 October 2019. The amendments shall enter into force after their approval by the Financial Supervision Commission.

**For the management company ‘Activa Asset Management’ AD
acting at the expense of Mutual Fund ‘Activa Balanced Fund’:**

/Olga Dimitrova Yordanova,
Executive Director/