

**Expat Bulgaria SOFIX UCITS ETF**  
**Exchange-traded Fund**  
**RULES**

**SECTION I  
GENERAL PROVISIONS**

***General provisions***

**Art. 1.** (1) The Fund “Expat Bulgaria SOFIX UCITS ETF” is a collective open-ended investment scheme for investing in securities and other liquid financial assets established and operating in accordance with the Collective investment schemes and other undertakings for collective investment Act (CISOUCIA), the Public Offering of Securities Act (POSA) and the regulations for its implementation, the Markets in financial instruments Act (MFIA), the Law on obligations and contracts (LOC) and the other applicable laws of the Republic of Bulgaria.

(2) The ETF is a designated asset pool for investment in securities and other liquid financial assets in view of achieving the investment objectives specified in Art. 7. The ETF is not a legal entity.

(3) The ETF is a designated asset pool for the purpose of collective investment of funds raised through public offering of units in transferable securities and other liquid financial assets under Art. 38, para 1 of the CISOUCIA, carried out by the management company on the principle of risk spreading.

(4) The ETF is organised and managed by Management Company “Expat Asset Management” EAD (hereinafter referred to as the Management Company, or MC) under CISOUCIA and the regulations for its implementation, the Law on obligations and contracts and the other applicable laws of the Republic of Bulgaria.

(5) The Management Company is authorised to organise and manage the Fund under para 1 by the Financial Supervision Commission with authorisation No.156-DF dated 23 August 2016.

(6) (Amended by BD Resolution № 198/02.05.2017) The Fund shall be considered established with the issuance of the authorisation under para 5 and its subsequent entry in the Register of Management Companies and Mutual Funds under Art. 30 para 1.4 of the FSC Act, kept by the Financial Supervision Commission.

(7) (Amended by BD Resolution № 197/31.03.2017) In the course of performing the fund management activities, the Management Company acts in its own name but indicates that it acts on behalf of the Fund. When performing the activities related to the secondary market (trading session) public offering and redemption of the ETF units, the Management Company acts in the name and on behalf of the Fund.

(8) The assets of the ETF shall be kept by the Custodian.

***Definitions and abbreviations***

**Art. 2.** (Amended by BD Resolution № 302/24.09.2019) In these Rules, the words and expressions below shall have the meaning as follows:

<b>1. “CISOUCIA”</b>	The Collective investment schemes and other undertakings for collective investment Act
<b>2. “MFIA”</b>	Markets in Financial Instruments Act

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3. “ETF” or “the Fund” or “the Exchange-traded Fund”	ETF “Expat Bulgaria SOFIX UCITS ETF”, incorporated and operating under art.4, art. 5 and the subsequent provisions of CISOU CIA
4. “Management Company” or “MC”	“Expat Asset Management” EAD, 96A Georgi S. Rakovski Street, Sofia 1000, Bulgaria, which is a management company under the meaning of Art. 86 of CISOU CIA
5. “The Commission” or “FSC”	The Financial Supervision Commission of the Republic of Bulgaria
6. “Marketmaker”	An investment broker meeting the requirements and operating under Chapter Three “a” of CISOU CIA
7. “Custodian”	A bank or a non-banking financial institution meeting the requirements and operating under Chapter Five of CISOU CIA
8. “Vice-Chairman”	The Deputy Chairman of the Financial Supervision Commission managing the Investment Activity Supervision Division
9. “The Exchange”	(Amended by BD Resolution № 197/31.03.2017) “Bulgarian Stock Exchange AD or another regulated stock exchange on which the units of the Fund are being traded
10. “Index”, “Reference index”	The Stock exchange index which the Fund shall replicate in full.
12. “Tracking error”	Volatility (measured by the annualized standard deviation) of the difference between the annual return of the Fund tracking the index and the annual return of the Index itself
13. “Central Depository”	“Central Depository” AD organised and operating under Art127 and the subsequent provisions of POSA
14. “The Prospectus”	Prospectus for public offering of units of the Fund pursuant to Art. 53 and the subsequent provisions of CISOU CIA
15. “The Valuation Rules”	The Valuation Rules of the portfolio and determination of the net asset value of the Fund
16. “Business day”	The day which is a business day for the offices where the Exchange-traded Fund’s units are sold and repurchased
17. “Member State”	“Member State” is a State which is a Member of the European Union, or another State which belongs to the European Economic Area
18. “Third Country”	A third country is a State which is not a Member State within the meaning of Item 17
19. “Regulated market under Art. 152 of MFIA”	A regulated market is a multilateral system organised and/or managed by a market operator which meets or cooperates in meeting the interests for purchase and sale of financial instruments of a multitude of third parties via the system and in accordance with its non-discretionary rules in a way, the result of which is the conclusion of a contract in connection with the financial instruments admitted for trading according to its rules and/or systems, licensed and regularly functioning in accordance

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	<p>with the requirements of this law and the regulations for its implementation.</p> <p>A Regulated market is also each multilateral system which is licensed and operates in accordance with the requirements of part III of Directive 2014/65/EC of the European Parliament and of the Council.</p>
<b>20. “Other regulated market”</b>	A regulated market, other than the market pursuant to Art. 152 of MFIA, regularly functioning, acknowledged and publicly accessible.
<b>21. “Securities”</b>	<p>Securities are transferable rights registered on accounts with the Central Depository, and for government securities – registered on accounts with the Bulgarian National Bank or a sub-depository of government securities or in foreign institutions, pursuing such business (dematerialised securities) or documents, materializing transferable rights (securities) that can be traded in the capital markets, with the exception of payment instruments, such as:</p> <ol style="list-style-type: none"> <li>1. stocks in companies and other securities, equivalent to stocks in companies, partnerships and other legal entities, and depository receipts in respect of such stocks;</li> <li>2. 2. bonds and other debt securities, including depository receipts for such securities;</li> <li>3. other securities giving the right to acquire or sell any such securities or leading to cash settlement determined by securities, currencies exchange rates, interest rates or return, commodities or other indices or indicators.</li> </ol>
<b>22. “Money-market instruments”</b>	“Money-market instruments” are instruments normally dealt in the money market, such as short-term government securities (Treasury bills), certificates of deposit and tradeable securities with the exception of payment instruments.
<b>23. “Net Asset Value”, “NAV”</b>	The net value of the assets of the Exchange-traded Fund.
<b>24. “Valid order”</b>	(Amended by BD Resolution 197/31.03.2017) An order for purchase or redemption of units of the Fund is valid when it is signed by the investor and received by the MC by 5:00 pm Sofia time (CET+1:00).
<b>25. “Indicative net asset value”</b>	An indicative net value of the assets of the Fund shows the indicative asset value of the Fund less the Fund’s liabilities at a specific time of the day.
<b>26. “Institutional investor”</b>	Institutional investors are any insurance companies, banks, investment brokers, management companies, pension funds and any collective investment schemes and investment companies, granted a license in EU or in a country within the EEA and OECD.

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***Name and company logo***

**Art. 3.** (1) The name of the Fund is “Expat Bulgaria SOFIX UCITS ETF”.

(2) (Amended by BD Resolution № 198/02.05.2017) The logo of the Fund shall be adopted by the Board of Directors of the Management Company.

***Information about the Management Company***

**Art. 4.** (1) (Amended by BD Resolution № 302/24.09.2019) The Fund is organised and managed by Expat Asset Management EAD with headquarter and registered office at 96A Georgi S. Rakovski Street, Sofia 1000, Bulgaria, tel: +359 2 980 1881, fax: +359 2 980 7472, e-mail: [office@expat.bg](mailto:office@expat.bg), website: [www.expatsg](http://www.expatsg).

The Management Company has the following scope of activity: management of collective investment schemes, including investments management; administering the units or shares, including rendering legal and accounting services with respect to asset management, requests for information by investors, assets valuation and calculating units or share price, monitoring compliance with the legal requirements, risk management, keeping the register of unitholders or shareholders in case of management of collective investment schemes from another member state, distribution of dividends and other payments, issue, sale and redemption of units or shares, implementation of contracts, book-keeping, marketing services. The Management Company provides also the following services: national investment fund management, management of individual portfolios of financial instruments under a contract signed with a client, including collective investment schemes portfolios, portfolios with financial instruments at a full discretion mandate without client orders, investment advice about financial instruments; safekeeping and administration of collective investment schemes units or shares.

The Management Company holds a license No. 33-UD/31.07.2008to conduct business as a management company, issued under Resolution of the Commission No. 1574-UD dated 30 November 2007, and was originally registered in the commercial register of the Registry Agency with UIC 175431340.

(2) The Management Company has a one-tier management system.

***Term***

**Art. 5.** The Fund is established for an indefinite period of time.

***Scope of activity of the ETF***

**Art. 6.** (Amended by BD Resolution № 197/31.03.2017) The ETF shall carry out collective investment in securities and other liquid financial assets within the meaning of Art. 38 of CISOU CIA of funds raised by public offering of units in view of achieving the investment objectives specified in Art. 7 carried out by the Management Company on the principle of risk spreading.

**Requirements for securities, money-market instruments and other assets under Art. 38 of CISOU CIA and for the asset and liabilities structure and the liquidity of the Exchange-traded Fund**

(Repealed by BD Resolution. № 197/31.03.2017 г.)

**Core investment objectives and strategy**

**Art. 7.** (1) Expat Bulgaria SOFIX UCITS ETF is a passively managed exchange-traded fund that follows the model of full physical replication of an index.

(2) (Amended by BD Resolution No. 198/02.05.2017) In order to reach the highest possible correlation with the performance of the Reference Index, the Fund will invest mainly in a basket of balance-sheet assets consisting of shares of the companies in the Reference Index. As a Fund for direct replication, Expat Bulgaria SOFIX UCITS ETF may not invest in every company of the Reference Index or with the exact weight of the given company in the Reference Index. In this way, the Fund seeks to track the Reference Index while it is possible the allocation of the constituents' shares in the Fund to deviate from that in the Reference Index due to the concentration restrictions specified by the law or under extreme market conditions. Under normal market conditions and sufficient liquidity on the Index positions, the Fund shall invest in every constituent of the Reference Index with weights as close as possible to those in the Index and subject to the regulatory limits and restrictions specified in these Rules. To ensure the transparency of the method by which the performance of the Reference Index is replicated, the Management Company will publish the updated information about the composition of the portfolio of Expat Bulgaria SOFIX UCITS ETF on the page, designated for the Fund, on [www.expat.bg](http://www.expat.bg) for investors to find it. The frequency of update and/ or the date on which the above-mentioned information is updated are indicated on the same website.

(3) The extent to which a fund for direct physical replication can achieve its objectives depends on the investment restrictions the Fund must comply with, as described in these Rules. In addition to the investment restrictions, it should be noted that:

- a. Exceptional circumstances such as, but not limited to disruptive market conditions or extremely volatile markets may occur and cause the performance of the Fund to depart significantly from the performance of the Reference Index;
- b. Due to various reasons, including fees and expenses, concentration limits, other legal or regulatory restrictions, and in some cases, the illiquidity of certain securities, it may not be possible or appropriate to invest in every company of the Reference Index and/ or in the same proportions as in the Reference Index.

(4) According to the ETF investment strategy the realised income from dividends will be reinvested in shares of the Reference Index.

(5) The ETF is exposed to risks of volatility in the deviation from tracking the Reference Index, so-called “tracking error risks”, which can result in a failure to follow exactly the value and performance of the Reference Index.

(6) Tracking error is the volatility (measured by the annualized standard deviation) of the difference between the annual return of the ETF and that of its Reference Index.

(7) (Amended by BD Resolution No.158/01.07.2016) The estimated level of the annual tracking error from following the Reference Index under usual market conditions is 10.00%. The estimated tracking error is calculated based on the performance of the NAV of the ETF against

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the performance of the Reference Index, assuming that the after-tax dividends received from the constituents of the Index are also reinvested. The estimated level is determined based on historical tests (back testing), involving the historical performance of SOFIX and the simulated performance of Expat Bulgaria SOFIX UCITS ETF against it, given the inability of Expat Bulgaria SOFIX UCITS ETF to replicate SOFIX exactly due to legal restrictions related to liquidity; to estimated annual management and other expenses; and to estimated average bid-ask spreads of the shares in SOFIX.

