Translation from Bulgarian

RULES

FOR PORTFOLIO VALUATION AND DETERMINATION OF NET ASSET VALUE AND INDICATIVE NET ASSET VALUE OF “EXPAT HUNGARY BUX UCITS ETF”

These Rules regulate the principles and methods for valuation of the assets, liabilities and calculation of the net asset value of “Expat Hungary BUX UCITS ETF” (the ETF” or “the Fund”), organized and managed by "Expat Asset Management” EAD Management Company (the "Management Company"), as well as the system of organization of this activity, the rules for avoiding conflicts of interest and for providing protection against the disclosure of inside information.

The Rules for Portfolio Valuation and Determination of Net Asset Value and Indicative Net Asset Value of “Expat Hungary BUX UCITS ETF” are approved by decisions of the Board of Directors of the Management Company Expat Asset Management EAD, reflected in No.212 of 2 October 2017, Protocol No. 213 of 27 October 2017 and Protocol No. 223 of 6 December 2017, and the Management Company shall act on behalf of “Expat Hungary BUX UCITS ETF”.

These Rules may be amended, supplemented or replaced by a decision of the Board of Directors of the Management Company which shall enter into force after approval by the Deputy Chairperson in charge of the Investment Activity Supervision Division of the Financial Supervision Commission.

These Rules govern the procedure and organization of the calculation of the net asset value for the purposes of:

- Determination of the net asset value per unit, determination of the issue value and redemption price of shares of the Fund;
- Adherence to the investment policy, investment limits and asset allocation in the portfolio as well as the minimum liquidity requirements and the structure of the Fund's assets and liabilities;
- Compliance with the provisions regarding the expenses related to the Fund’s activity according to the Fund Rules;
- Compliance with the provisions of POSA, LACISOCIU, the implementing regulations thereof and all other statutory requirements.

Asset valuation rules are based on:

- Using a unified and consistent system for valuation of the portfolio assets, decision making and control;

- A system for collecting information related to the determination of the net asset value – sources and types of information;
- Rules for avoiding conflicts of interest and providing protection against disclosure of inside information;
- Recording the discussions related to the determination of the net asset value and attaching the relevant documents to the protocols;
- Technology and software requirements for determining the net asset value;
- A system for storing and protecting documentation related to the determination of the net asset value, both on hard copy and electronically.

I. Principles and methods for valuation of assets and liabilities. Net Asset Value

I. 1. Basic principles and valuation methods:

A) (Am. by Resolution No. 213/27.10.2017 of the BD) Basic principles in the valuation of the assets of “Expat Hungary BUX UCITS ETF”:

- Valuation of assets of "Expat Hungary BUX UCITS ETF", hereinafter referred to as "ex-post evaluation", shall be made for each asset, including those initially recognized at the valuation date.
- Upon initial acquisition (recognition) of an asset, the valuation shall be carried at the cost of its acquisition, including the transaction costs. Under this method, securities are recognised (derecognized) in the Fund balance sheet at the date of the transfer of ownership (settlement date) rather than the date of execution of the transaction. Derecognising of the securities from the balance sheet is made by their value at the settlement date of the sale transaction.
- Upon subsequent asset valuation – at fair value, in the order and way specified in this Annex.
- The net value of the assets and liabilities of the Fund are calculated by accounting policies and procedures in accordance with the International Accounting Standards pursuant to Additional Provisions § 1 (8) of the AP of the Accountancy Act.

B) The methodology is based on the Rules of ETF and the regulations related to its activity. The methodology includes the principles and methods for valuation of the Fund's assets and liabilities. The methods are applied sequentially in the order in which they are described.

I. 2. Asset valuation:

The valuation of the Fund’s assets, hereinafter referred to as “ex-post evaluation” shall be performed for each security, financial instrument and other asset, including those initially recognized as of the valuation date. Their value shall be calculated as follows:

A) (Am. by Resolution No. 223/06.12.2017 of the Board of Directors) The fair value of securities and money market instruments issued by the Republic of Bulgaria in the country, is determined on the basis of the average of the closing bid prices on the market for the last business day announced by not less than two primary dealers of sovereign bonds.

