# INFORMATION DOCUMENT
# FOR THE SHAREHOLDERS OF
# “ALFA SOFIX INDEX” MUTUAL FUND
# AND “EXPAT BULGARIA SOFIX UCITS ETF”
# IN ACCORDANCE WITH ARTICLE 151, PAR. 1 OF THE LACISOCIV ACT

## IN RELATION TO THE MERGER THROUGH ACQUISITION OF “ALFA SOFIX INDEX” MUTUAL FUND INTO “EXPAT BULGARIA SOFIX UCITS ETF”

This information document has been prepared in accordance with the requirements under Article 151 of the Law on the Activities of Collective Investment Schemes and Other Collective Investment Vehicles (LACISOCIV), and relates to the envisaged transformation of merger through acquisition of the "Alpha SOFIX Index" mutual fund (The Merging Fund), managed by "Alpha Asset Management" EAD, with the exchange-traded fund “Expat Bulgaria SOFIX UCITS ETF”, managed by “Expat Asset Management” EAD (Receiving Fund), for which the Financial Supervision Commission (FSC) has given its authorization with Decision № 854-DF from 17.11.2020.

It is highly advisable for all unitholders to read this document in order to get acquainted with the merger through acquisition and their rights in relation to it, as well as with the characteristics of the Receiving Fund and the way it carries out its activity. It is also advisable to read the Key Investors’ Information Document for the investors of the Receiving Fund, attached to this information document in the appendix section below.

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## I. CIRCUMSTANCES AND JUSTIFICATION OF THE PROPOSED MERGER

### 1. Type of transformation

The transformation will be carried out on the grounds of Article 141, Par. 1 in connection with Article 142, Par. 1 of the LACISOCIV by merging "Alpha SOFIX Index" mutual fund (the Merging Fund) into the exchange-traded fund "Expat Bulgaria SOFIX UCITS ETF" (the Receiving Fund), whereby the Merging Fund is terminated without liquidation and transfers to the Receiving Fund all its assets and liabilities against granting units of the Receiving Fund to the unitholders of the Merging Fund.

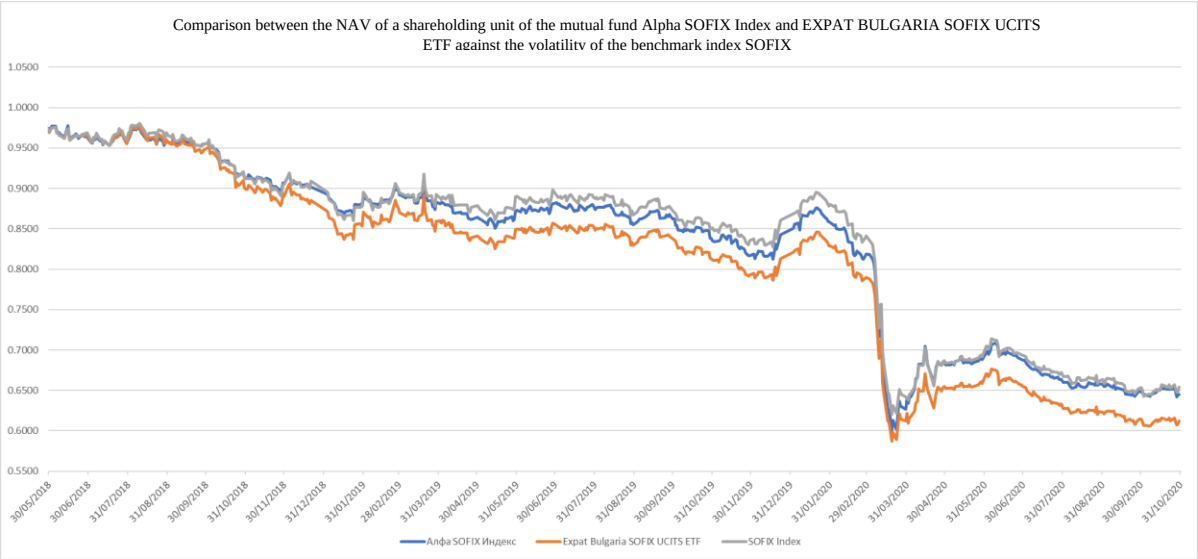
The Merging Fund is a mutual fund according to Article 5 of LACISOCIV. The fund is organized and managed by Alfa Asset Management EAD, UIC 175037316. The fund is registered with the BULSTAT register with identification code 175114862.

The Receiving fund is an exchange-traded fund within the meaning of Article 24a in connection with Article 5 of LACISOCIV. The fund is organized and managed by Expat Asset Management EAD, UIC 175431340. The fund is registered with the BULSTAT register with identification code 177067176.

### 2. Identical investment focus and investment restrictions

Both funds are passive collective investment schemes, following the main index (benchmark) of the Bulgarian Stock Exchange – SOFIX. Their investment focus and investment restrictions coincide 100%, which ensures that the investors in the Merging Fund will have similar risk exposure in the .

*Chart 1 - Performance (NAV/unit) of the Merging Fund and the Receiving Fund in relation to the SOFIX benchmark index for the last 2 years (normalized)*




### 3. Dozens of times more assets under management, prevention of regulatory non-compliance

The Merging Fund's assets are more than 20 times smaller than those of the Receiving Fund. At the moment, its assets are below BGN 500,000, and the prospect of remaining permanently below this threshold is real, considering the presence of an exchange-traded fund with the same investment focus with more than 10 times larger asset size. This would put the Merging Fund in violation of Article 9, Par. 1 of LACISOCIV. The merger aims to prevent such a negative development.