(8) (New -BD Resolution No.158/01.07.2016) Given the high volatility of the Reference Index which the Fund tracks, the ETF is classified as a “high-risk fund”.

***Investment policy. Composition and structure of assets***

**Art. 8.** (1) As a fund for full physical replication of an index, Expat Bulgaria SOFIX UCITS ETF will invest in the following manner and in accordance with the Rules of the Fund:

- 1) (Amended by BD Resolution No.158/01.07.2016) (Amended by BD Resolution No.197/31.03.2017) (Amended by BD Resolution No.231/08.01.2018) Up to 100% of the fund's assets in equities and company rights of the constituting the Reference Index taking into account liquidity maintenance. The Fund invests in only in shares part of the Reference Index. In circumstances beyond the Management Company control (change of a constituent of the Reference Index), within 6 months the Fund must rebalance its portfolio and sell/buy the shares subject to change in the Reference Index. During the period when the Fund is raising capital, it is likely to experience disproportionately large cash inflows beyond the control of the Management Company. ;
- 2) (Amended by BD Resolution No.158/01.07.2016) (Amended by BD Resolution No.197/31.03.2017) (Amended by BD Resolution No.240/14.02.2018) Up to 20% of the Fund's assets in bank deposits payable on demand or eligible to be withdrawn at any time and maturing in no more than 60 days, provided that the bank is headquartered in the Republic of Bulgaria or in another Member State of the EU, and if established in a third country, provided that it is subject to regulations that the FSC and proposed by the Deputy Chairman of the FSC considers equivalent to those under EU law;
- 3) (Amended by BD Resolution No.162/03.08.2016) (Amended by BD Resolution No.240/14.02.2018) Without limitation, in total of up to 100% of the Fund's assets can be invested in securities and money market instruments issued by the Republic of Bulgaria, another Member State or a third country which is included in a list approved by the FSC and proposed by the Deputy-Chairman of the FSC only in the following or similar exceptional cases:
  - a. (Amended by BD Resolution No.162/03.08.2016) In case of a disproportionately large subscription of new Fund units against cash on the primary market;
  - b. (Amended by BD Resolution No.162/03.08.2016) In case of low market liquidity;
  - c. (Amended by BD Resolution No.162/03.08.2016) High market, political or systemic risk that may affect the ETF management in normal market conditions;
  - d. (New – BD Resolution No.162/03.08.2016) (Amended by BD Resolution No.198/02.05.2017) If the Management company assesses that any of the aforementioned risks is present, it may invest temporarily its free funds in securities under item 3 and is required within 6 months to rebalance the portfolio in order to replicate the Reference Index as close as possible.

***Investment restrictions***

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**Art. 9.** (1) (Amended by BD Resolution No. 197/31.03.2017) (Amended by BD Resolution No.231/08.01.2018) Expat Bulgaria SOFIX UCITS ETF seeks to replicate the composition of the SOFIX Index which meets the following conditions:

- a. The index composition is sufficiently diversified;
- b. The index represents an adequate benchmark for the market to which it refers, and
- c. It is published in an appropriate manner.

As a passive index tracker fund, in compliance with the afore-mentioned conditions, the "Expat Bulgaria SOFIX UCITS ETF" has no other restrictions (including concentration of investments) except for 20% in equities, part of the Reference Index, issued by one entity in compliance with Art. 46, para. 1 of CISOU CIA. The Fund strives to follow the Reference Index and it is possible that the allocation of shares in the ETF deviates from that of the Reference Index at times of exceptional market conditions, change of the structure of the Reference Index, an order for subscription or redemption of the Fund, low market liquidity and low trading volume, etc. The MC performs any rebalancing of the portfolio of Fund in the interests of the investors and according to the Fund's mandate to track the Reference Index. In order to comply with legal limitations and maintain liquidity, and to meet redemption requirements, the Fund will maintain a minimum level of cash and cash equivalents, which limits the weight of shares to replicate the Reference Index.

(2) The Management Company may not invest more than 20 percent of the Fund's assets in deposits in one entity.

(3) (New -BD Resolution No.197/31.03.2017) The risk exposition of Fund to the counterparty in a deal deriving from effective portfolio management techniques cannot exceed 10% of the assets when the counterparty is a bank defined under Art. 38 para 1. item 6 of CISOU CIA, and 5% of the assets in all other such cases.

(4) (Amended by BD Resolution № 197/31.03.2017) The total amount of investments under para 2-3 in securities or money-market instruments issued by a single entity and deposits with this entity, and exposure due to effective portfolio techniques should not exceed 20 percent of the amount of Fund's assets.

(5) The Management Company may invest up to 30 percent of the Fund's assets in securities and money-market instruments issued by a single issuer if the securities and money-market instruments are issued or guaranteed by the Republic of Bulgaria, by another Member State, by their local authorities, by a third country or a public international organization in which at least one Member State is a member.

(6) The parties belonging to one group for the purposes of preparation of consolidated financial statements in accordance with the recognised accounting standards are regarded as a single entity in applying the restrictions under para 2-4.

(7) (Repealed by BD Resolution No.197/31.03.2017)

(8) The Fund may acquire no more than:

- a. ten percent of the equity shares without voting rights issued by one entity;
- b. ten percent of the bonds and other debt securities issued by one entity;
- c. ten percent of the money-market instruments issued by one entity.

(9) Restrictions under para. 1, 2, 3, 4, 6 and para 8 letter “a” shall not apply in exercising subscription rights attributed to securities and money-market instruments that are part of the Fund's assets.



(10) (Amended by BD Resolution № 197/31.03.2017) In case of violation of the investment restrictions for reasons beyond the control of the Management Company and in the cases under para 8, the Management Company shall notify the Commission within 7 days of detection of the violation and provide information on the causes of the accident and the actions taken for its remedy. Not later than six months from the occurrence of the violation, assets shall be brought in line with the investment restrictions, taking into account the best interest of the unitholders.

***(Amended by BD Resolution № 197/31.03.2017) Liquidity Requirements***

**Art. 10.** (1) (Repealed by BD Resolution № 231/08.01.2018)

(2) At any time the Fund must have minimum liquid funds as follows:

- a. Cash (including deposits with credit institutions under Art. 38, para 1, i. 6 of CISOU CIA), securities, money-market instruments under Art. 38, para 1, items 1-3 of CISOU CIA, money-market instruments under Art. 38, para 1, items 9 of CISOU CIA, and short-term receivables – amounting to not less than 100 percent of the weighted current liabilities;
- b. (Amended by BD Resolution No.158/01.07.2016) Cash (including deposits with credit institutions under Art. 38, para 1, i. 6 of CISOU CIA), securities and money-market instruments issued by the Republic of Bulgaria or another Member State and money-market instruments under Art. 38, para 1, i. 9, letter “a” of CISOU CIA – not less than 70 percent of the weighted current liabilities, except for liabilities associated with participation in capital increases of public companies.

(3) (New – BD Resolution № 197/31.03.2017) The Fund may use various operations on the money market (repo deals, lending of securities) thus providing liquidity whenever necessary, if the redemption liabilities exceeds the current cash amount of the Fund and securing additional money through urgent asset sales may harm the interest of the rest of the investors of the ETF. Such operations are appropriate under extreme market conditions: periods with low market liquidity, daily market fluctuations of more than 5% in the Index or other circumstances that may lead to potential losses for the current investors of the Fund after securing the necessary liquidity.

(4) In case of a violation of the provisions in the preceding paragraphs, the ETF is required no later than the next business day to notify the Financial Supervision Commission stating the reasons for the violation, and in the next 7 days, to propose measures to align the liquidity with the regulatory requirements. The Fund aligns its liquidity with the regulatory requirements within 30 days of detecting the violation. When, before the expiry of the 7-day period, the ETF aligns its liquidity with the regulatory requirements, it shall notify the FSC thereof not later than the next business day. In this case, the requirement to provide measures under the first sentence of this paragraph shall not apply.

***(New – BD Resolution № 197/31.03.2017) Other investment strategies and techniques***

**Art. 11.** (1) The Fund may, in accordance with the law, purchase or sell securities with the agreement to sell them or alternatively to buy them back from the seller/buyer under the requirements of Art. 27 and 28 of CISOU CIA (these transactions are generally known as repurchase or repo transactions). These contracts may be executed under different conditions with respect to their term, the redemption price and collateral, depending on the situation and the agreement reached with the specific counterparty. Such contracts could optimize the profitability and liquidity of the ETF, and their counterparties must meet the pre-defined by the MC creditworthiness requirements.

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(2) The Management Company shall follow the guidelines in Section X of the Guidelines on Exchange-Traded Funds (ETFs) and other UCITS issues (ESMA/2014/937). The Management Company shall not use derivative instruments in the management and structure of the ETF and therefore all guidelines related to these instruments are not relevant. Expat Bulgaria SOFIX UCITS ETF may use techniques and instruments related to securities and money-market instruments under the conditions and restrictions set out in this Prospectus and the Fund Rules, but in any case these techniques shall not lead to a deviation from the investment objectives of the Fund or impose additional risks to the original policy risks as described in this Prospectus and the Fund Rules. When and if such actions are to be undertaken, Expat Bulgaria SOFIX UCITS ETF will ensure that it is able at any time to take back the securities lent or terminate any agreement entered for the lending of securities. Term repo and reverse repo agreements, the duration of which does not exceed seven days, shall be considered transactions whose conditions enable the ETF to take back the securities at any time. The annual financial statements of Expat Bulgaria SOFIX UCITS ETF shall also include details on:

- a. the risk exposure due to efficient techniques for portfolio management;
- b. the identity of the counterparty/counterparties of these efficient techniques for portfolio management;
- c. type and amount of collateral received by the UCITS to reduce the exposure to the counterparty; revenues as a result of efficient techniques for portfolio management for the whole reporting period along with direct and indirect operating costs and fees incurred.

***Restrictions on Activities***

**Art. 12.** (1) The Management Company may not change the scope of the Fund’s activity or make a decision for its conversion in no other way than merges and acquisitions after approval by the Commission

(2) The Management Company and the Custodian when acting on the account of the Fund may not:

- a. Grant loans or secure or guarantee obligations of third parties with assets of the Fund;
- b. (Amended by BD Resolution No.158/01.07.2016) (Amended by BD Resolution № 300/02.09.2019) Sell securities, money-market instruments and other financial instruments under Art. 38, para 1, Item 1, 2, 3, и 9 of CISOUCIA which the ETF does not own, nor lend securities to third parties.

(3) The Management Company may not invest the Fund's assets (or assets of all mutual funds managed by the Management Company and assets of other clients) in shares entitled to voting rights of a single issuer, in a way that the acquired shareholding enables the Management Company or the members of its management or control bodies, jointly or separately, to exercise significant influence on the issuer.

(4) In managing the Fund, the Management Company shall comply with all legal requirements and restrictions, including those set by resolutions of the FSC.

***Other conditions on performing investment activity***

**Art. 13.** In case of a discrepancy of the provisions of Art. 8-12 of these Rules with subsequent changes in CISOUCIA and the regulations for its implementation regarding the requirements

and limitations for the composition and structure of the investments and the activities of the Fund, the new regulations shall apply if they are more restrictive than the provisions in the Rules. In these cases, the Management Company shall align the Rules of the Fund with the legislative amendments within the shortest reasonable time.

## SECTION II PROPERTY AND UNITS OF THE FUND

### *Unbundling of the Fund's assets*

**Art. 14.** (1) The Management Company shall separate its property from the assets of the Fund and prepares separate financial statements for it.

(2) The Custodian shall separately report the cash and other assets of the Fund and shall separate the non-monetary and monetary assets of the Fund from its own assets.

(3) The Management Company and the Custodian shall not be liable to the creditors with the Fund's assets. Creditors of an investor in the Fund cannot direct their claims against the Fund's assets.

