

expatcapital

BULGARIAN/EUROPEAN
CITIZENSHIP THROUGH
INVESTMENT

EXPAT BULGARIA SOFIX UCITS ETF

THE BEST GAME IN TOWN



May 2021

THE BULGARIAN CITIZENSHIP PROGRAMME IN 2021

The Foreigners in the Republic of Bulgaria Act provides the opportunity to acquire Bulgarian permanent residence and citizenship by investment in Bulgarian securities.

The relevant legislation has been changed recently. The appropriate financial instruments can be summarized as follows:

1) BGN 1,000,000 (EUR 511,292) in shares of Bulgarian UCITS (Undertakings for Collective Investments in Transferable Securities):

- Bulgarian-licensed Exchange Traded Funds (ETFs)
- Bulgarian-licensed Mutual Funds

Certain limitations apply, related to the size and the investment profile of the instruments. The funds should invest primarily in Bulgarian securities.

2) BGN 2,000,000 (EUR 1,022,584) in shares or bonds of Bulgarian companies. The securities should be listed on the stock exchange.

As well as a fast-track citizenship option for foreign individual investors who double their investment in the above-mentioned securities with a lock-in period of 5 years.

Government bonds can no longer be used for Bulgarian citizenship applications.

Government bonds have been excluded from the list of eligible investments leading to a Bulgarian citizenship or permanent residency status. Investors who have purchased such bonds will now have to switch to some of the instruments mentioned above.

Expat Asset Management offers the best financial alternative for Bulgarian citizenship applicants, with its UCITS exchange-traded passive index fund following the major equity index on the Bulgarian Stock Exchange: Expat Bulgaria SOFIX UCITS ETF.

Our clients have access to any other financial instruments which an investor might choose for the purposes of the Bulgarian Citizenship Programme. Those include:

- Bulgarian listed stocks
- Bulgarian listed bonds
- Bulgarian-licensed UCITS mutual funds or ETFs
- Bulgarian-licensed alternative investment funds

INVESTORS CRITERIA

- Non-EU citizen
- Proof of funds origin
- The applicant should not have a criminal record
- No obligation to relinquish current nationality
- Unique lack of language proficiency requirements for residence permit or citizenship
- Unique exemption from physical residency requirements

WHY A BULGARIAN RESIDENCE/CITIZENSHIP?

Benefits for permanent residents:

- Free movement within the EU countries
- Access to high-quality healthcare and education in the EU
- Conditional tax exemption on worldwide income

Benefits for citizens:

- Unrestricted right to live, work, and study in Europe
- Right to own property in any EU country
- Open bank accounts in any EU & Schengen country
- Lowest tax rates and free-trade environment within the EU

EXPAT BULGARIA SOFIX UCITS ETF

Expat Bulgaria SOFIX UCITS ETF is an excellent choice of an instrument for the purpose of Bulgarian citizenship.

The passive index ETF operated by Expat Asset Management has the following advantages:

1) It meets all the legal requirements

- a UCITS collective investment scheme
- its size is well above the minimum of BGN 5 mln stipulated in the Law, and is expected to grow
- it invests 100% of its assets in Bulgaria

2) The investment needed is only BGN 1,000,000 (EUR 511,292)

- In comparison, other instruments such as corporate stocks and bonds require double that amount

3) The ETF is a passive index-tracking instrument

- Some investors might prefer to make an “active bet”. This would involve selecting an individual stock or a bond. And hold it for 5 years. If the choice turns out to be unsuccessful, the investors will lose money (realize a capital loss) at exit.
- In contrast, the ETF invests passively in the index. Currently, SOFIX consists of the 15 largest and most liquid companies on the stock exchange. When buying the index ETF, one can invest passively in the Bulgarian stock market without even knowing the name of a single Bulgarian company. The logic is, if the Bulgarian economy is doing well, the index will likely increase as well. Normally, the stock market is expected to be up as a whole within any five-year investment horizon.

4) The index ETF is more diversified and less volatile than the average individual instrument

By definition, a diversified portfolio is less volatile and risky than its individual constituents. We believe that the SOFIX index, where no individual companies have weights above 15%, is a good proposition.

5) Shares in the ETF for BGN 1 mln can be easily bought and sold on a daily basis without moving the market. This is not true about other instruments

- The ETF's shares can be bought and sold both on the secondary market (we have a menu of 4 exchanges, see the next paragraph) and on the primary market (directly with the asset manager, Expat Asset Management).
- There are market-makers on all the stock exchanges, who are obliged to give quotes continuously. They can also provide larger quotes (in the millions) upon request. As a result, it has been normal to buy or sell immediately a million shares at the prevailing price level.

- On the primary market, investors can subscribe or redeem an infinite number of shares from the fund itself. The price is the NAV (Net Asset Value) per share plus/minus the subscription/redemption fee.
- Expat's clients, as well as institutional investors (e.g. the investor's broker or custodian) can use the primary market, if they wish.