**4. Greater liquidity, easier entry and exit at lower costs**

The planned merger aims to provide unitholders of the Merging Fund with greater liquidity, taking into account the rules and organizational form of the Receiving Fund. It is exchange traded, unlike the Merging Fund, and therefore trading on the secondary market provides more opportunities to buy or sell units on a regulated market, with greater speed, ease and lower costs for retail investors (no fees for subscription and redemption). Expat Bulgaria SOFIX UCITS ETF is traded on the Bulgarian Stock Exchange, the Frankfurt Stock Exchange and the London Stock Exchange, where investors can also make price arbitrage. The liquidity of trading with the units of the Receiving Fund is guaranteed by the presence of market makers on each regulated market where its units are traded.

**5. Lower administration and management costs**

Another motive for the planned merger is the fixed costs of both the Merging and the Receiving Fund (fees to the FSC for supervision, to the Central Depository for issue maintenance, to the BSE for the SOFIX trademark, for the LEI number, the auditor's remuneration etc.). The amount of these costs does not depend on the net asset value (NAV) of the respective fund. At the same time, these costs have a direct impact on the net asset value per unit, and hence on the issue and repurchase price of a unit.

Tables № 1 and № 2 show the relative share of fixed costs in relation to the average annual net asset value of the two funds for the last three years (2017, 2018 and 2019).

*Table № 1*

| Expat Bulgaria SOFIX UCITS ETF | 2017 | 2018 | 2019 |
|---|---|---|---|
| Share of fixed costs in relation to the average annual net asset value in percent | 0.017% | 0.019% | 0.022% |

*Table № 2*

| Mutual Fund "Alpha SOFIX Index" | 2017 | 2018 | 2019 |
|---|---|---|---|
| Share of fixed costs in relation to the average annual net asset value in percent | 0.870% | 0.713% | 0.790% |

The fixed cost, as a percentage of the net assets of the fund, will decrease significantly for the investor in the Merging Fund. Table 3 shows what would be the fixed costs in case of a hypothetical merger during the indicated years.

*Table № 3*

| Fixed costs in case of a hypothetical merger of "Alpha SOFIX Index" into "Expat Bulgaria SOFIX UCITS ETF", % | 2019 | 2020* | 2021* |
|---|---|---|---|
| | 0.022% | 0.024% | 0.025% |

**forecasted calculations*

As can be seen from Tables № 1, № 2 and № 3 the percentage of the total fixed costs in relation to the average annual net asset value of the Receiving Fund, in case of a hypothetical merger during the indicated years, would decrease compared to the levels of the Merging Fund before the merger, due to an increase in the average annual value of assets after the merger.

Another factor to consider in the merger is the **management costs** – they are 1.00% of the NAV per year for both the Merging Fund and the Receiving Fund. The merger will not lead to an increase in those costs for the unitholders in the Merging Fund.

### 6. No change in the depositary of the funds

The Merging Fund and the Receiving Fund have the same depositary – Eurobank Bulgaria AD, which keeps the assets of the funds and monitors and confirms their current value on a daily basis. This ensures a smooth transformation and transfer of assets and liabilities from one fund to the other.

### 7. Transition to a larger management company with a focus on fund schemes

The Merging Fund is the only fund managed by Alpha Asset Management EAD at the moment. On the other hand, the management company of the Receiving Fund – "Expat Asset Management" EAD manages three mutual funds, which are collective investment schemes, 11 index exchange-traded funds, which are collective investment schemes, and one national exchange-traded mutual fund, which is an alternative investment fund. Units of the exchange-traded index funds of "Expat Asset Management" are admitted to trading on the Bulgarian Stock Exchange, the Frankfurt Stock Exchange and the London Stock Exchange. "Expat Asset Management" continues to actively develop this part of its business, thus ensuring resource availability and professional management for the investors of the Merging Fund in the long run.

## II. POSSIBLE IMPACT OF THE MERGER ON UNITHOLDERS

**Including, but not limited to, significant differences in terms of investment policy and strategy, costs, expected result, periodic reporting, and possible deviations in performance, as well as, where applicable, explicit warnings to investors of possible changes in their tax treatment after the merger**

### 1. Basic parameters of the Merging Fund

"Alpha SOFIX Index" MF is a collective investment scheme within the meaning of LACISOCIV. The fund is passively managed and invests only in units of companies included in the stock exchange index SOFIX, which consists of the 15 most liquid companies traded on the Bulgarian Stock Exchange. The index is based on the market capitalization of the included issues of ordinary units, adjusted by the free-float coefficient for each of them. The index is rebalanced quarterly. The fund adheres to a model of complete physical replication of the index. Investments in bank deposits are made mainly in order to maintain liquidity and in times of market turmoil. The fund is not focused on investments in a particular industrial, geographical or other market sector. The Fund discloses the net asset value per unit and prices for subscription and redemption per unit each business day. The fund does not distribute dividends. Profits are reinvested, increasing the net asset value in favor of investors.

The risk indicator determines the type of fund, according to the share of its investments in equity financial instruments (risk), debt financial instruments (low risk) and money market instruments (risk-free) and reflects the market risk of falling prices of the respective groups of assets. The fund invests up to 100% of its assets in units traded on the BSE. In this regard, it can be assessed with a 6th degree from a 7-point risk scale. The following risks are also essential for the Fund, which cannot be adequately covered by the indicator:

- market risk – in case of changes in the state of the securities market, in the economic environment, the business activity of the companies or other significant factors, the value of the Fund's investments may decrease;
- liquidity risk - as long as the Bulgarian market is still relatively illiquid, it may be difficult to sell some or all of the securities at a reasonable price and within a reasonable time;
- credit risk - the risk of a decrease in the value of an investment in a security or deposit in the event of unexpected credit events related to the issuers of securities;
- risk of discrepancy with the index - for reasons related to regulations, low liquidity or other factors there may be a discrepancy in the structure of the portfolio and the return of the Fund compared to the index;
- regulatory risk - change of the applicable regulatory framework;
- other risks - political, interest rate, inflation, operational, currency, etc. More information on the risks can be found in the Fund's Prospectus.