### *Net asset value*

**Art. 15.** (1) (Amended by BD Resolution № 197/31.03.2017) (Amended by BD Resolution № 198/02.05.2017) Net asset value (net capital) of the Fund may not be less than BGN 500 000. This minimum amount should be reached within two years after receipt of the authorisation to organise and manage the Fund. In case the fund's NAV does not reach the quoted amount for the specified timeline in sentence one or in case of 6 consecutive months the average monthly net asset value of the Mutual Fund's assets is less than 500 000 BGN, the Management Company must announce in 10 working days the applicable reasons for that, the measures taken for attracting new investors and also the timeline in which those measures would be applied and the Fund is expected to recover its NAV values. The 10 working days period under sentence two of this section is considered from the expiry of the 2 years period under sentence one and the 6 months period under sentence two, respectively.

(2) (Amended by BD Resolution No.162/03.08.2016) Expat Bulgaria SOFIX UCITS ETF shall also comply with the following additional requirements for exchange-traded funds:

- a. The minimum net asset value may not be less than BGN 100 000 and should be reached within 30 days of adoption of these Rules.
- b. After expiry of this period of 30 days, the Fund shall disclose the raised amount of net asset value on its website and shall notify the Commission.
- c. Within 30 days of reaching the minimal amount of assets of BGN 100 000, the Management Company shall apply for the Fund's units to be admitted to trading on a regulated market.

(3) (Amended by BD Resolution № 197/31.03.2017) The net asset value under para 1 is the value of the assets of the ETF less the value of its liabilities. The net asset value of the Fund shall be determined in accordance with Art. 18 of these Rules.

(4) No redemption of units may be made until the minimum amount of the net asset value under para 1 is reached.

(5) The net asset value of the Fund shall increase or decrease according to the change in the number of issued and redeemed units as well as due to changes in the market price of the Fund's investments and liabilities.

### **Units**

**Art. 16.** (1) The units into which the net assets of the Fund are divided are scripless (book-entry form) financial instruments registered in accounts with the Central Depository or other licensed depository for scripless financial instruments. The register of unitholders of the Fund is kept by the Central Depository AD or by another licensed depository with which the Fund has a contract for that purpose.

(2) The par value of each unit of the ETF's net assets shall be BGN 1 (one).

(3) (Amended by BD Resolution № 197/31.03.2017) For purchased units, investors shall make contributions in cash or in assets constituents of the Fund's portfolio. All units shall provide equal rights.

(4) The number of the Fund's units in circulation shall vary as a result of their creation or redemption.

(5) (Amended by BD Resolution No.158/01.07.2016) The Fund may not issue fractional units based on the net value of its assets. Any transaction for the creation of units shall be made with the method delivery versus payment (DVP), and the ETF may issue only whole units.

(6) (New – BD Resolution 197/31.03.2017) In case the units belong to more than one unitholders they exercise their rights simultaneously via a determined proxy party. That party should be unconditionally defined through a notary letter as stated by Law.

(7) (New – BD Resolution № 197/31.03.2017) The Fund's units may be acquired at the net asset value under art. 20.

(8) (New – BD Resolution № 197/31.03.2017) The Fund's units may be transferred freely without restrictions or conditions, however, complying with the present law requirements for deals with dematerialized financial intrumets.

### ***Procedure of the Fund for borrowing funds***

**Art. 17.** (Amended by BD Resolution № 238/26.01.2018) The Fund may not use loans except for the cases mentioned herein below or in the cases specified in the applicable laws. Loans may be used only with the prior approval of the FSC with the proposition of the Deputy-Chairman of the FSC and under the following conditions:

- a. The loan is needed to cover liabilities related to units redemptions;
- b. The loan, respectively the total amount of the loans for the same period, does not exceed 10 percent of the Fund's assets;
- c. The term of the loan is no longer than 3 months;
- d. (New – BD Resolution No.158/01.07.2016) The terms and conditions of the loan agreement are not more unfavourable than is usual for the market;
- e. (Amended by BD Resolution No.158/01.07.2016) Only a bank may be a lender (except the Custodian bank).

***Net asset value of the Fund and net asset value per unit. Methods of valuation of assets and liabilities***

**Art. 18.** (1) (Amended by BD Resolution No.158/01.07.2016) (Amended by BD Resolution No № 197/31.03.2017) The net asset value and net asset value per unit are calculated for every working day according to the conditions and method of the legislation in force, these Rules, the Prospectus and the Rules for Portfolio Valuation. The Management Company performs an evaluation of the Fund’s portfolio, determines the net asset value, net asset value per unit, and calculates the creation price and redemption price. The Custodian shall guarantee the net asset value of the Fund and the net asset value per unit, the issue price and the redemption price, verifying and collating the data provided by the Management Company with the records of the Custodian and shall guarantee their accuracy.

The calculation of the net asset value for the day of valuation, or day T, is performed from 9:00 until 9:45 am Sofia time (CET+1:00) on the next day, or day T+1. If, for any of the stock exchanges, this is a non-working day, the prices published for the last working day of the respective market are used.

The procedure for determining the net asset value of the Fund, the net asset value per unit, the issue price and the redemption price shall be as follows:

- 1) until 09:15 am Sofia time (CET+1:00) on the day T + 1, following the day T, for which the calculation is made, the Management Company receives from the Central Depository information on creation and redemption transactions that have settled and the number of Fund’s units in circulation
- 2) the following shall be done between 09:15 and 9:45 am Sofia time (CET+1:00) on the respective day:
  - a. assets and the price of assets shall be determined according to these rules;
  - b. the accounting for any transaction made by the Fund and the revaluation of its assets and liabilities is completed;
  - c. the net asset value, as well as the net asset value per unit shall be determined and a resolution on the issue and redemption price of the Fund’s units shall be made. The net asset value per unit is calculated by dividing the net asset value of the Fund by the number of units in circulation at the time of calculation.
  - d. the issue/creation price is equal to NAV per unit plus the creation costs.
  - e. the redemption price is equal to NAV per unit less redemption costs.
- 3) by 9:45 am Sofia time (CET+1:00) on the day T+1, following day T for which the valuation is made, the calculated net asset value, net asset value per unit, issue and redemption price of the Fund units as well as all information about their calculation, including the settled number of sold and redeemed units are sent to the Custodian;
- 4) until 10:45 am Sofia time (CET+1:00) on the day T+1, following day T for which the valuation is made, the Custodian is expected to provide a confirmation of the accuracy of the calculated net asset value, net asset value per unit, issue and redemption price of the Fund’s units (in case of inconsistencies, corrections should be made);
- 5) until 11:00 am Sofia time (CET+1:00) of day T+1, following day T, for which the valuation is made, the process of determination of the net asset value for day T shall be completed.

On day T+1, following business day T, for which the valuation is made, the Management Company shall notify the Investment Activities Supervision Department of the Financial Supervision Commission of the issue and redemption price of the Fund’s units for day T.

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By the end of business day T+1, on which the issue price and the redemption price of the Fund’s units is calculated, the Management Company shall announce such data on the website of the Management Company.

(2) The Management Company shall adopt Rules for Portfolio Valuation and Determination of Net Asset Value of the Fund, which shall describe the principles and methods for the valuation of the assets as well as a system for the organisation of these activities.

(3) Net assets value shall be calculated as described in the Rules for Portfolio Valuation. When calculating the net asset value, the fees due to the Management Company, as well as other expenses according to any legal and contractual obligations shall be included.

(4) (New – BD Resolution № 198/02.05.2017) (Amended by BD Resolution № 302/24.09.2019) The indicative NAV and indicative NAV per unit is calculated and published by BSE or by another operator on a regulated market, on which the Fund’s units are registered for trading every trading day for the Fund on regulated market (the market is open and there is data published for the Reference Index) at least twice a day per trading session. For that purpose, the Management Company agrees in the name of and on behalf of the Fund on a contract with the respective regulated market operator. In case such contract is not present, the indicative NAV and NAV per unit would be published on the Fund’s website.

(5) (New – BD Resolution № 198/02.05.2017) (Amended by BD Resolution № 302/24.09.2019) The Management Company distributes to BSE, or to any other regulated market operator on which the Fund’s units are registered for trading, data for its portfolio structure, the volume of the assets owned per position, the cash amount in the Fund, and the number of units issued outstanding confirmed by the Custodian for the past working day. When calculating the indicative assets’ NAV of the ETF, the operator on the corresponding regulated market or the Management Company updates the assets’ prices in the Fund’s portfolio as it keeps unchanged all other elements on its balance sheet.

**(New – BD Reslution № 197/31.03.2017) Assets and liabilities valuation methods**

**Art. 19.** When an asset is initially purchased (recognised), its valuation is performed using the purchase price, including all transaction costs. Under this method the intruments are listed (removed) on the Fund’s balance sheet on the ownership change date (settlement date), rather than the trading date. The removal of assets from the balance sheet executes using the assets’ value as of the sale settlement date.

(2) (Amended by BD Resolution № 198/02.05.2017) Subsequent valuation is performed for every asset, including those assets initially recognised on the valuation date, in the order and method, described in the Rules for Portfolio Valuation and in compliance with the legal requirements, the international standards and practices, and the Commission’s guidelines, by applying the following methods:

- a. The fair value of securities and money-market instruments, issued by the Republic of Bulgaria in the country, is calculated using the arithmetic average of the bid prices for the current working day, quoted by no less than two primary government bond dealers
  - i) In case the price is calculated using dirty prices quoted by primary dealers, it is used directly for revaluation. In case the price is clean, it is transformed into a dirty price using interest rate characteristics based on the coupon frequency and size and is afterwards used for revaluation.

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- ii) In case letter “a” is inapplicable on the relevant working day, the closest fair price, established using the order described in letter “a”, during the 30 working-day period preceding the valuation, is used for subsequent valuations. The dirty price for the relevant revaluation day is calculated on the basis of interest rate characteristics based on the coupon frequency and size of the relevant security.
  - b. In case letter “a” is inapplicable, the discounted net cash flow method shall be used. The prices of the last issues with the relevant maturity, which the primary dealers are obliged to quote, are used as a basis for the calculations. These newest issues with relevant maturity are subsequently called “base issues” for the sake of simplicity. The issue, whose price has to be defined, is called “issue of interest”.
  - c. The fair value of the securities issued by the Republic of Bulgaria and securities on the money market abroad, as well as securities issued by another Member State and securities on the money market traded on an active market, is determined:
    - i) using the bid price at market closure on the day of evaluation, published in an electronic system for price information of securities.
    - ii) in case the foreign market is closed on the day of the valuation – by the market closing bid price on the last working day, published in an electronic system for price information.
    - iii) (Amended by BD Resolution No.158/01.07.2016) in case the price calculated according to items i) – ii) is a dirty price, it is used directly for revaluation. In case the price is a clean price, it is transformed into a dirty price using interest rate characteristics based on the coupon frequency and size and is afterwards used for revaluation.
    - iv) in case there are no transactions made on the day of valuation, the fair value of transferable securities and instruments on the money market is determined by the close price or other similar indicator, publicly announced on trading venues for the most recent day from the thirty-day period preceding the day of valuation;
    - v) in the cases when for days that are working in the country, there is no trading on trading venues, the fair value of the transferable securities and money-market instruments is determined by the closing price for the day of the last trading session, preceding the day of valuation. In case there are no transactions made on the day of the last trading session, preceding the day of valuation, the fair value of the respective instruments is determined by the close price or other similar indicator, announced publicly on trading venues for the most recent day from the thirty-day period, preceding the day of valuation. The valuation of bonds and other types of debt securities must account for the accrued interest for the respective days;
    - vi) In case the method provided under letter “c” i) – v) cannot be applied, the method under letter “b” shall be used.
  - d. The fair value of Bulgarian and foreign equities and rights admitted to trading or traded on a regulated market or other trading venue in the Republic of Bulgaria is determined:
    - i) For shares that are part of the Reference Index of the Fund with full physical replication Expat Bulgaria SOFIX UCITS ETF – using the same rules for the valuation of the respective reference index and with price information, published via the trading system or in the stock exchange bulletin, as long as the Reference Index revaluation method does not contradict with the Law. If the Reference Index valuation method is not compliant with the legal provisions, the shares shall be