6) Expat Bulgaria SOFIX UCITS ETF is an internationally recognized instrument, listed on 4 European exchanges

Investors can buy and sell the ETF's shares at 4 exchanges for the time being. These are:

- Bulgarian Stock Exchange – since September 2016
- Frankfurt Stock Exchange – since January 2018
- London Stock Exchange – since November 2018
- Ljubljana Stock Exchange – since April 2021

7) Expat Bulgaria SOFIX UCITS ETF has been registered for safekeeping and settlement with several international securities depositories

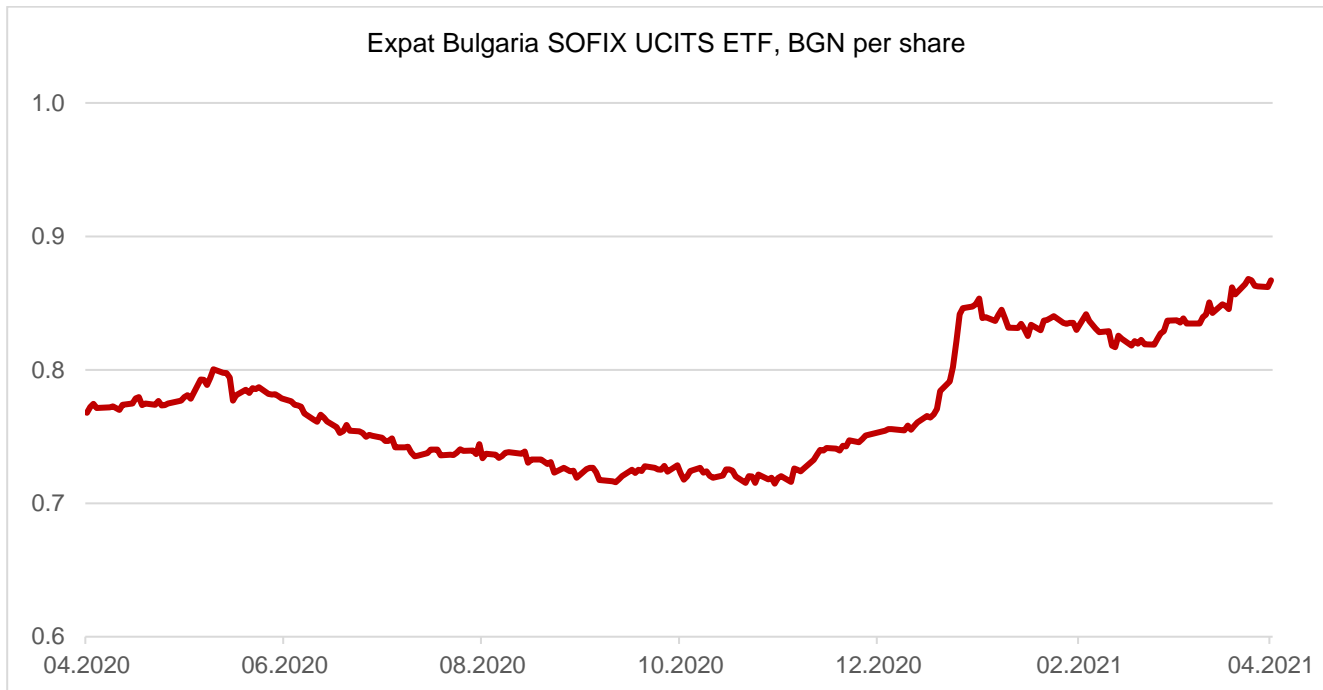
Investors, via their brokers, custodians, or asset managers (including Expat), can hold their shares in a number of international securities depositories. These include:

- Euroclear
- Clearstream
- Keler (Hungary)
- KDD (Slovenia)
- Central Depository (Bulgaria)

Table 1. Key Points Summary

Characteristic	Expat Bulgaria SOFIX UCITS ETF	Other Bulgarian Securities
Minimum Investment Required	EUR 511'292	EUR 1'022'584
Volatility/Market Risk	Average (market-related)	High
Investment Strategy	Passive index tracker	Active
Liquidity Risk	Very High Liquidity	Low Liquidity
Diversification Risk	Very Diversified	Not Diversified
Management-Related Risk	None (Passive index tracker)	High (depends on the manager)
Upside Potential (5-years)	Of the stock market in general	N/A
Local Tax Effects	Exempt from taxation on both fund and investor level	Corporate and individual taxes may apply
Market Price Information	Daily	Depends on the instrument
Ease of Access and Safekeeping	Very Easy (the ONLY Bulgarian instrument traded on international exchanges)	Not easy, local brokerage or custodian account required

Chart 1. ETF Performance, Last 12 Months



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Investors should keep in mind that these forecasts are not a reliable indicator of future profitability. Past performance is not a guarantee of future performance, and the value of the investment may decrease or increase, resulting in significant losses. No profits are guaranteed and there is a risk that it will not be possible to recoup the full amount invested. Investments in units of a mutual fund, exchange traded fund or through an individual investment account are not guaranteed by a state guarantee fund or another type of guarantee.

Shares purchased on the secondary market may not, as a general rule, be redeemed by the fund if the investors do not qualify for participation in a primary market. Investors must buy and sell the units on the secondary market with the assistance of an investment firm where additional fees may apply. Furthermore, investors may pay more than the current net asset value when buying units on secondary markets and get less than the current net asset value when selling the units. SOFIX is developed, calculated and published by the Bulgarian Stock Exchange. The SOFIX Index is a registered trademark of the Bulgarian Stock Exchange.