The investments in the mutual fund are not guaranteed by a guarantee fund and the previous results of the activity have no connection with the future results of the Fund.

*Table № 4*

| **One-time fees withheld before or after the investment** | |
|---|---|
| Subscription fee | **0.25%** |
| Redemption fee | **0.25%** |

Subscription and redemption fees are a percentage of the net asset value (NAV) per unit. This is the maximum amount that can be deducted from or added to the fund's NAV per

unit. The subscription and redemption fees are included in the published subscription and redemption price per unit, and are paid directly by the investors.

*Table № 5*

| **Expenditures borne by the Merging Fund for 2019** | |
|---|---|
| Total current expenditures for 2019 (as a % of NAV) | **2.66%** |
| Success fee | **0.00%** |

The expenses borne by the Fund and shown in Table № 5 are calculated as a percentage of the average annual NAV of the Fund for the last financial year ending on 31.12.2019, and they may change for different years. Current expenses include the asset management company's remuneration, depositary expenses and other current expenses. These fees are used to cover the administrative costs of the Fund, including the costs of marketing and offering its units. These costs reduce the potential growth of the investment.

## 2. Basic parameters of the Receiving Fund

The investment mandate of “Expat Bulgaria SOFIX UCITS ETF” is to follow the performance of the SOFIX Index, which consists of the 15 most liquid companies traded on the Bulgarian Stock Exchange. The index is based on the market capitalization of the included issues of ordinary units, adjusted by the free-float coefficient for each of them. The index is rebalanced quarterly. Expat Bulgaria SOFIX UCITS ETF is a passively managed fund and adheres to the method of full physical replication of an index. The fund is a collective investment scheme within the meaning of LACISOCIV. The fund invests only in units included in the SOFIX index on the BSE.

The Fund may invest up to 20% of its assets in demand deposits, in banks domiciled in the Republic of Bulgaria or in another EU Member State, or in a third country with laws equivalent to EU law. (*) “Expat Bulgaria SOFIX UCITS ETF” does not distribute dividends. Profits are reinvested, increasing the net asset value in favour of investors. The Fund may apply risk management techniques, minimize costs and improve results. These techniques may include the use of repo transactions and money market transactions. The Fund discloses the net asset value per unit and prices for subscription and redemption per unit each business day.

The primary market of the Fund (registration and redemption of units at NAV/unit) is open only to qualified investors meeting the definition of an “eligible counterparty” or a professional investor within the meaning of MFIA. Orders for purchase or redemption of units of the Fund are executed at a price for the day on which the order is submitted, if the order is submitted by 15:00h. In the order, the client explicitly specifies the settlement instructions for the respective depository institution on the basis of delivery against payment (DVP). Retail investors can buy and sell units of the Fund on the exchanges on which they are traded. The liquidity of the secondary market is guaranteed by market

makers, who constantly quote buy / sell prices in a narrow spread around the indicative net asset value per unit. The indicative net asset value per unit is calculated and published every minute on all regulated markets where the fund's units are traded.

** Temporarily and only under certain market conditions, the Fund may invest without restrictions up to 100% of its assets in securities and money market instruments issued by EU Member States or a third country included in a list approved by the Deputy - Chairman of the FSC.*

The Fund falls into category 5 in a 7-point risk scale given the high volatility of the reference index that the Fund follows. The indicated risk category and profitability are not guaranteed and may change. The lowest category is not a risk-free investment. The following risks are also essential for the Fund:

- Market risk - the ability to realize losses due to adverse changes in the value of the Benchmark Index. The investments in the Fund are not guaranteed by a guarantee fund and previous results of the activity have no connection with the future results of the Fund.
- The value of the units and the income from them may decrease, the profit is not guaranteed and the investors take the risk of not recovering their investments in full.
- Unusual circumstances such as obstruction of stock exchange trading, additional fees, extremely volatile markets, etc. may lead to significant differences between the performance of the Fund and the performance of the Index.
- Liquidity risk - the risk under certain conditions to be difficult or impossible to sell the securities held in the portfolio.
- Other risks - credit, interest rate, tax, regulatory, political, operational, price, currency risk, concentration risk, systemic risks, risk of passive management of the Fund, risk in corporate events, error in following the Reference Index, events affecting the Reference Index, etc. More information on the risks can be found in the Fund's Prospectus.