A1) If the price is calculated on the basis of gross prices presented by primary dealers, it shall be used directly for revaluation. Provided that the price is clean, based on interest rate characteristics on a periodicity and interest coupon level, it shall be converted into gross and then used for revaluation.

A2) If it is not possible to apply item A for the respective business day, ex-post evaluation shall apply the nearest fair value determined in accordance with item A within the 30-day period preceding the valuation day. On the basis of interest rate characteristics on the frequency and level of interest coupons of the relevant security, the gross value for the relevant revaluation day shall be calculated.

B) If it is not possible to apply item A, the method of discounted net cash flows shall be used. As a basis for the calculations, the prices of the most recent issues with the relevant maturity that primary dealers are required to quote shall be used. These latest issues with respective maturity date are hereinafter referred to as “main issues". The issue, which price has to be determined, is referred to as the “demanded issue".

For the purpose of the calculations, the prices of the main issues shall be calculated pursuant to item A.

The calculation of the prices of the respective issues according to the linear interpolation method shall go through the following stages:

- A yield curve shall be formed on the basis of average prices of the main issues;
- Depending on the remaining time to the maturity of the demanded issue, its location shall be determined according to the nearest previous and the nearest subsequent by term “on-the-run” issues;
- The difference (in days) between the maturity of both main issues and the difference in their yield to maturity shall be determined;
- A multiplier shall be calculated, as the difference in the yield to the maturity date shall be divided by the difference in the days to maturity;
- The difference in the days to the maturity date of the demanded issue and the preceding “on-the-run” issue shall be determined;
- The resulting difference shall be multiplied by the multiplier from the previous step in order to calculate the difference in the income to the maturity date of the demanded and the main issue;
- The yield to maturity of the demanded issue shall be obtained by adding the yield spread calculated in the previous step to the yield of the “on-the-run” issue preceding the demanded issue;
- Based on the received yield to the maturity of the demanded issue, its gross price shall be calculated using the following formula:

$$P = \sum_{i=1}^{N} \frac{C/n}{(1+r/n)^{i-1+w}} + \frac{F}{(1+r/n)^{i-1+w}}$$

where: P – the price of the security;

F – the principal of the security;

C – the bond's annual coupon;

n – number of interest payments per year;

N – total number of interest payments;

r – discount rate (equal to yield to the maturity);

i – order number of the interest payment.

$$w = \frac{days\ to\ the\ next\ interest\ payment}{total\ number\ of\ days\ between\ two\ interest\ payments}$$

The price calculated in the formula is gross and is used directly for subsequent revaluation of the relevant debt security.

C) (Am. by BD Resolution No. 223/06.12.2017) The fair value of the securities and money market instruments issued by the Republic of Bulgaria as well as those issued by another Member State and a third country included in a list approved by the Deputy Chairperson, securities and money market instruments traded on trading venues in an active market shall be determined:

C1) Using the bid price at market closure on the valuation day announced in an electronic system for price information.

C2) If the foreign market does not operate on the valuation day – at the closing bid price on the last business day announced in an electronic system for price information.

C3) If the price calculated according to section C1 – C2 is gross, it shall be used directly for revaluation. Provided that the price is clean, based on interest rate characteristics on a periodicity and interest coupon level, it shall be converted into gross and then used for revaluation.

C4) In the absence of transactions on the valuation day, the fair value of transferable securities and money market instruments shall be determined by the closing price or other equivalent indicator disclosed publicly by trading venues for the earliest day of the 30-day period prior to the valuation day.

C5) In the absence of trading on trading venues in business days of the country, the fair value of transferable securities and money market instruments shall be determined at the closing price for the day of the last trading session preceding the valuation day. In the absence of transactions on the day of the last trading session preceding the valuation day, the fair value of these instruments shall be determined at closing price or other similar item disclosed publicly by trading venues for the earliest day of the 30-day period, preceding the valuation day. When valuating bonds and other forms of securitized debt (debt securities), accrued interest on the relevant days shall be also accounted for.