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- valued at closing prices, published via the trading system or the stock exchange bulletin;
- ii) For shares not included the Reference Index of the Fund – using the close prices published via the trading system or the stock exchange bulletin;
  - iii) In case the price cannot be determined as provided for in letter “d”, i) or “d”, ii), the price of the shares, consequently the rights, in case there are no transactions made on the day of valuation, is determined by the close price published via the trading system or the stock exchange bulletin for the most recent day from the thirty-day period preceding the day of valuation or the last trading session;
- e. In case the methods of valuation of stock pursuant to letter “d” are not applicable, or the shares are not traded on regulated markets or other trading venues, their fair value is determined by applying in order the methods listed below:
- i) Price-to-Earnings method for peer-group companies;
  - ii) Net Asset Value method;
  - iii) Discounted Net Cash Flow method.
- These methods are to be applied in the order described below under the condition that the method listed first cannot be used.
- f. In cases of acquisition of rights of a certain company in the process of a capital increase by issue of stock, a receivable (of rights) shall be acknowledged from the date of which the stockholders in the company are not entitled to acquire the right for subscription for stock from the capital increase (the date after which the transactions with the stock does not affect the right for acquisition of rights) until the date of registration of the rights with the custodial institution.
- g. The fair value of deposits in banks, cash in hand and short-term receivables are determined at the date of valuation as follows:
- i) term and demand deposits, cash in hand – at face value;
  - ii) short-term receivables without fixed interest rate or earning- at cost;
  - iii) short-term receivables with fixed interest rate or return– at cost.
- h. The fair value of financial instruments in the collective investment undertaking within an inactive market is determined by using the following valuation techniques. The valuation techniques include the use of prices from recent and fair market deals between informed, willing parties, the use of reference for the current fair value of another equivalent asset, and commonly agreed methods.
- i. (Amended by BD Resolution No.158/01.07.2016) The subsequent valuation of instruments on the money market admitted to trading or traded on a regulated market or other trading venue is determined:
- i) using the most recent price from a transaction on the respective market for the last working day;
  - ii) (Amended by BD Resolution No.162/03.08.2016) when valuation method from Point a) is inapplicable, the valuation is performed using the bid price at market close on the last working day for which the valuation is made, published in an electronic system for pricing information of securities;
  - iii) (Amended by BD Resolution No.162/03.08.2016) when valuation method from Point ii) is inapplicable, the valuation is performed by taking the price from a transaction within the most recent thirty-day period.
- j. Financial assets denominated in a foreign currency are converted into their Bulgarian lev equivalent, determined by the central exchange rate of the Bulgarian National Bank, valid for the day of valuation.



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(3) The value of the Fund’s liabilities is equal to the sum of the book value of short-term and long-term liabilities on the balance sheet. The liabilities, denominated in foreign currency, are calculated using the central exchange rate of the Bulgarian National Bank as of the day of valuation.

(4) The net asset value (NAV) of the Fund is determined by subtracting the value of liabilities determined under Para 3. from the value of assets determined using the Rules for Portfolio Valuation and Determination of Net Asset Value and Indicative Net Asset Value of the Fund.

(5) The net asset value per unit is determined by dividing the NAV of the Fund determined under the above-mentioned provisions by the number of units outstanding as of this determination.

(6) In case of non-compliance with the above paragraphs with subsequent changes in the normative acts concerning the determination of the net asset value of the Fund, the new regulatory provisions shall apply as of their entry into force. In these cases, the Management Company adjusts the Fund's Rules in accordance with the regulatory changes as soon as reasonably practicable.

***Sale and redemption on the primary market of units***

**Art. 20.** (1) The primary market is the market on which the Fund’s units are issued or redeemed directly by the Fund. The following groups of investors may participate in the primary market under the following conditions set forth in this Prospectus, if they are not in conflict with any law or regulation:

<b>Type of investor</b>	<b>Minimum contract size for ETF units purchase</b>	<b>Minimum contract size for ETF units redemption</b>
Institutional investor	100,000 units	100,000 units
Other investors (including market makers) with a primary market participation agreement signed with the Management Company	According to the fees, conditions and restrictions specified in the contract with the Management Company	According to the fees, conditions and restrictions specified in the contract with the Management Company

(2) (Amended by BD Resolution No.198/02.05.2017) Any orders and their timely submission to the ETF are the responsibility of the institutional investors, market makers, and any other investor with a primary market participation agreement signed with the Management Company. Once accepted by the Fund, the orders cannot be withdrawn.

a) (New – BD Resolution No.158/01.07.2016) The persons/entities eligible to sign a primary market participation agreement are investors who are classified as “professional client” within the meaning of § 1, Para 9 of the Markets in Financial Instruments Act;

b) (New – BD Resolution No.158/01.07.2016) The requirements for a minimum order size, the steps for orders over the minimum and the one-off charges will be agreed upon between the Management Company and each investor taking into account the investor’s committed amounts, period of investment, frequency and other conditions.

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(3) Institutional investors are all insurance companies, banks, investment brokers, management companies, pension funds, and all collective investment schemes and investment companies with a licence in the EU, EEA or in an OECD country.

(4) (Amended by BD Resolution № 240/14.02.2018) Each order should meet the minimum size requirement and shall be in steps of 100,000 units (the number of units should be a multiple of 100,000) for orders for unit purchase or redemption with sizes above the minimum, unless otherwise agreed in the contract with the Management Company. Market makers, the Management Company, and all institutional investors with a contract with the Management Company may subscribe and redeem units in the primary market within the legal limitations (10 000 units at subscription and 30 000 units at redemption), and the same are allowed to aggregate orders of their clients provided that the aggregated number of units meets the legal limitations.

(5) If the investor (including market makers) has placed a purchase or redemption order by 3:00 pm Sofia time (CET+1:00), the order shall be executed using the NAV for the day on which the order was placed. If the order is submitted after 3:00 pm Sofia time (CET+1:00), the same order shall be executed using the NAV for the day following the day when the order was placed. In case the order form is not signed or is not properly filled, the order shall be considered invalid and must be placed again.

(6) Regardless of the amount invested, the investors in the Fund should pay a fee of 2.00% payable to the Management Company, unless otherwise agreed in the contract with the Management Company; this fee is charged on top of the net asset value of the Fund per 1 unit and is included in the issue price of the units. The issue price of the Fund is equal to the NAV per 1 unit plus the issuance fee, payable to the Management Company.

(7) Investors in the Fund should pay to the Management Company a redemption fee of up to 2.00%, unless otherwise agreed in the contract with the Management Company; this fee is deducted from the net asset value of the Fund per 1 unit. The redemption price of the Fund is equal to the NAV per 1 unit less the fee payable to the Management Company

(8) (Amended by BD Resolution No.162/03.08.2016) In case of a change in the entry charge (the excess of the issue price per unit over the net asset value per unit by the amount of expenses on the sale of units), respectively a change in the exit charge (the reduction of the redemption price of a unit below the net asset value per unit by the amount of expenses on the redemption of units), the Management Company shall notify unitholders and other investors via a message on the website of the Management Company immediately following approval by the Commission of the changes in these Rules.

(9) The investors pay the full cost of all expenses for the settlement and transfer of the ETF units for all primary-market operations, including custodian/depositary fees, banking fees, commissions, taxes and others.

(10) (Amended by BD Resolution No.197/31.03.2017) Units of the Fund shall be purchased in the following manner:

- a. **Placing an order for purchase of units.** Investors shall place orders for purchase of units containing the particulars pursuant to Ordinance No 44 on the Requirements to the Activity of the Collective Investment Schemes, Closed-End Investment Companies and Management Companies (order forms are available from the Management Company), in person, by a proxy/representative or through an investment broker, a bank or a management company with a license issued by a member state of the EU, when the investor is a client of the respective investment broker, bank or management company.

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Orders for purchase of units shall be accepted every business day between 9:00 am and 5:00 pm Sofia time (CET+1:00) at the office of the Management Company, electronically with electronic signature at email: [asset.management@expat.bg](mailto:asset.management@expat.bg), or if possible through internationally established online fund management platforms, such as Clearstream VESTIMA. The investor states in the order, whether the units will be issued against payment or against a basket of securities. If the order is placed by a proxy, the latter should submit the original of a notarised power of attorney explicitly authorizing the proxy to manage and provide buy and sell orders for securities, as well as a statement that he or she is not professionally involved in business transactions with securities. These requirements do not apply when the order is placed by an investment broker, a bank, or a management company.

- b. Payment for unit subscriptions.** The money and/or basket of securities for the subscribed units shall be transferred by the investor to a special account with the Custodian held in the name of the ETF upon delivery versus payment (DVP).
- c. Order execution.** If the investor (including market makers) has placed a purchase or redemption order by 3:00 pm Sofia time (CET+1:00), the order shall be executed using the NAV for the day on which the order was placed. If the order is submitted after 3:00 pm Sofia time (CET+1:00), the same order shall be executed using the NAV for the day following the day when the order was placed. According to Art. 66, para. 1 of Ordinance 44, orders shall be filled within 7 calendar days from the date of placing the order. In case the order form is not signed or is not properly filled, the order shall be considered invalid and must be placed again. In the order, the client must explicitly state the date for delivery versus payment (DVP) of the units in the respective custodial institution. Delivery date can be between 2 and 7 calendar days after placing the order.
  - i) Order execution in cash. On the next business day, following the day whose NAV per unit shall be used for the order execution, the units shall be issued and directed for transfer to the client on the specified in the order value date. The order shall be executed for the number of the requested units multiplied by the creation price per unit, which shall be rounded to the fourth number after the decimal point. The Management Company shall provide confirmation for the order execution containing instructions for delivery of the units versus payment (DVP) as soon as possible but no later than the business day following the order execution.
  - ii) Order execution in kind /basket of securities/ (Amended by BD Resolution No.199/18.05.2017) Each business day, the Management Company publishes on [www.expat.bg](http://www.expat.bg) the contents of a basket of Index Securities representing 10'000 Fund units (the "Creation Unit"). In the order for unit subscription in the primary market, the investor shall indicate the number of shares of each issuer that he / she will deposit in the Fund. The number of shares of each issuer must correspond to the number prescribed in the creation unit (or to be divisible of it in case of subscription for more than 10'000 units). The order is executed for the size of the requested number of units multiplied by the specified issue price per unit. The amount received is called "Order amount". On the next business day following the day whose NAV per unit shall be used for the order execution, the units are issued and directed to the client with the value date specified in the order. By midday at noon on this day, the client receives a confirmation of the submitted order in which the Management Company specifies the cash component to be deposited in the account kept in the name of the Fund with the Central Depository together with the shares requested. To determine the cash component , the sum of the deposited shares, multiplied by their price for

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the day whose NAV shall be used for the order execution, is deducted from the order amount. The value of the basket of securities to be distributed to the Fund is calculated in accordance with the Rules for Portfolio Valuation and Determination of Net Asset Value and Indicative Net Asset Value. To the cash component thus obtained, all costs associated with the transfer of the basket of securities and the cash component that the Fund has to pay, if any, are added. In this way, they are borne by the client subscribing units of the Fund and not by the existing unitholders of the Fund.

- d. **Order withdrawal.** Once placed, an order for purchase of units of the Fund may not be withdrawn.