*Table № 6*

| **One-time fees and conditions for the sale and purchase of units** | |
|---|---|
| Fee for subscription of units on the primary market | **up to 2.00%** |
| Fee for redemption of units on the primary market | **up to 2.00%** |
| Fee for purchase of units on the secondary market (exchange) | **0.00%** |
| Fee for selling of units on the secondary market (exchange) | **0.00%** |
| Min. amount of the purchase order on the primary market | **100,000 units** |
| Min. amount of the selling order on the primary market | **100,000 units** |
| Min. amount of the purchase order on the secondary market | **none** |
| Min. amount of the selling order on the secondary market | **none** |

Subscription and redemption fees are a percentage of the net asset value per unit. This is the maximum amount that can be deducted from the fund’s NAV/unit. The subscription and redemption fees are included in the published subscription and redemption price per unit, and are paid directly by the investors. No fees are due to the fund or to the

management company in case of purchases and sales on the secondary market (on stock exchanges). Investors may have to pay fees to their investment intermediaries. Information on these fees can be obtained from the intermediaries themselves. Only qualified investors meeting the definitions of an eligible counterparty or professional investor within the meaning of MFIA have access to the fund's primary market. Non-professional (retail) investors can trade the fund's units only on regulated markets (exchanges) under normal circumstances. Fees for subscription and redemption of units on the primary market are subject to negotiation with the management company and may not exceed the limit specified in Table № 6. For investors who have a contract with the asset management company, the tariff is according to the contract. The minimum size of an order on the primary market under normal market conditions is 100,000 units and in steps of 100,000 units (the amount of units must be a multiple of 100,000). For investors who have a contract with the management company, the conditions are under the contract in compliance with the requirements of the law. More information can be found in the Fund Rules.

*Table № 7*

| **Expenditures borne by the Receiving Fund for 2019** | |
|---|---|
| Total current expenditures for 2019 (as a % of NAV) | **1,67%** |
| Success fee | **0.00%** |

The expenses borne by the Fund, shown in Table № 7, are calculated as a percentage of the average annual NAV of the Fund for the last financial year ending on 31.12.2019, and they may change for different years. Current expenses include the management company's remuneration, depository expenses and other current expenses. These fees are used to cover the cost of administration of the Fund, including the costs of marketing and offering its units. These costs reduce the potential growth of the investment.

*Table № 8 – Comparative characteristics of the two funds*

| **Characteristic** | **Expat Bulgaria SOFIX UCITS ETF** | **Alpha SOFIX Index MF** |
|---|---|---|
| Investment focus | BSE SOFIX index | BSE SOFIX index |
| Passive / Active | Passive | Passive |
| Index replication | Physical | Physical |
| Dividends | No dividends / reinvestment of profits | No dividends / reinvestment of profits |
| Investment limits | For a passive fund (CIS) tracking a benchmark index under the LACISOCIV | For a passive fund (CIS) tracking a benchmark index under the LACISOCIV |
| Open / Closed | Open | Open |
| Legal form | Mutual fund | Mutual fund |
| Jurisdiction | Bulgaria | Bulgaria |
| Regulator | FSC | FSC |
| Primary register | Central Depositary AD | Central Depository AD |
| Type (CIS / AIF) | CIS | CIS |
| Type of units (whole / partial) | Whole | Partial (up to the fourth decimal place) |

| | | |
|---|---|---|
| Market for the units | Exchange traded, primary market only for qualifiers. | Subscription and redemption at the management company |
| Publication of NAV | Daily | Daily |
| Management fee | 1.00% of NAV per year | 1.00% of NAV per year |
| Fees for subscription and redemption of units | Up to 2.00% on the primary market for qualified investors, 0% on the stock exchange | 0.25% |
| Effective remuneration | None | None |
| Total annual expenditures for 2019 as a % of NAV | 1.67% | 2.66% |
| Risk category (1-7), as determined by the MC | 5 | 6 |
| NAV as of 30.10.2020 (BGN) | BGN 8 135 784.99 | BGN 376 748.35 |
| Category of investors | Without limitations | Without limitations |
| Tax treatment of the fund | Exempt from profit tax | Exempt from profit tax |
| Tax treatment of unitholders | Exempt from capital gains tax | Exempt from capital gains tax |
| Depositary | Eurobank Bulgaria AD | Eurobank Bulgaria AD |
| Auditor | „Ernst and Young“Ltd. | „RSM BG“ Ltd. |

## 3. Expected impact on the investors of the Merging Fund

The following information is relevant to unit-holders of the Merging Fund:

- Following the merger, unit-holders of the Merging Fund will receive an appropriate number of units from the Receiving Fund, calculated on the basis of the Exchange Ratio as described below.
- This Merger Plan does not provide for changes in the portfolio of the Merging Fund. This is ensured by the fact that both Funds - Merging and Receiving, have an investment mandate to follow the performance of the SOFIX index (reference index), adhering to the method of full physical replication.
- The Receiving Fund follows the same investment policy as the investment policy of the Merging Fund.
- Prior to the effect of the merger, the management fee and the fees for subscription and redemption of units of the Merging Fund are described in Table № 4 and № 5 above.

The following legal consequences and circumstances will occur as a result of the merger:

- All assets and liabilities of the Merging Fund will be transferred to the Receiving Fund.
- The unit-holders of the Merging Fund will become unit-holders of the Receiving Fund.

- Investors holding units in the Merging Fund and in the Receiving Fund before the merger will retain the nature and profile of their investment after the merger due to the fact that both funds – Merging and Receiving, have the investment mandate to follow the performance of the SOFIX index, adhering to the method of full physical replication. The Receiving Fund will not change its investment policy as a result of the merger.
- The Merging Fund will cease to exist upon completion of the merger.

No change is envisaged with regard to the periodic reporting, as the content of the information contained in the periodic reports of the Merging and the Receiving Fund, the order, deadlines and the manner of its submission and disclosure are determined by LACISOCIV and its implementation regulations. Expat Asset Management EAD will continue on behalf the Receiving Fund to prepare and disclose six-month and annual financial statements of the Fund, statutory periodic reports and information, required to be provided to the supervisory authority and disclosed to investors and to the public, as well as monthly reports to be submitted to the regulator.