C6) If the method described in sections C1 – C5 may not be applied, the method pursuant to section B shall be used.

D) The fair value of Hungarian and foreign shares and rights admitted to or traded on a regulated market or other trading venue in the Republic of Hungary shall be determined as follows:

D1) For shares that are part of the reference index of the exchange traded fund under the model of full physical replication “Expat Hungary BUX UCITS ETF” – according to the same rules as the calculation of the specific reference index and pricing information announced through the trading system or in the stock exchange bulletin, as long as the method of revaluation of the Reference Index is not contrary to the Law. If the reference Index revaluation method is not in compliance with the legal provisions, the shares shall be valued at the closing price announced through the trading system or in the stock exchange bulletin.

D2) (Am. by BD Resolution No. 213/27.10.2017) For shares outside the reference index of “Expat Hungary BUX UCITS ETF” – at closing price announced through the trading system or in the stock exchange bulletin. This case only refers to cases of rebalancing the Reference

Index leading to the drop-out of an issuer and the need of revaluation of those shares in the Fund's portfolio.

D3) If a price may not be determined pursuant to section D1 or D2, the price of the shares or the rights, provided there are no transactions on the valuation date, shall be determined at the closing price announced through the trading system or in the stock exchange bulletin for the nearest day of the 30-day period preceding the valuation day or the day of the last trading session.

E) If it is not possible to apply the methods for valuation of shares under section D as well as for the shares that are not traded on regulated markets or other trading venues, the fair value shall be determined by the consecutive application of the following methods:

- Price-to-earnings ratio method of similar companies;
- Net Asset Value method;
- Discounted Net Cash Flows method.

These methods are applied in the sequence in which they are described below, provided that the first method may not be used.

E1) The Net Asset Value method consists of calculating the value of the shares of the company subject to valuation, dividing the equity of the company (based on the most recent financial statement) into the total number of shares outstanding.

$$P = \frac{A - L - PS}{N}$$

where: *P* – the value of the ordinary shares of the company subject to valuation;

A – assets;

L – liabilities;

PS – preference shares value;

N – total number of ordinary shares outstanding.

E2) The Discounted Net Cash Flow method shall be used for determining the value of a single ordinary share of the company by dividing the equity of holders of ordinary shares into the number of ordinary shares outstanding.

The equity value of holders of ordinary shares shall be calculated in both following methods:

Method 1. The Free Cash Flows to Equity method for the ordinary shareholders – by discounting the net cash flows that remain to the shareholders after meeting all expenses, financial liabilities, necessary investments and changes in the working capital:

- This method uses the net cash flows that remain after meeting all expenses, covering the financial liabilities (including principals and interests on the company's debts), the necessary investments and the changes in the working capital;
- Net cash flows are calculated as the estimated net profit (after interests and taxes on profit):
    - increases with estimated depreciation costs;
    - decreases/increases with the absolute value of the estimated change in net working capital;

- increases with the estimated value of a new debt, as well as the proceeds of issuance of preferred shares;
- decreases by the estimated investments in fixed assets;
- decreases by the estimated repayments on the debt principal;
- decreases by the estimated dividends for preferred shares.

- The following formula shall be used:

$$FCFE = NI + D - Capex - \Delta WC + ND - PP - \Pr D,$$

where: *FCFE* – net cash flows for ordinary shareholders;

NI – net profit;

D – depreciations;

Capex – investments in fixed assets;

Δ*WC* – change in net working capital;

ND – new debt, as well as the proceeds of issuance of preferred shares;

PP – repayments on principals;

PrD – dividends on preferred shares.

- Upon this method, net cash flows are discounted by the cost of equity financing;
- The cost of equity financing is the required return standard on ordinary shareholders and is defined in the following ways:
  - through risk-free interest rate plus risk premium:

$$k_e = k_{RF} + RP$$

where k_e – cost of equity financing;

k_{RF} – risk-free interest rate;

RP – risk premium.