(11) (Amended by BD Resolution No.197/31.03.2017) ETF units shall be redeemed in the following manner:

- a. **Placing an order for redemption of units.** Investors shall place an order for redemption of units in person, by a proxy/representative or through an investment broker, a bank or a management company with a license issued by a member state of the EU, when the investor is a client of the respective investment broker, bank or management company. An order sample may be received at the above-mentioned office. Orders for redemption of units shall be accepted every business day between 9:00 am and 5:00 pm Sofia time (CET+1:00) at the office of the Management Company, electronically with electronic signature at email: asset.management@expat.bg, or if possible through internationally established online fund management platforms, such as Clearstream VESTIMA. If the order is placed by a proxy, the latter should submit the original of a notarized power of attorney explicitly authorizing the proxy to manage and give buy and sell orders for securities, as well as a statement that he or she is not professionally involved in business transactions with securities. These requirements do not apply when the order is placed by an investment broker, a bank, or a management company.
- b. **Order execution.** The redemption order is executed using the NAV per unit calculated on the date of placing the order if the order is submitted until 3:00 pm Sofia time (CET+1:00). For orders placed after this time, the redemption price is determined using the NAV for the next day. Valid orders for redemption of ETF units shall be executed on the day following the specified in the order value date whose NAV per unit will be used for the order execution but no later than 10 days from the date the order was submitted. The settlement date may be between 2 and 10 days after the order submission.
- c. **Payment of the amount due.** The amount due shall be paid to the specified bank account of the client under the delivery versus payment (DVP) method or with a basket of securities in the respective depository institution at the value date specified in the order.
  - i) Order execution in cash. The Management Company executes all redemption orders for execution using the NAV per unit on day T against cash only if the amount due to investors on redemption orders for execution using the NAV per unit for day T is less than the cash holdings of the Fund minus all liabilities of the Fund as calculated in the NAV for day T but also taking into account all transactions for the purchase of assets of the Fund with pending settlement and for redemption from the Fund with pending / expected settlement which are not reflected in the NAV for day T.
  - ii) Order execution in kind /basket of securities/ (Amended by BD Resolution No.198/18.05.2017) Upon submission of the redemption order the investor is entitled to declare that his/her wish the order to be executed in a basket of securities. The

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Management Company performs all redemption orders for execution using the NAV per unit for day T in a basket of Index Securities when the amount due to investors on redemption orders for execution under the NAV per unit for day T is greater than the cash holdings of the Fund minus all liabilities of the Fund as calculated in the NAV for day T, but also taking into account all transactions for the purchase of assets of the Fund with pending settlement and for redemption from the Fund with pending / expected settlement which are not reflected in NAV for day T. In case these conditions are not met, the Management Company performs redemption orders in cash in the manner described in b. i). Each redemption order in a basket of securities of the Fund shall be executed as follows:

- The number of units requested and accepted for redemption in the order is multiplied by the redemption price and form "**amount payable to redemption order**";
  - The percentage of the "**amount payable to redemption order**" against the total net asset value of the Fund based on which the order is executed is the "**redemption rate**". This percentage is rounded to the second decimal point (e.g., 7.355% is rounded to 7.36%, etc.);
  - For each security in the Fund's portfolio, the number of shares as in the Fund's portfolio according to the NAV for the execution of the order is multiplied by the redemption rate, the resulting figure being rounded down to the first integer (for example, 5.89 becomes 5 etc.). The resulting number of shares are multiplied by their price as used in the NAV which is used for the order execution. This amount is subtracted from "**amount payable to redemption order**", and the remainder, if any, shall be paid in cash.
- d. **Order confirmation.** The Management Company shall provide confirmation for the order execution containing instructions for delivery of the units versus payment (DVP) as soon as possible but no later than the business day following the order execution.
- e. **Order withdrawal.** (Amended by BD Resolution No.198/02.05.2017) Once placed, an order for purchase of units of the Fund may not be withdrawn.

(12) (Amended by BD Resolution No.198/02.05.2017) The net asset value of the Fund and the net asset value per unit are calculated in accordance with Art. 18 and Art. 19 of these Rules. When calculating the net asset value per unit, the issue price and the redemption price are rounded to the fourth decimal point. The NAV, NAV per unit, issue value and redemption price are calculated in BGN.

(13) (Amended by BD Resolution No.199/18.05.2017) In case of an error in calculating the net asset value per unit, resulting in an increased issue price by more than 0.5 percent of the net asset value per unit, the Management Company or the Custodian should pay the investor who has purchased the units at the increased issue price within 10 days of detecting the error, unless the investor himself was acting in bad faith.

In case of an error in calculating the net asset value per unit, resulting in a decreased issue price by more than 0.5 percent of the net asset value per unit, the Management Company or the Custodian should pay at its own expense the difference to the Fund within 10 days of detecting the error. The amount due is the difference between the actual and the decreased issue amount of the Fund's units purchased by investors.

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If the error does not exceed 0.5 (zero point five) percent of the net asset value per unit, the Management Company or the Custodian shall take the necessary measures to avoid errors in calculation of the net asset value per unit and shall sanction the responsible employees.

These Rules also apply when an error is made in calculating the net asset value per unit, as a result of which the redemption price per unit is lowered or increased.

(14) (Amended by BD Resolution No. 158/01.07.2016) (Amended by BD Resolution No.162/03.08.2016) The Fund may refuse and cancel entirely or partially purchase orders made by marketmakers in liquidation or bankruptcy.

***Purchase and sale of units on a secondary market***

**Art. 21.** (1) (Amended by BD Resolution No.198/02.05.2017) (Amended by BD Resolution No.302/24.09.2019) The Management Company intends to list Expat Bulgaria SOFIX UCITS ETF on the Bulgarian Stock Exchange and on the official segment of the London Stock Exchange, as well as on other regulated markets. As part of the listing, there is a requirement one or more members of the Exchange to be appointed as marketmakers that provide prices at which the Fund's units can be purchased or sold on the Exchange.

(2) The bid/ask spread is regulated and monitored by the respective exchange.

(3) The Management Company does not charge fees for purchase or sale of ETF units on a secondary market which represents a stock exchange.

(4) When buying and selling units of the Fund on a stock exchange on which the fund is listed or will be listed for continuous trading, there is no requirement for minimum trading quantity, other than the one that the Exchange itself may require.

(5) (Amended by BD Resolution No. 158/01.07.2016) The Fund's units purchased on the secondary market cannot usually be sold directly back to the Fund, unless the investors qualify under the conditions for participation in the primary market described in Art. 20, Para 1: investors who are institutional investors and meet the requirements for minimum order size or investors with a contract for access to the primary market signed with the Management Company. Investors must buy and sell units on a secondary market with the assistance of an intermediary (e.g. a stockbroker) and may incur fees for doing so. In addition, investors may pay more than the current net asset value when buying units and may receive less than the current net asset value when selling them.

(6) (Amended by BD Resolution No. 162/03.08.2016) If a substantial deviation of the stock exchange price of the units of the Fund from the net asset value per unit of the Fund incl. during “market disruption” is present, the minimum restrictions for access to unit redemption described in Section “Sale and Redemption on the primary market of units” of these Rules do not apply.

If a substantial deviation of the stock exchange price of the units of the Fund from the net asset value per unit of the Fund is considered: when the price of the last trade with ETFs units on a regulated market is 20% lower or higher than the last published NAV per unit (indicative or for the day depending on which one is the last), given that for each trade the time when it was closed and the last published NAV to this hour is taken into account.

Only the following is considered as a “market disruption”:

- a. Absence of a marketmaker

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- b. When the units are suspended from trading on a secondary market for more than 3 consecutive days

(7) (Amended by BD Resolution No.162/03.08.2016) In case of a condition under which the restrictions for access to unit redemption on the primary market do not apply, the Management Company of the Fund shall immediately notify the regulated market on which the units are traded, as well as the Financial Supervision Commission, and shall publish on the website of the Management Company information about this condition and the possibility any investor to request redemption.

(8) The costs of redemption paid by investors in this case are the same as those described in Art. 35 “Costs payable by investors” of these Rules.

***Obligations of the management company in sale and redemption of units***

**Art. 22.** (1) When executing sale and redemption orders, the Management Company shall:

- a. (Amended by BD Resolution No.162/03.08.2016) give or accept orders for sale and redemption of units on the primary market by electronic or other means and contact with unitholders of the Fund and provide conditions for acceptance and accept orders electronically each business day;
- b. open to its account with the Central Depository sub-accounts of the unitholders of the Fund unless otherwise is stipulated in the order;
- c. receive every day from marketmakers and institutional investors and any other investor who is a party to a contract with the Management Company, orders with the legally required contents for purchase and redemption of units of the Fund on a primary market;
- d. deliver daily to the Central Depository AD according to its Regulations the information necessary for settlement of the executed transactions with sold/redeemed units of the Fund on a primary market;
- e. deliver daily to the Custodian the calculated net asset value, net asset value per unit, issue price and redemption price of the Fund’s units, and all the information on their determination, including the number of sold and redeemed units with past settlement on a primary market;
- f. review immediately all statements, opinions and recommendations of the Custodian made or given in carrying out its supervisory duties;
- g. make the accounting records by the end of the day for all deals and transactions made on behalf of the ETF;
- h. perform any other legal and factual actions for sale and redemption under the applicable laws, these Rules and the Prospectus of the Fund.

(2) The Management Company must:

- a. receive payments from investors or marketmakers for the sale of Fund’s units only to the bank account specifically opened for that purpose with the Custodian;
- b. execute orders for purchase of Fund’s units within the term specified in the order, but no longer than 7 days from the date of placing the order;
- c. execute orders for redemption of Fund’s units within the term specified in the order, but no longer than 10 days from the date of placing the order;
- d. (Repealed by BD Resolution No.197/31.03.2017)
- e. Any orders for purchase, respectively redemption of Fund’s units received within one day until 3:00 pm. shall be executed at the same price – at the next published issue, respectively redemption price. Orders received after 3:00 pm. shall be executed at a price of the next business day.

***Circumstances under which redemption may be temporarily suspended***

**Art. 23.** (1) The Fund may temporarily suspend the redemption of its units by decision of the Management Company only in exceptional cases where circumstances so require and suspension is justified in view of the interest of the unitholders, including in the following cases:

- a. when on a regulated market where more than 20 percent of the assets of the ETF are quoted or traded trading is cancelled, suspended or subject to restrictions – for the duration of the suspension or restriction;
- b. when the assets or liabilities of the ETF cannot be evaluated properly or the Management Company cannot manage the Fund's assets without harming the interests of the unitholders – as long as the situation lasts;
- c. (Amended by BD Resolution No.158/01.07.2016) upon resolution for the termination or transformation through a merger or acquisition of the collective investment scheme under the terms and conditions of Chapter Fourteen of CISOUCA;
- d. (Repealed by BD Resolution No.158/01.07.2016)
- e. (Amended by BD Resolution No.198/02.05.2017) in case of a termination of the contract with the Custodian due to the Custodian's fault, a withdrawal of the license for custodial services or the imposition of other restrictions on its activities, resulting in its failure to fulfil its obligations under the custodial agreement or in affecting the interests of the unitholders of the Fund – for the minimum necessary period but no longer than 2 months;
- f. (Repealed by BD Resolution No.197/31.03.2017)

(2) The Management Company shall immediately suspend unit creation in the event that the redemption of units of the Fund is temporarily suspended. In these cases, public offering shall be suspended for the duration of the temporary suspension of redemption, respectively for the period for which the temporary suspension of redemption is extended.

(3) (Amended by BD Resolution No. 158/01.07.2016) The Management Company shall notify the Commission and other competent authorities, the Custodian and the regulated market on which the Fund's units are traded, about the suspension of redemption, respectively about the extension of the redemption suspension period, by the end of the business day. The Management Company shall notify the unitholders of the redemption suspension, respectively of the extension of the redemption suspension period immediately after the resolution thereof through a publication on the Management Company's website. If the period of suspension of units' redemption needs to be extended, the Management Company shall notify the Commission, the Exchange, and the Custodian no later than 7 days before expiration of the original period. If the duration of the suspension is shorter than seven days, including in cases where redemption was suspended for technical reasons, the Management Company shall send the notifications under the preceding sentence until the end of the business day preceding the date on which redemption should have been resumed.

(4) (Amended by BD Resolution No. 198/02.05.2017) Orders placed after the last redemption price has been announced and before the start date of the temporary suspension period shall not be executed. The Management Company shall reimburse the investors who placed orders for the purchase of units by transferring the amounts back to their bank accounts by the end of the business day, following the day on which the resolution to suspension of subscription was taken.



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(5) Redemption shall be resumed by the Management Company upon expiry of the term specified in the resolution to suspend the redemption, respectively in the resolution to extend the term of suspension of redemption. The notification of the resumption shall be made according to para. 3 by the end of the business day preceding the resumption.

***Reinvestment of the Fund return***

**Art. 24.** (1) The Fund shall not distribute dividends to the unitholders, including the income under the audited annual financial statements of the Fund.

(2) The Management Company shall reinvest the return generated by the ETF under para 1 with the aim to track the Reference Index as close as possible and in the best interest of the unitholders of the ETF.