There will be no change in the rights of unitholders, for after the merger the unitholders in the Merging Fund will have and will be able to exercise the same rights in type, extent and characteristics as before, but already in the capacity of unitholders in the Receiving Fund. Investors have the right to a corresponding part of the Fund's assets, the right to a liquidation share, the right to income (corresponding part of the Fund’s profit), the right of redemption, the right to information, the right to appeal etc. The right of redemption at a price equal to the NAV per unit (adjusted by applicable redemption fees) will be valid only for qualified investors (eligible counterparties and professional investors according to the definitions of MFIA) according to the Rules of the Receiving Fund. For all other (non-professional) investors, the market in which they will be able to buy and sell units of the Receiving Fund is the secondary market of the exchanges, where these units are registered for trading - Bulgarian Stock Exchange, Frankfurt Stock Exchange and London Stock Exchange. In these regulated markets, there are market-makers who must constantly quote "buy" and "sell" prices for the units of the Receiving Fund within narrow limits around the indicative NAV per unit, which is published every minute by each exchange. This guarantees high liquidity and a fair market price of the Receiving Fund's units, with an easier procedure for buying and selling (through an investment intermediary) at lower costs.

There will be no change in the risk profile of the investment of the unit-holders in the Merging Fund after the merger - the investment in units of both the Merging and the Receiving Fund is related with similar risk (taking high risk) and the investment portfolio of the two funds is the same (units included in the SOFIX index in a ratio as close as possible to the structure of the index).

After the merger, the Receiving Fund will not issue or redeem partial units, but only whole ones. This is due to the fact that the trading on regulated markets requires the units of the Receiving Fund to always be an integer. This requires rounding to the nearest integer

down. Rounding up would cause a deficit in the balance sheet of the Receiving Fund, i.e. potential issuance of units with a value greater than the price actually paid for them, which would be contrary to the provisions of Article 21 and 24 of LACISOCIV. The effects for investors in the Merging Fund from the rounding will be negligible, as there are a total of about 160 unitholders in the Merging Fund, some of whom will have to go through rounding when exchanging their units. The total effect of the rounding is expected to be below BGN 150, which is an insignificant amount related to the number of investors and the amount of the assets of the Receiving Fund of over BGN 8 million. The potential rounding cost for an individual unitholder of the Merging Fund would always be less than BGN 1, as the NAV per unit of the Receiving Fund as of the date of this plan is around BGN 0.72, i.e. the loss may be only part of (less than) this NAV/unit. This potential cost will in any case be much lower than the cost of the Merging Fund's unitholders if they decide to redeem their units before the conversion. The potential rounding cost, for example, would be even lower than the bank transfer fee to the unitholder's bank account and significantly lower than the costs and fees for providing documents and completing a redemption order in the office (including transportation and time costs for appearing in person), copies of ID cards, bank certificates, etc.

There is no possibility and no provision for the unitholders in the Merging Fund to request conversion of their units into units of another collective investment scheme with similar investment focus, managed by the same management company or by another company with which the management company of the Merging Fund is connected by common management or control, or through substantial direct or indirect participation.

According to Article 152, Par. 1 of LACISOCIV, the unitholders in a collective investment scheme participating in the merger, for which the Republic of Bulgaria is a Member State of origin, may request redemption of their units without paying any fees other than those related only to covering the costs of early termination of investments in order to secure liquid funds to satisfy the requests for redemption of units. This right of the unitholders may be exercised from the moment when they are informed about the merger under Article 151 of LACISOCIV and on the website of Expat Asset Management EAD and Alpha Asset Management EAD, and is terminated 5 working days before the date for calculating the unit exchange ratio. The effective date of conversion is the moment from which unitholders in the Merging Fund, who have not exercised their right of redemption under Article 152 of LACISOCIV, are considered to be unitholders in the Receiving Fund, and, accordingly, may exercise their rights as such.

## 4. Expected changes in the structure of the assets of the Receiving Fund after the merger

There will be no restructuring of the portfolio of Merging Fund prior to its merger into the Receiving Fund. After receiving approval from the FSC and upon completion of the merger, the Rules of "Expat Bulgaria SOFIX UCITS ETF" will be in force for all unitholders. No changes in the portfolio and asset structure of the Receiving Fund after the merger are envisaged either. The investment portfolio of both the Merging Fund and the

Receiving Fund is similar. The legal, consulting and administrative costs incurred in connection with the preparation and execution of the merger shall not be at the expense of the funds participating in the merger, nor at the expense of the holders of their units. These costs are entirely at the expense of the management company of the Receiving Fund. The merger of the Merging Fund into the Receiving Fund will not in itself lead to a change in the tax treatment of investments in both funds. No change in the ways and methods for valuation of financial instruments in connection with the merger is envisaged. No change is envisaged in the way of reporting all accrued revenues in both funds.

The Management Company of the Merging Fund will take a decision for final suspension of subscription and redemption of units of the Merging Fund after the deadline for exercising the right of the unitholders of the Merging and and the Receiving Fund to redeem their units under Article 152 of LACISOCIV, which term is indicated in the Information Document for the unitholders in connection with the merger. According to Article 152, Par. 1 of LACISOCIV, the holders of units in a collective investment scheme participating in the merger, for which the Republic of Bulgaria is a home Member State, may request redemption of their units without having to pay any fees other than those related only to covering the costs of early termination of investments in order to secure liquid funds to satisfy the requests for redemption or conversion of units. Unitholders may exercise this right from the moment they are informed about the merger under Article 151 of LACISOCIV and on the websites of Expat Asset Management EAD and Alpha Asset Management EAD, until 5 working days before the date for calculation of the unit exchange ratio.