  - through the Capital Asset Pricing Model – CAPM:

$$k_e = k_{RF} + (k_m - k_{RF}) x \beta$$

where: ke – cost of equity financing;

k_{RF} – risk-free interest rate;

(k_m – k_{RF}) – market risk premium;

k_m – expected return on the market;

β - beta coefficient.

  - through the discounted cash flow method:

$$k_e = \frac{D_1}{P_0} + g$$

where: k_e – cost of equity financing;

D_1 – expected next dividend per ordinary share;

P_0 – price per ordinary share;

g – expected growth rate.

Method 2. Free Cash Flows to the Firm – by discounting the net cash flows for all shareholders and other investors reduced by all company debts and other claims of investors other than shareholders. Net cash flows are used for all investors in the company – holders of shares, debt and preferred shares. Net cash flows are calculated in the both following ways:

- With the first method, net cash flows are calculated as the estimated earnings before interest and after taxes on profit:
  - increases with estimated depreciation costs;
  - decreases with the estimated change in net working capital;
  - decreases by the estimated investments in fixed assets;
- The following formula shall be used:

$$FCFF = EBIT \times (1 - t) + D - Capex - \Delta WC \text{ ,}$$

where: *FCFE* – net cash flows for the company;

EBIT – earnings before interest and taxes;

t – tax rate;

D – depreciations;

Capex – investments in fixed assets;

Δ*WC* – change in net working capital.

- The second approach uses the following formula:

$$FCFF = FCFE + Int \times (1 - t) + PP - ND + PrD$$

where: FCFF – net cash flows for the company;

FCFE – net cash flows for ordinary shareholders;

Int – interest expenses;

t – tax rate for the company;

PP – repayments on principals;

PrD – dividends on preferred shares;

ND – new debt, as well as proceeds from issuance of preferred shares.

- The Free cash flows are discounted at the weighted average cost of capital of the company. The market values of shares are used for determining the relative shares of the different sources of capital;
- The weighted average cost of capital of the company shall be determined by the following formula:

$$WACC = k_e \times \left(\frac{E}{E + D + PS}\right) + k_d \times (1 - t) \times \left(\frac{D}{E + D + PS}\right) + k_{ps} \times \left(\frac{PS}{E + D + PS}\right),$$

where: *WACC* – weighted average cost of capital;

k_e – cost of equity financing;

k_d – the cost of debt financing before the tax effect of interest expenses have been accounted for;

t – tax rate for the company;

k_{ps} – cost of financing with preferred shares;

E – market value of the company shares;

D – market value of the company's debt;

PS – market value of the company's preferred shares.

When the debt market value may not be determined, its book value shall be used.

Each of the methods for determining the value of shareholder's capital may use one of both discount models:

- Constant growth rate, which assumes that the growth of the company is constant and stable;

The formula used is the following:

$$P_0 = \frac{FCF_1}{r-g},$$

where: P_0 – present value of the free cash flows;

FCF – or FCFE or FCFF;

r – corresponding discount rate;

g – constant growth rate of the company.

- Two-stage growth rate, which assumes that there are two periods. For the first period, the net cash flows are estimated separately for each year, and for the second period it is assumed that the net cash flows will grow at a sustained rate or will remain constant.

The formula used is the following:

$$P_0 = \sum_{t=1}^{t=n} \frac{FCF_t}{(1+r)^t} + \frac{P_n}{(1+r)^n},$$

where: P_0 – present value of the free cash flows;

FCF_t – or FCFE or FCFF during year t;

r – corresponding discount rate during the first period;

P_n – the value of free cash flows at the beginning of the second period of sustainable growth. P_n shall be calculated as follows:

$$P_n = \frac{FCF_{n+1}}{r_n - g_n},$$

where: r_n – corresponding discount rate during the period of constant growth;

g_n – constant growth rate of the company. When it is assumed that during the second period net cash flows will remain constant, then g_n=0.