(3) Return reinvestment shall be made in accordance with the investment objectives, strategies, policy and restrictions of the Fund, taking into account the specific market conditions and in compliance with the laws, the Commission's guidelines and the internal regulations of the ETF.

***Stress-testing to assess liquidity risk***

**Art. 25.** (1) The Management Company shall conduct regular stress-tests annually – until the 15th day each first month of the year, or when the Management Company decides, if the market circumstances require it. These stress-tests facilitate the assessment of the liquidity risk of the Fund in exceptional market conditions.

(2) Within 30 days after the completion of the stress-tests, the Management Company shall notify the Deputy-Chairman of the FSC about the results and the actions taken to modify the existing rules, if necessary.

**SECTION III**

**RIGHTS OF UNITHOLDERS**

***Rights of investors in the ETF***

**Art. 26.** Each unit of the ETF shall give the following rights to its holder:

- 1) (Amended by BD Resolution No.197/31.03.2017) Right of unit redemption in accordance with the procedures described in these Rules as:
  - a. The redemption request may refer to part or all of the units held by the investor;
  - b. Redemption of units shall be made at a price equal to the net asset value per unit, less redemption costs, to the amount pursuant to Art. 20, para. 7.
  - c. Redemption orders are executed within 10 days at the first redemption price announced after the day of the order submission. The term starts from the time of placing the order.
- 2) (Amended by BD Resolution No.197/31.03.2017) Right to a liquidation quota - in case of a liquidation of the ETF, each investor shall have the right to a part of the ETF's net assets, corresponding to the units held by him/her;

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- 3) (Amended by BD Resolution No.197/31.03.2017) Right to information - each investor shall be entitled to the information contained in the Fund's Prospectus and periodic reports as well as to other public information about the Fund.
- 4) (New - BD Resolution No.197/31.03.2017) Right to lodge a complaint. Every investor has the right to file a complaint without paying a fee. The information about the Policy for Handling Complaints of Expat Asset Management EAD is provided free of charge to investors.

**SECTION IV**

**ORGANISATION AND MANAGEMENT OF THE ETF**

***General provisions***

**Art. 27.** (1) The Management Company shall organise the ETF by adopting these Rules, the Prospectus, Asset Valuation Rules, Rules for Risk Management, as well as other acts necessary for its structure and operation, shall submit an application for authorisation by the Commission to organise and manage the ETF and shall perform other similar organizing activities.

(2) The Management Company shall manage the ETF, adopting the necessary resolutions in respect to its organisation, operation and termination, as well as the ongoing operational management of the ETF. Resolutions under the previous sentence shall be adopted by the Board of Directors of the Management Company.

(3) Investment decisions regarding the ETF's assets shall be made by the investment advisor in the Management Company.

***Guiding principles for fund management. Due care***

**Art. 28.** (1) The Management Company, members of its Board of Directors and its investment adviser shall act in the best interest of all unitholders of the Fund, guided only by such interest when managing the Fund.

(2) When making decisions and managing the Fund, members of the Board of Directors of the Management Company shall:

- a. act fairly and professionally in order to protect investors and ensure the stability of the financial markets, act with skill, due care and diligence (professionally) in a manner that is reasonably believed to be in the interest of all unitholders of the Fund and to use only information that they reasonably believe to be accurate and complete;
- b. put the interest of the unitholders of the Fund before their own interest;
- c. avoid direct or indirect conflicts between their interest and the interest of the unitholders of the Fund, if such conflicts arise – to promptly and fully disclose them in writing to the appropriate body and not to participate, and not to exert influence on the other Board members when making decisions in such cases;
- d. not disclose non-public information about the Fund, even after they cease to be members of the relevant bodies until public disclosure of the relevant circumstances under the law.

(3) The provisions of para 2 shall also apply to individuals representing legal entities – members of the Board and procurators

***Activities in ETF management***

**Art. 29.** (1) The Management Company shall manage the ETF by:

- a. raising funds through offering of units on the primary market (sale of units of the ETF);
- b. investing the raised funds in securities and other eligible liquid financial assets, including fixed-income instruments;
- c. redemption of ETF units on the primary market.

(2) (Amended by BD Resolution No. 158/01.07.2016) The Management Company shall sell and repurchase ETF units on the primary market.

(3) (Amended by BD Resolution No. 162/03.08.2016) Duties of the Management Company in investing the funds raised shall include analysis of the securities market, building a portfolio of securities and other liquid financial assets, rebalancing of the portfolio formed and assessment of its effectiveness. The Management Company will be seeking to replicate the Reference Index as accurately as possible, to optimize the cost of the ETF and to act in the best interest of the investors in the ETF. A tracking error with respect to the Reference Index may occur and the Management Company shall do its best at all times to minimize this error, if possible under the market circumstances, and as long as its minimization does not affect the interest of the investors or distort market integrity. In carrying out its activity, the Management Company shall make investment decisions and order the appointed investment brokers to execute them, with the exception of initial public offerings or transactions with securities and money-market instruments under Art. 38, para 1, Item 9 letter "a" of CISOUCA when the securities subscriptions, respectively the transactions with securities and money-market instruments, may be carried out by the Management Company itself.

(4) (Amended by BD Resolution No. 197/31.03.2017) In carrying out the activities under para 1, the Management Company shall calculate NAV per unit, issue and redemption price of the Fund's units, shall keep the accounts, maintain and keep the books and perform any other similar duties.

(5) The Management Company shall manage the advertising and marketing activities of the Fund and maintain information about the Fund on its website.

(6) The Management Company shall carry out other activities that are necessary in connection with the legal operation and termination of the Fund.

(7) In managing the Fund, the Management Company shall follow an investment policy to achieve the investment objectives of the Fund, to comply with the investment restrictions provided by law, these Rules and the Prospectus, as well as to comply with the Asset Valuation Rules, Risk Management Rules and other internal regulations of the Fund

(8) The provisions of the Terms and Conditions of the Management Company and the provisions of ACISOCIVA, the regulations on its implementation and other relevant regulations shall apply to matters not explicitly regulated by these Rules,.

***Resolutions of the Management Company on the activity of the Exchange-traded Fund***

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**Art. 30.** (1) In carrying out the activities under Art. 29 the Management Company makes decisions on all matters related to the organisation, operation and termination of the Fund, including on:

- a. Amendment and supplement of these Rules, the Rules on portfolio valuation, the Rules on risk management, and other internal regulations, as well as on the update of the Prospectus;
- b. Signing, control on execution, termination and cancellation of the contracts with the Custodian, Marketmakers and investment brokers, executing investment instructions regarding the management of the Fund portfolio;
- c. Appointment and dismissal of the Fund's certified public accountants;
- d. Preparation of annual financial statements and their approval after certification by the appointed certified public accountants;
- e. (Amended by BD Resolution No.158/01.07.2016) (Amended by BD Resolution No.197/31.03.2017) Daily determination of the net asset value of the Fund, NAV per unit, the issue price and redemption price of its units;
- f. Decisions to temporary suspend/resume redemption and extending the duration of the temporary suspension of redemption under the terms and conditions provided for in these Rules;
- g. Decisions to enter into loan agreements;
- h. Decisions to transform and terminate the Fund;
- i. Appointment of liquidator/s when reasons to terminate the Fund occur.

(2) Resolutions under para 1 shall be made by the Management Company under the terms and conditions provided for in its Articles of Association.

(3) (Amended by BD Resolution No.238/26.01.2018) Changes in the Rules of the Fund, in the Asset Valuation Rules and Risk Management Rules, amendments in the custodian agreement, as well as a replacement of the Custodian and the Management Company may be done after the approval of the FSC with the proposition of the Deputy-Chairman. A loan under Art. 27 para 3 of CISOU CIA may be used after an authorisation by the FSC with the proposition of the Deputy-Chairman of the FSC.

(4) Transformation and termination of the Fund may be done with the authorisation of the Commission. The persons appointed as liquidators of the Fund shall be approved by the Commission.

***Management company restrictions***

**Art. 31.** The Management Company may not:

- a) Act outside the scope of the investment objectives and strategy of the Fund, as specified in these Rules and the Prospectus;
- b) Receive income in the form of discounts on commissions of investment brokers which execute its orders or receive other income or non-monetary incentives if they result in a conflict of interest, or a violation of the Management Company obligation of equal treatment and due care and diligence to the interests of individuals and funds whose activities or portfolio it is managing;

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- c) Provide false or misleading information, including about the contents, value and structure of the portfolio assets of the Fund as well as about the condition of the financial markets;
- d) Use the assets of the Fund for purposes against the law, the regulations on its implementation, these Rules or the Prospectus of the Fund;
- e) (Amended by BD Resolution No. 197/31.03.2017) Incur expenses for the account of the Fund which contradict the provisions of the ACISOCIVA and the regulations for its implementation;
- f) Be engaged in investing funds of the ETF in breach of a statutory prohibition or investment restrictions.

***Management Company limitations***

**Art. 32.** (1) Members of management and supervisory bodies of the Management Company and any person who makes decisions on management of the activity of the Fund, may not be the same person as the investment broker through which investment transactions are concluded and executed.

(2) The Management Company may not use and pledge the assets of the Fund to cover its obligations that are not relevant to the management of the Fund.

(3) Members of management and supervisory bodies of the Management Company may not invest the funds of the ETF in financial instruments issued by themselves or by entities related to them.

(4) (New - BD Resolution No. 197/31.03.2017) The limitation under the preceding paragraph does not apply if the financial instruments are shares of companies of the Reference Index in which the Fund is required to invest as part of its investment mandate specified in the Prospectus and these Rules.

(5) Members of the management or supervisory bodies of the Management Company and related persons, and other persons working under a contract for the Management Company may not be a party to a transaction with the Management Company when it is acting on behalf of the ETF, except in their capacity as unitholders of the Fund subject to the restrictions stipulated by regulation, and subject to the rules of the Management Company for personal transactions under Art. 104, para 1, Item 2 of CISOUCA.

(6) (New - BD Resolution No. 197/31.03.2017) The limitation under the preceding paragraph does not apply if the transactions are concluded on an official market for trading on a regulated market (stock exchange) under market conditions and are part of the normal stock exchange volume.

***Fees of the Management Company***

**Art. 33.** (1) The Management company fees shall be determined as follows: fixed remuneration amounting to an annual management fee of 1.00% of NAV.

(2) Fees under para 1 shall be accrued each business day. At its own discretion, the Management Company may decide not to charge any or to charge less than the permissible fees on certain days.

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(3) Fees accrued during the month shall be paid to the Management Company in total for the entire month at the beginning of the following month.

(4) If the period covers less than a full year since the Fund’s incorporation, the assets under management fee is calculated so that the fixed remuneration of 1% (on an annual basis) of the average net asset value of the Fund is for the period of its existence. Fees are also due for the period from the Fund incorporation until it reaches the minimum required net asset value pursuant to Art. 9, para. 1 of CISOUCA.

(5) (Amended by BD Resolution No. 198/02.05.2017) All costs associated with the Fund's activities that are not specified in Art. 34 shall be borne by the Management Company. At its own discretion, the Management Company may not get reimbursement for the costs incurred in connection with the activities of the Fund, even if they fall within any of the categories specified in Art. 34, para 1 below.