The envisaged merger will not lead to a change in the depository bank before and after the merger. The depositary of both the Merging Fund and the Receiving Fund is Eurobank Bulgaria AD. No change of the Receiving Fund's Depository is envisaged after the merger.

## 5. The possible effect of the merger on the unitholders of the Receiving Fund

The information contained herein is relevant to the unitholders of Receiving Fund:

- In order to achieve the main goals of its investment activity, the Receiving Fund will continue to follow the same investment policy after the effective date of the merger.
- Unitholders in the Receiving Fund prior to the merger will retain the nature of their investment and the level of risk (high risk).

As a result of the merger the following circumstances and legal consequences will occur:

- The Receiving Fund will acquire all assets and liabilities of the Merging Fund;
- The unitholders in the Merging Fund will become unitholders in the Receiving Fund;
- Unitholders in the Merging Fund and in the Receiving Fund prior to the merger will retain the nature and profile of their investment after the merger due to the fact that both funds follow an investment policy to replicate the performance of the SOFIX Index (reference index), adhering to the method of full physical replication. The Receiving

Fund is not expected to undergo changes in its investment policy as a result of the merger;

- The Merging Fund will cease to exist upon completion of the merger.

No change is envisaged with regard to the periodic reporting, as the content of the information contained in the periodic reports of the Merging and the Receiving Fund, the order, deadlines and the manner of its submission and disclosure are determined by LACISOCIV and its implementation regulations. Expat Asset Management EAD will continue on behalf the Receiving Fund to prepare and disclose six-month and annual financial statements of the Fund, statutory periodic reports and information, required to be provided to the supervisory authority and disclosed to investors and to the public, as well as monthly reports to be submitted to the regulator.

There will be no change in the rights of unitholders, for after the merger the unitholders in the Merging Fund will have and will be able to exercise the same rights in type, extent and characteristics as before, but already in the capacity of unitholders in the Receiving Fund. Investors have the right to a corresponding part of the Fund's assets, the right to a liquidation share, the right to income (corresponding part of the Fund’s profit), the right of redemption, the right to information, the right to appeal etc.

No change in the risk profile of the of the Receiving Fund is foreseen, which will continue to be high risk. No changes in the structure of the assets of the Receiving Fund are envisaged. There will be no change in the synthetic indicator for risk and return in the document with key information for the investors in the Receiving Fund.

No restructuring of the portfolio of the Receiving Fund is foreseen before the merger takes effect. The assets of the Merging Fund to be transferred to the Receiving Fund as a result of the merger are identical to those in the portfolio of the Receiving Fund.

As a consequence of the merger, no changes in the Rules of the Receiving fund are foreseen. The structure of the portfolio of the Receiving Fund will remain the same as both funds follow an investment policy to replicate the performance of the SOFIX Index (reference index), adhering to the method of full physical replication

The legal, consulting, and administrative costs related to the preparation and execution of the merger are not borne by the participating collective investment schemes, nor by the unitholders in them. They will be exclusively borne by the management company of the Receiving Fund in accordance with the requirements of LACISOCIV.

The merger will not lead to any change in the tax regime of the investments of the two funds.

No change is envisioned in the manner of calculating accrued income in the Receiving Fund.

The Receiving Fund will not stop unit redemptions. The unitholders of the Receiving Fund should be aware that after the deadline for the unitholders in the Merging Fund and in the Receiving Fund to exercise their right to redeem their units in accordance with Art 152 of LACISOCIV (the deadline will be announced after receiving the approval for the merger by the FSC) the management company has the right to take a decision to temporarily stop unit redemption of the Receiving Fund for 20 (twenty) working days. Such a decision, however, is not required in the present case and will not be taken.

No possibility exists or is envisioned for the unitholders of the Receiving fund to ask for an exchange of their units into units of another collective investment scheme with similar investment goals, managed by the same management company or by another company, with which the management company is connected through common management or control or through a direct or indirect stake.

In accordance with Art 152, par 1 of LACISOCIV, the owners of units in a collective investment scheme that is undergoing a merger, for which the Republic of Bulgaria is a member state by origin, can ask to redeem their units without owing other charges except those related to covering the costs of the pre-term termination of investments with the goal to secure funds to satisfy the unit redemption demands. This right may be exercised from the moment they are informed about the merger under Art 151 of LACISOCIV and on the webpage of “Expat Asset Management” and “Alfa Asset Management”, and is terminated 5 working days before the date of calculating the exchange ratio for the units.

“Eurobank Bulgaria” AD will remain the depositary of the Receiving Fund. No change is envisioned regarding the Depositary of the Receiving Fund after the merger.

## 6. Changes in the tax treatment of investors

There will be no change in the tax treatment of investors after the merger.

## III. SPECIFIC RIGHTS OF UNITHOLDERS REGARDING THE PROPOSED MERGER

**Including, but not limited to, the right to receive additional information, the right to receive a copy of the report by the registered auditor upon request, the right to reem units**

### 1. Right to redeem units

According to Article 152, Par. 1 of LACISOCIV, the unitholders of a fund participating in a merger can request to have their units redeemed, without incurring charges other than those necessary to cover the costs of the early termination of investments with the goal of securing liquid funds to satisfy the redemption requests. This right is described in detail in Part II above.

### 2. Additional information about the proposed merger

The unitholders of a fund participating in a merger have the right to receive additional information about the proposed merger.

**LOCATION**: the offices of the management companies of the Merging and the Receiving funds

**ADDRESSES**:

- Address of the management company of the Merging Fund – "Alfa Asset Management" EAD, 14 "Tsar Osvoboditel" Blvd (Landmark Centre), ground floor, Sofia 1000, Telephone: 02 4210513, e-mail: aam@alfafunds.com.
- Address of the management company of the Receiving Fund – "Expat Asset Management" EAD, 96A Georgi S. Rakovski, Sofia 1000, Telephone: 02 9801881, email: asset.management@expat.bg.

**TIME**: during working hours of the management companies of the Merging Fund (9:30 am – 5:00 pm) and of the Receiving Fund (9:00 am – 6:00 pm).

**MANNER IN WHICH THE ADDITIONAL INFORMATION COULD BE OBTAINED:** via telephone, email or at the office of the management companies of the Merging and the Receiving funds.

### 3. Report of the registered auditor

The unitholders of a fund participating in a merger have the right to receive a copy of the registered auditor's report of the merger. Nikolay Polinchev, a certified public accountant, reg. 684/2010, monitors the merger as an independent auditor. The independent auditor drafts a report regarding the verification of:

a) The adopted criteria for valuation of the assets and liabilities at the date of calculating the exchange ratio

b) The method for calculating the exchange ratio as well as the real exchange ratio, calculated at the date for calculating the exchange ratio.

The unitholders of the funds participating in the merger could receive a free copy of the independent auditor's report upon request, via email or through the contacts indicated in Part III, p 2.

**4. Cash transfers to the unitholders in order to reach the exchange ratio during the merger**

No cash transfers to the unitholders in order to reach the exchange ratio during the merger are envisioned.

**5. Specific changes relating to the merger**

a) Differences in the synthetic indicators of risk and return in the document with key information for the investors of the Merging and Receiving funds

There is a minimal discrepancy between the risk classification of the Merging and the Receiving funds, respectively 6 and 5 on a 7-point scale, in the documents with key information for investors. Both funds are passive collective investment schemes, following the main index (benchmark) of the Bulgarian stock exchange – SOFIX. Their investment focus and investment constraints coincide at 100%. Having in mind the identical investment strategies of the funds, the discrepancy between category 6 and category 5 is entirely due to the shorter existence of the Receiving fund and the impossibility to compare identical periods given that the Merging fund calculates the volatility of returns over a 5-year period, which is also the requirements of the Directive for calculating the synthetic indicator regarding risk and return. The risk, which investors in both funds bear, is objectively completely comparable.

b) Comparison between all fees, commissions, and other expenses for the Merging and Receiving funds based on the data present in the documents with key information for unitholders

| Types of fees | Expat Bulgaria SOFIX | Alfa SOFIX Index |
|---|---|---|
| Management fee | 1.00% of NAV per annum | 1.00% of NAV per annum |
| Fees for subscription and redemption of units | Up to 2.00% on the primary market for qualified investors, 0% on the stock exchange | 0.25% |
| Success fee | None | None |
| Total annual costs for 2019, as % of NAV | 1.67% | 2.66% |

c) The manner in which the success fee of the Merging Fund will be applied up until the completion of the merger

The Merging Fund does not have a success fee.

d) The manner in which the success fee of the Receiving Fund will be applied up until the completion of the merger

The Receiving Fund does not have a success fee.

e) The manner in which all accrued income of the funds participating in the merger will be treated

When exchanging the units of the Merging Fund for units of the Receiving Fund, there will be a rounding of the units towards an integer number downward, created by the stock exchange-related requirements of the Receiving Fund. The positive effects for the Receiving Fund after the rounding will be negligible. This is due to the presence of about 160 unitholders in the Merging Fund in total. The total effect of the rounding is expected to be under BGN 150, which is an insignificant amount relative to the amount of assets of the Receiving Fund of over BGN 8 million. The potential cost of rounding down for a given unitholder of the Merging Fund would always be under BGN 1, as the NAV per unit of the Receiving Fund at the date of this plan is around BGN 0.72 – therefore the loss can be only a part of (smaller than) this NAV/unit. The positive effects for the Receiving Fund will be reflected in the increase of its NAV and NAV per unit, respectively, when the exchange of units of the Merging Fund takes place, which will have a positive effect on all unitholders of the Receiving Fund after the merger.

## IV. PROCEDURAL QUESTIONS AND PLANNED EFFECTIVE DATE OF THE MERGER

After the Financial Supervision Commission gives its authorization for the merger, the management companies will immediately publish an announcement about the merger on their webpages: for “Alfa Asset Management” EAD – www.alfafunds.com and for “Expat Asset Management” EAD – www.expat.bg . The announcements will contain information about:

a) The period for giving information to investors and for exercising the right to redeem units of the Merging Fund;
b) The deadline for unit subscriptions and redemptions of the Merging Fund;
c) The date of calculating the exchange ratio;
d) The effective date of the merger;
e) Announcing the merger with information according to the requirements of Art. 151 of LACISOCIV.

### 1. The Period for granting information to investors and for exercising investor rights to redeem units

The unitholders of the Merging and the Receiving Funds will be given information on the webpages of the management companies, via phone and email, as well as at the offices of the two management companies, which will allow them to make an informed judgement about the effects of the merger on their investments or about their right to redeem their units.

The document with information to the unitholders in the two funds (Under to Art. 151 of LACISOCIV) will be given to unitholders in accordance to the provisions of Art 106 of FSC Regulation 44, in relation to § 1, p. 22 of the Additional provisions of LACISOCIV.

Personally addressed letters to the unitholders of the Merging Fund will be sent via email. In case no such email is available to “Alfa Asset Management” EAD, personally addressed letters with a return receipt will be sent to the correspondence address of the unitholder or to the address in the unitholder register of “Alfa SOFIX Index” in the Central Depositary, when a correspondence address is absent. The address of the management company from where the unitholder could get the information document on paper, as well as a link to the webpage of the company, from which the unitholder could download the document, will be present in the letters and emails.