***Fees and other expenses payable by the Fund***

**Art. 34.** (1) (Amended by BD Resolution No. 198/02.05.2017) In addition to the Management Company fees specified in Art. 33, the operating expenses of the Fund shall include:

- a. (Amended by BD Resolution No. 197/31.03.2017) All expenses for the incorporation of the Fund, including fees to the Commission for authorisation to organise and manage the Fund, Central Depository fees for registration of the units of the Fund, Exchange fees for admission to trading of units of the Fund, including all fees to third parties associated with the process of admission of the Fund units to a given stock exchange, as well as fees for consultants, lawyers and investment intermediaries, including fees for consultations related to the admission to trading of the Fund's units on any given stock exchange, and for registration for offering the units of the Fund on a market outside the Republic of Bulgaria;
- b. Remuneration of the Custodian – according to the contract with the Custodian
- c. Remunerations and fees to investment brokers, banks, the Exchange and the Central Depository, and other, related to the investment of the ETF assets;
- d. Remuneration paid to auditors to certify the annual financial statements of the Fund, expenses for advertising and marketing of the Fund, for contacts with investors, ongoing fees for supervision, trademark usage, membership and other similar expenses paid to the Commission, the Exchange and the Central Depository, other depository institutions, registrars, clearing houses and other government authorities and institutions related to the operation of the Fund and its supervision;
- e. Expenses for transactions with securities or other liquid financial assets including brokerage commissions, stock exchange charges, settlement fees, bank charges, money transfer fees, transmission fees for transaction execution and settlement, securities transfer fees, revaluation costs of investments in securities and assets, expenses related to negative foreign exchange rate differences, extraordinary expenses that are not a result of a mistake by executives, and other expenses provided for under the law;
- f. Other expenses referred to in the Rules as payable by the ETF, legal and other costs associated with protecting the interest of the ETF unitholders as well as other extraordinary expenses associated with the activities of the ETF.
- g. (New - BD Resolution No. 197/31.03.2017) Expenses for the calculation and publication of the indicative net asset value of the Fund and for the preparation and publication of

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periodic reports required by law, stock exchange and depository rules or another similar act.

- h. (New - BD Resolution No. 197/31.03.2017) Expenses for external consultants in relation to the Fund's usual activities, including marketing and advertising services, legal services, registration and licensing services for new markets and new exchanges, investor relations services, fund distribution services, services for specialized information support, subscription services for access to specialized information database and systems, courier services and other one-off or periodic services directly related to the activities of the Fund.

(2) The Management Company shall get reimbursement for the costs incurred for the ETF under para 1 after reaching the minimum net asset value under Art. 9, para 1 of CISOU CIA.

(3) (New - BD Resolution No. 197/31.03.2017) The Management Company agrees on the contracts with the external service providers in the name of and on behalf of the Fund and informs the Custodian thereof. The Custodian may object to costs incurred by the Management Company on behalf of the Fund by refusing to confirm their inclusion in the calculation of the net asset value of the Fund. Confirmation of the NAV by the Custodian is considered as approval of the expenses incurred by the Management Company on behalf of the Fund.

***Costs payable by investors***

**Art. 35.** (1) To cover the cost of unit creation, the Management Company shall include in the issue value of the units purchased on the primary market a charge amounting maximum to 2.0% (two percent) of the net asset value per unit payable to the Management Company, unless otherwise agreed upon in a contract with the Management Company. The issue price of the ETF units is defined as the NAV per one unit plus the charge payable to the Management Company.

(2) The Management Company reduces the unit redemption price by a charge payable to the Management Company in order to cover the expenses for the redemption in the amount of 2.0% (two percent) of the net asset value per one unit, unless otherwise agreed upon in a contract with the Management Company. The redemption unit price of the ETF is equal to the NAV per one unit minus the fee payable to the Management Company.

***Prospectus (Amended by BD Resolution No. 197/31.03.2017)***

***Advertising the ETF***

**Art. 36.** (1) Promotional materials related to the Fund's operation and officially released public statements of the members of the Board of Directors and other persons working under a contract for the Management Company may not contain false or misleading information, as well as information that contradicts the information given in the Prospectus of the Fund submitted to the Commission. Promotional materials and public statements shall be approved in advance by the Department of Internal Control and Compliance of the Management Company and kept on record as required by law.

(2) Any promotional materials related to the public offering of units of the Fund shall contain information about the venue where the Prospectus and the incorporation documents shall be made available to the public, information that the value of the units and their return may

decrease, that profits are not guaranteed and that there is a risk that investors may not recover the full amount of the funds invested, and other information required by regulations.

### ***Confidentiality***

**Art. 37.** (1) Members of the Board of Directors of the Management Company, its employees and all other persons working under a contract for the Management Company may not disclose, unless authorised to do so, or use for their benefit or for the benefit of others, any facts and circumstances related to the portfolio and transactions in the accounts of the Fund, and any other facts and circumstances constituting trade secrets, made available to them in exercising their professional duties.

(2) (Amended by BD Resolution № 302/24.09.2019) The Management Company may provide information on the preceding provision only under Art. 91 of MFIA, in conjunction with Art. 107 of CISOU CIA.

### ***Liability of the Management Company***

**Art. 38.** The Management Company shall be liable to the unitholders of the Fund for any damages suffered by them as a result of a failure of the Management Company to fulfil its obligations, including incomplete, inaccurate and untimely actions, when they are due to reasons for which the Management Company is accountable.

### ***Change of the Management Company and protecting the interests of unitholders in case of a change of the Management Company***

**Art. 39.** (1) A change of the Management Company shall be done under Art. 26, para 3 of CISOU CIA if its license is revoked or upon its termination or bankruptcy.

(2) Under the provisions of Art. 109 of Ordinance No.44, if the license of the Management Company is revoked, or upon termination or bankruptcy, the Management Company shall give immediately to the Custodian the entire available information and documentation related to the ETF’s management. The Custodian shall manage, as an exception, the ETF for a period no longer than 3 months.

(3) Within 14 days from the occurrence of the circumstances under para 2, the Custodian shall be obliged to offer in writing to at least three management companies to take over the management of the ETF, or to transform it through an acquisition or a merger.

(4) The offers under para 3 shall have the same content and shall be submitted to the Deputy-Chairman of FSC within 3 days of their delivery to the respective management companies, and the criteria and reasons based on which the respective management companies were selected shall be indicated by the Custodian, respectively by the investment company. The management companies must meet at least the following requirements:

- a. be authorised to organise and manage a collective investment scheme;
- b. the capital adequacy and liquidity of each of them must meet the statutory requirements and this should not change as a result of taking over the Fund’s management;



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- c. for the last two years prior to conclusion of the contract, no fines should have been imposed on the management company, and no administrative penalties for violations of ACISOCIVA and the regulations for its implementation should have been imposed on members of its management or supervisory board.

(5) Within one month from sending all the notices under Art. 3 to the Commission, the management companies willing to take over the Fund’s management or respectively its transformation shall submit to the Custodian a plan for the management of the collective investment scheme for 1 year from taking over such management or adopting a transformation plan.

(6) Within 7 days from expiry of the term under Art. 5, the Custodian shall select the management company to take over the management, respectively the transformation of the Fund, and shall notify the Commission giving detailed reasons for its choice, and shall notify the respective management company.

(7) (Amended by BD Resolution No. 158/01.07.2016) Within 14 days from receiving the notice under para 6, the newly-appointed management company shall submit to the Deputy-Chairman of the FSC the plan for the management of the ETF and documents under Art. 37a of Ordinance No. 11/2003 and the documents under Art. 145 of CISOUCA.

(8) (Amended by BD Resolution No.238/26.01.2018) In preparation of the documents under para 7, the Management Company may not amend substantially the Rules and Prospectus of the Fund, including its risk profile. The FSC shall resolve on the submitted documents under Art. 18 of CISOUCA.

(9) (Amended by BD Resolution No.238/26.01.2018) If no management company is selected or approved to manage, respectively transform the Fund, or the Commission fails to grant authorisation to the newly selected management company to manage, respectively transform the Fund, a procedure for termination of the Fund shall be initiated regardless of expiration of the 3-month term under para 2.

(10) The Management Company shall publish on the websites specified in Chapter VI, Item 4 of the Prospectus a notice of termination of the Fund by the Management Company and the reasons for its termination, and that the public offering and redemption of units are temporarily suspended until another management company is appointed.

(11) In case of substitution of the Management Company, the newly-appointed management company shall publish on the websites specified in Chapter VI, Item 4 of the Prospectus its name and registered office, and shall include the respective amendments in the Prospectus and these Rules within the shortest time as required by law.

(12) The Management Company (both the former and the newly-appointed in case of a substitution) shall not be liable to its creditors with the assets of the ETF.

(13) Units of investors in the Fund held on client accounts in the account of the former Management Company with the Central Depository shall be transferred to client accounts in the account with the Central Depository or with another depository institution of the newly-appointed Management Company. The units entered in the Central Depository or another depository institution shall be considered as securities belonging to their holders, i.e. unitholders, even though they are registered in sub-accounts to the account of another entity, i.e. of the Management Company.

**SECTION VI  
CUSTODIAN**

***Custodian requirements***

**Art. 40.** (1) (Amended by BD Resolution No.238/26.01.2018) The Custodian of the Fund is a bank that meets the requirements under Art. 35, para 1 of CISOUCIA, or an investment intermediary that meets the requirements under Art. 35, para 2-5 of CISOUCIA.

(2) The Custodian cannot be one and the same entity or a related entity to the Management Company, to members of its management and supervisory boards or to another person who is executing management or supervisory duties associated with the Fund. The Custodian cannot be a creditor or a guarantor of the Fund except for its receivables under the custodian agreement.

***Custodian duties***

**Art. 41.** (1) The Custodian shall keep and supervise the assets of the ETF, including:

- a. keep the funds and other assets owned by the ETF in the Fund’s name according to the provisions of the regulations and/or the custodian agreement;
- b. keep in its sub-accounts with the Central Depository or other securities depositaries the electronic financial instruments owned by the Fund;
- c. keep the government securities owned by the ETF in its own client sub-accounts register with the Bulgarian National Bank.
- d. (New - BD Resolution No.238/26.01.2018) fulfills other functions as well, as provided for in Chapter Five of CISOUCIA and in Regulation (EU) 2016/438 of the Commission of 17 December 2015 supplementing Directive 2009/65/EC of the European Parliament and of the Council with regard to obligations of depositaries.

(2) The Custodian shall exercise control and make payments on behalf of the ETF.

(3) (Amended by BD Resolution No. 197/31.03.2017) The Custodian shall exercise control over the calculation of the net asset value, NAV per unit, issue and redemption price of the units of the ETF.

(4) The Custodian shall ensure that the Management Company complies with the legal requirements, regulations, these Rules and the Prospectus of the ETF.

(5) The relations between the Management Company as a manager and a representative of the Fund, on one hand, and the Custodian, on the other hand, shall be governed by a contract.

***Custodian contract***

**Art. 42.** (1) The contract with the Custodian should contain:

- a. the subject of the contract;
- b. the rights and obligations of the parties;
- c. the duration of the agreement, terms and conditions of amendment, cancellation and termination;
- d. the expenses, detailed in types and manner of their allocation between the parties;

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e. (Amended by BD Resolution № 238/26.01.2018) other required under ACISOCIVA and the regulations of its implementation provisions and the minimum obligatory elements of the contract with the Custodian pursuant to Regulation (EU) 2016/438 of the Commission of 17 December 2015 supplementing Directive 2009/65/EC of the European Parliament and of the Council with regard to obligations of depositaries. (2) The Custodian remuneration shall be set forth in the contract with the Custodian.

(3) (Amended by BD Resolution No. 198/02.05.2017) The contract with the Custodian shall be signed in compliance with the legal requirements and restrictions and these Rules. The contract with the Custodian may not be in conflict with these Rules and legal framework. In case of inconsistency between the legal framework and the contract with the Custodian, the provisions of the normative regulation shall apply.

(4) (New - BD Resolution No. 197/31.03.2017) The terms of the contract with the Custodian may not be changed unilaterally by the Custodian or the Management Company and the contract may not refer to internal documents of the Custodian or the Management Company, such as regulations, tariffs, general conditions and others, which may be unilaterally changed by the Custodian or The Management Company. Any change to the contract shall be made in writing and signed by both parties.

***Custodian rights and obligations***

**Art. 43.** (1) (Amended by BD Resolution No. 238/26.01.2018) The Custodian shall be obliged:

- a. to ensure that the issue, sale, redemption and cancellation of the units of the Fund shall be performed in compliance with the laws and these Rules;
- b. to ensure that the value of the Fund’s units is calculated in compliance with the laws and these Rules;
- c. to ensure that cash payments related to transactions with the Fund’s assets shall be transferred within usual deadlines.
- d. to ensure the allocation of the Fund’s income shall be in compliance with the laws and these Rules;
- e. to report on a regular basis to the Management Company on the Fund’s assets in custody and the transactions made incl. providing a full list of the Fund’s assets.