Personally addressed emails containing the address of the management company from where the unitholder could get the information document on paper as well as a link to the webpage of the company from which the unitholder can download the document, will be sent to the unitholders of the Receiving Fund.

With regard to the possibility to exercise the right to redeem their units, the unitholders of the Merging Fund should bear in mind that the imperative norms of the Family Code are also applied concerning the management of children's property (Art 130 of the Family Code). **The period for giving information to investors and for exercising the right to redeem their units is at least 30 (thirty) calendar days before the deadline for requesting a redemption, and starts from the day following the notification under Art. 106 of FCS Regulation № 44.**

**2. Deadline for unit subscriptions and redemptions of the Merging Fund**

The deadline for unit subscriptions and redemptions of the Merging Fund is 51 days after sending the information in accordance with Art 151 of the LACISOCIV and in accordance to the provisions of Art 106 of FSC Regulation 44, in relation to § 1, p. 22 of the Additional provisions of LACISOCIV.

**3. Date of calculating the Exchange Ratio**

The date to calculate the Exchange Ratio will be fixed in the period after the deadline for submission of requests for unit redemptions according to p.1. **The Date of calculating the Exchange Ratio will be 5 (five) working days after the deadline for submitting a redemption request by the unitholders in the Merging Fund.**

**4. Effective date of the merger**

The effective date of the merger will be fixed in the period after the deadline for submission of requests for unit redemptions by the unitholders in the Merging fund. **The effective date of the merger will be 5 (five) calendar days after the date when the Exchange Ratio is calculated.**

**5. Disclosure of the merger**

The merger is disclosed by the management companies of the receiving and the merging collective investment schemes on their web pages and the FSC has been notified about it. The management company of the Receiving Fund will submit the required documents to remove the Merging Fund from the "Bulstat" Registry, from FSC's Collective Investment Schemes Registry in accordance with Art. 30, par.1, p.4 of the Law on the Financial Supervision Commission, and from the issue register of "Central Depositary" AD.

*Table № 10 – Timeline and transforming actions*

| Calendar Day (*) | Step/Action | Responsible Side |
|---|---|---|
| T+0 | **Authorization by FSC for the merger** | |
| T+2 | Sending information under Art 151 of LACISOCIV and in accordance to the provisions of Art 106 of FSC Regulation | AAM / EAM |

| | | |
|---|---|---|
| | 44, in relation to § 1, p. 22 of the Additional provisions of LACISOCIV | |
| T+53 (**) | **Deadline for subscription and redemption of units of the Merging Fund** | AAM |
| T+58 (***) | Calculating the Exchange Ratio. | AAM / EAM |
| T+58 | End of calculating and publishing NAV and NAV/unit of the Merging Fund | AAM |
| T+58 | Generation of an up-to-date registers of unitholders from “Central Depository” AD | AAM |
| T+58 до T+63 | Submitting information (incl. contacts and copies of ID documents) about the unitholders of the Merging Fund from AAM to EAM. | AAM |
| T+58 до T+63 | Opening accounts in Central Depository of the unitholders of the Merging Fund with the management company of the Receiving fund. | EAM |
| T+63 | **Effective date of merger.** Transfer of assets and liabilities from the Merging to the Receiving Fund**.** | AAM / EAM |
| T+63 | Issuing units by the Receiving Fund and their transfer to the accounts of the unitholders of the Merging Fund with the management company of the Receiving Fund. | EAM |
| T+64 | NAV and NAV/unit of the Receiving Fund are calculated, taking into consideration the received assets and liabilities from the Merging Fund and the newly issued units to the unitholders of the Merging Fund. | EAM |
| T+66 | Notification of the FSC about the completion of the merger. Submission of documentation for the removal of the Merging Fund from the Registry of Collective Investment Schemes with the FSC, the Bulstat Registry and the Central Depository Issue Registry by the | EAM |

| | | |
|---|---|---|
| | management company of the Receiving Fund. | |

*Note: FSC – Financial Supervision Commission; CD – Central Depositary; AAM – Alfa Asset Management; EAM – Expat Asset Management*

** In case a deadline falls on a holiday/weekend, the deadline elapses on the first workday after the holiday.*

*** The deadline T+53 complies with the deadline in accordance with Art 151, par 3 of LACISOCIV and provides for an adequate period of time to send the notifications under Art. 106 of FSC Regulation 44 through "Bulgarian Post" via registered mail (which can be treated as regular notification when received and as returned when not received) and via email to all investors. Each investor is given at least a 30-day period during which they can exercise their right to redeem under to Art. 152 of LACISOCIV.*

**** The deadline for calculating the exchange ratio is 5 workdays after the deadline for unit redemptions. The table shows 5 calendar days which is the minimum period possible.*

The deadline to complete the merger is at least 66 days after receiving the authorization from the FSC. It is possible that this time period is a few days longer depending on the number of holidays.

## V. DOCUMENT WITH KEY INFORMATION FOR THE INVESTORS OF THE RECEIVING FUND

The key information for the investors of the Receiving Fund is contained in an attachment to the present information documents and all investors are encouraged to read it.

The key information for the investors of the Receiving Fund has not been changed for the purposes of the proposed merger.

In the period between the date on which the unitholders of the funds participating in the merger receive the present information, and the date on which the merger is completed, the present information, including a copy of the document with up-to-date key information about the investors of the Receiving fund, will be given to any person who subscribes units or asks for a copy of the Rules or the Prospectus or the Document with key information for the investors of the Merging or the Receiving funds.