(2) (Amended by BD Resolution No. 238/26.01.2018) The Custodian shall also perform other duties as set forth in the law and the contract under Art. 42, law, sub statutory act or Regulation (EU) 2016/438 of the Commission of 17 December 2015 supplementing Directive 2009/65/EC of the European Parliament and the Council with regard to obligations of depositaries. .

(3) In performing its duties, the Custodian shall act solely in the interest of the unitholders of the Fund.

(4) The Custodian shall be liable to the Management Company and the Fund’s unitholders for any damages suffered by them as a result of a failure of the Custodian to perform its duties, including for incomplete, incorrect and delayed performance when due to reasons within the competence of the Custodian.

(5) (New - BD Resolution No. 197/31.03.2017) (Amended by BD Resolution No. 238/26.01.2018) The Custodian shall keep the assets of the Fund in compliance with the requirements of Art. 35a ACISOCIVA and shall not be liable for its liabilities to its creditors with assets which it holds on behalf and for the account of the Fund pursuant to Art. 36, para 1 of CISOUCA.

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(6) (New - BD Resolution No. 197/31.03.2017) Under no circumstances may the Custodian block the Fund's assets against claims against the Management Company, whether these claims are from a third party, including bailiffs, the National Revenue Agency, or any other government bodies.

(7) (New - BD Resolution No. 197/31.03.2017) The Custodian shall keep, record and report the assets of the Fund, both financial instruments and cash, off-balance-sheet, without including them in its balance sheet.

(8) (New - BD Resolution No. 197/31.03.2017) The Custodian shall keep and report the assets of the Fund - both financial instruments and cash - separately from its assets, assets of the Management Company and the assets of its other clients under custody services contracts.

***Custodian Fees***

**Art. 44.** (1) The amount of the Custodian fees should be reasonable in view of the usual fees for a job with the same characteristics and volume and the market conditions in the country.

(2) The fees of the Custodian may be determined as fixed fees for a definite period and/or fees and commissions for specific transactions under the tariff of the Custodian or the custodian agreement, such as fees and commissions for maintenance and management of securities accounts, money transfers, and supervision in calculating the net asset value of the Fund. The Custodian fees cannot be determined or altered unilaterally without the consent of the Management Company by the Custodian with changes to its internal documents, such as regulations, tariffs, general terms and conditions.

***Change of the Custodian and protecting the interest of the unitholders upon substitution of the Custodian***

**Art. 45.** (1) (Amended by BD Resolution No. 240/14.02.2018) The Custodian may be substituted only after approval of the FSC with the proposition of the Deputy-Chairman of the FSC under the conditions and provisions of the applicable laws.

(2) (Amended by BD Resolution No. 238/26.01.2018) Approval for replacement shall be issued only if the new custodian is duly licensed and supervised, meets the requirements of Art. 35 of CISOU CIA, has the necessary personnel, capital and IT systems availability, as well as if the other requirements of CISOU CIA and the regulations of its implementation are complied with.

(3) When deciding on substitution of the Custodian, the Management Company shall take into account everything mentioned in the preceding paragraph and the statutory requirements and restrictions applicable to the Custodian. The Management Company shall submit to the Commission the necessary documents for approval of the substitution of the Custodian immediately after becoming aware of any circumstances requiring such a change.

(4) In case of a termination of the contract with the Custodian by mutual consent or by a notice, the Management Company must submit to the Commission the necessary documents for approval of the change of the Custodian not later than 14 days before the agreed or specified in the notice date of termination of the agreement.

(5) (Amended by BD Resolution No. 240/14.02.2018) Cash and non-cash financial instruments of the Fund shall be transferred to the specified by the Management Company and approved by

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the FSC new Custodian, respectively to the Fund client sub-account, opened with relevant depositaries under the account of the new Custodian. Transfer of the available financial instruments and other assets shall be done by their transmission to the new Custodian. The specific terms, conditions and procedures for transferring the assets of the Fund to another Custodian shall be agreed in the contract with the Custodian and shall be effected after obtaining approval under para 1. These terms may not be shorter than 5 days from the date on which the Management Company has notified in writing the Custodian of the approval of the substitution granted by the FSC.

(6) (Amended by BD Resolution No. 238/26.01.2018) Substitution of the Custodian shall be done in a way that ensures continuous and smooth performance of the duties under Art. 43 of the Rules. The former Custodian shall continue to perform its duties until the time the newly-appointed Custodian is able to take over the full extent of his obligations.

(7) The Custodian (both former and the newly-appointed in case of a substitution) cannot be liable to its creditors with the Fund's assets, i.e. creditors of the Custodian may not satisfy their claims by direct disposal of the assets of the Fund, even though the assets are kept with the Custodian or in its accounts with depositary institutions.

**SECTION VII  
INVESTMENT BROKER**

***Duties of the investment broker***

**Art. 46.** (1) The Management Company shall appoint and sign a contract with (authorize) an investment broker for transactions with securities in connection with investing the assets of the Fund, as required by law and these Rules.

(2) The investment broker shall execute investment orders placed by the Management Company related to the transactions under para 1.

(3) The Management Company, members of its management and supervisory board and any person who makes management decisions for the investment activity of the Fund, may not be the same person with the broker through whom investment transactions are executed.

**SECTION VIII  
MARKETMAKER AND CASES OF TRADING SUSPENSION ON THE SECONDARY  
MARKET**

***Marketmaker duties***

**Art. 47.** (1) The Management Company shall appoint and sign a contract with at least one marketmaker in order to make sure there is a stock price on the regulated market on which the units of the Fund are traded.

(2) (New - BD Resolution No. 197/31.03.2017) The Marketmaker shall comply with the requirements of the relevant stock exchanges and regulations related to their activities, as well

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as the additional requirements and conditions agreed upon in the contract with the Management Company.

(3) The Marketmaker shall be entitled:

- a. To subscribe new units of the Fund on the primary market, meeting the legal requirements for subscription on the primary market of units of an ETF for direct replication of a Reference Index and following the additional requirements and conditions for subscription of units of the Fund on the primary market, specified in these Rules and its contract with the Management Company;
- b. To redeem units of the Fund on the primary market, meeting the legal requirements for redemption on the primary market of units of an ETF for direct replication of a Reference Index and following the additional requirements and conditions of redemption of units of the Fund on the primary market, specified in these Rules and its contract with the Management Company.

***Suspension of trade on a secondary market***

**Art. 48.** (1) (Amended by BD Resolution No. 158/01.07.2016) The Management Company shall submit a justified request to suspend trading of the Fund’s units to the regulated market where the units are traded in the following cases:

- a. (Amended by BD Resolution No. 162/03.08.2016) When trading is cancelled, suspended or subject to restrictions on a regulated market where a substantial portion of the Fund’s assets are quoted or traded. The regulated market shall suspend trading in the units of the Fund and shall immediately notify the Commission;
- b. In any scenarios in which the issue and redemption of units on the primary market is temporary suspended – for the period of the temporary suspension;
- c. (Amended by BD Resolution No. 162/03.08.2016) The Management Company shall notify the Commission and the relevant competent authorities in all Member States in which the units of the Fund are offered (if any, other than Bulgaria), the Custodian and the regulated market on which the Fund’s units are traded, of the suspension of redemption so that trading of the ETF’s units on the secondary market can be suspended, by the end of the business day.

(2) (Amended by BD Resolution No.162/03.08.2016) Trading of units of the Fund suspended pursuant to para 1 shall resume upon a request of the Management Company, and upon notifying the Commission, and trading may resume not later than one business day after the conditions for trading suspension disappear.

**SECTION IX**

**DISCLOSURE OF INFORMATION. AUDIT**

***Disclosure of information***

**Art. 49.** (1) The Management Company shall adopt and submit to the Commission and to the regulated market in which the Fund’s units are traded:

- a. an annual report within 90 days after the end of the fiscal year;

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- b. a semi-annual report covering the first six months of the fiscal year within 30 days after the end of reporting period;
- c. other information under regulations of implementation of ACOSOCIVA.

(2) The content of the information under para 1, the procedures, timetable and manner of its presentation to the Commission and its public distribution are set forth in ACISOCIVA and the regulations for its implementation. The Management Company shall provide investors with the opportunity to get acquainted with those reports at the office of the Management Company and through its website.

(3) Announcement about the publication of the annual or interim report, as well as the venue, time and manner they will become public, shall be published by the Management Company within 7 days of its submission to the Commission at its website. The announcement shall be first published in the official bulletin of the Commission.

(4) By the 10th day of the month following the reporting month, the Management Company of the Fund shall submit to the Commission the monthly balance sheet and information on the volume and structure of the investments in the portfolio by issuers and types of securities and other financial instruments.

(5) (Amended by BD Resolution No.158/01.07.2016) (Amended by BD Resolution No. 162/03.08.2016 r.) The Commission shall disclose the information received under para 1 through its registers.

***Audit***

**Art. 50.** (1) The annual financial statements of the Fund shall be certified by a certified public accountant and the conclusion of the verification performed by the auditor shall be reflected in a separate report to be included in the annual statements.

(2) The auditor of the Fund shall notify the Commission of any circumstances which have become known in the audit process, and refer to the activities of the Fund which constitute a material breach of CISOUCIA and the regulations for its implementation, or which may affect the Fund’s activity or constitute grounds to decline a certification of the statements, grounds to express reservations or grounds to express a negative opinion.

(3) The auditor of the Fund shall notify the Commission of any circumstances under para 2 which he became aware of in the audit process with respect to a related party to the Fund, the Management Company or the Custodian.

**SECTION X**

**TRANSFORMATION AND TERMINATION**

***Transformation***

**Art. 51.** (1) Pursuant to Art. 141, para 1 of CISOUCIA the Fund may be transformed through a merger or acquisition authorised by the Commission.

(2) After authorisation of the Commission under para 1, the Management Company shall cease to receive orders for issue and redemption of the Fund’s units.

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(3) The Fund may be transformed under the provisions of Chapter fourteen, section I – IV of ACISOCIVA and chapter four, section I – IV of Ordinance No. 44.

**Termination**

**Art. 52.** (1) The Fund shall be terminated:

- a. by a Resolution of the Board of Directors of the Management Company, including in case of the redemption of all units;
- b. in case the Commission revokes the Management Company’s license to organise and manage the Fund;
- c. in the cases under Art. 39, para 1 of these Rules, unless the Management Company is substituted;
- d. in other cases provided for by law.

(2) Except for the case under para 1, letter “b”, the Fund shall be terminated with the permission of the Commission under the terms and conditions set forth in Chapter Fourteen of CISOUICIA, Section V and Chapter Four, Section V of Ordinance No. 44. Persons appointed as liquidators of the Fund, and the plan of liquidation, which must include measures to protect the unitholders, including prohibition to carry out transactions with the assets of the Fund, unless it is required by the liquidation, shall be approved by the Financial Supervision Commission.

(3) After the liabilities of the ETF are taken into account and the calculation of the net assets of the Fund is completed, the liquidator shall notify of the terms, conditions and timetable for payment of the respective parts of the Fund’s net assets to the investors in proportion to the units owned by them.

(4) The Fund shall be terminated by its removal from the register of the Commission.

**Original copies**

**Art. 53.** These Rules were signed in 3 (three) original copies in Bulgarian.

**FINAL PROVISIONS**

§ 1. All matters not provided for in these Rules shall be governed by the applicable provisions of ACISOCIVA, the Law on obligations and contracts and other applicable laws and regulations.

§ 2. In the event of discrepancies between the provisions of these Rules and the mandatory provisions of a regulation, the latter shall apply without the need to change the Rules, unless expressly required by the applicable law or these Rules. In the case under the preceding sentence, the Management Company shall promptly take measures to align these Rules with the regulations, respectively with their amendments.

§ 3. These Rules were adopted on 19 April 2016 by the Board of Directors of the Management Company “Expat Asset Management” EAD and amended by the Board of Directors



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on August 3, 2016, March 31, 2017, May 2, 2017, May 18, 2017, January 8, 2018, January 26, 2018, February 14, 2018, September 2, 2019 and September 24, 2019.