E3) Subsequent valuation of shares acquired as a result of a capital increase with funds of the issuing company or by stock split shall be carried out as follows:

- In the case of the acquisition of (new) shares of a company as a result of a capital increase with funds of the company, a receivable shall be recognized as from the date when the shareholders in the company are not entitled to shares of the capital increase – the date after which transactions with shares shall not affect the right of acquisition of new shares until the date of registration of the capital increase and its entry into the depositary institution;

  The value of the receivable is equal to the product of the number of new shares and the price of a new share.

  $$R = N_n \times P_n,$$

  where: R – receivable;

  N_n – number of new shares;

  P_n – price per new share.

  The price of a new share is obtained by dividing the last valuation price of an "old" share divided by the amount of the number of new shares acquired against an "old" share, and 1.

  $$P_n = \frac{P_0}{(N_r + 1)},$$

  where: P_n – price per new share.

  P_0 – last price estimate of an "old" share;

  N_r – number of new shares for one "old" share.

  From the date of entry of the new shares into the depositary institution up to the date of admission to trading on a regulated market or other trading venue, the new shares shall be recognized at a price calculated using the following formula:

  $$P_n = \frac{P_0}{(N_r + 1)}$$

  where: P_n – price per new share.

  P_0 – last price estimate of an "old" share;

  N_r – number of new shares for one "old" share.

  After entering the new shares for trading at the respective trading venue, their subsequent valuation shall be carried out according to the valuation methods of securities admitted to or traded on a regulated market or other trading venue.

- In the case of acquisition of (new) shares of a company as a result of a stock split, a receivable shall be recognized from the date when the new shares are already separated from the existing shares – the date after which the transactions executed with the shares shall not affect the right of acquisition of new shares until the date of registration of the new number of shares in the depository institution.

The value of the receivable is equal to the product of the number of new shares and the price of a new share.

The price of a new share shall be obtained by dividing the last valuation price of an “old” share into the number of new shares acquired against an “old” share.

$$R = N_n \times P_0 \times \frac{1}{N_r},$$

where: R – receivable;

N_n – number of new shares;

P_0 – last estimate of an “old” share;

N_r – split ratio.

From the date of entry of the new shares into the depositary institution up to the date of admission to trading on the respective trading venue, the new shares shall be recognized at a price calculated using the following formula:

$$P = P_0 \times 1 / N_r$$

where: P – price of new share;

P_0 – last estimate of an “old” share;

N_r – split ratio.

After entering the new shares for trading on a regulated market, their subsequent valuation shall be carried out according to the valuation methods of securities admitted to or traded on a regulated market or other trading venue.

E4) The above-mentioned methods under sections E1), E2) and E3) for determining the fair value of the securities may be adjusted by coefficients based on the database and circumstances constituting respectively disclosed inside information within the meaning of Annex 9 of Ordinance No. 2 of 17 September 2003 on prospectuses in public offering and admission to trading on a regulated securities market and for the disclosure of information.

E5) The fair value of the collective investment scheme financial instruments in an inactive market shall be determined using the following valuation techniques:

- Use of prices from recent and fair market transactions between informed and willing parties;
- Using a reference to the current fair value of another equivalent asset;
- Generally accepted methods.

F) In the case of the acquisition of rights of a company in a capital increase through issuing shares, a receivable (of rights) shall be recognized as from the date when the shareholders in the company are not entitled to obtain rights for shares subscription of the capital increase (the date after which transactions with shares shall not affect the right of acquisition of rights) until the date of registration of the rights into the depositary institution;

The amount of the receivable shall be calculated on the basis of the following formula:

$$R_r = N \times P_r$$

where: R_r – receivable;

N – number of rights;

P_r – price of a right.

The price of the right shall be calculated using the following formula:

$$P_r = P_l - \frac{P_l + P_i \times N_r}{N_r + 1}$$

where: P_r – price of a right.

P_l – price of the last evaluation of the share (before rights separation);

P_i – issuing value of the new shares;

N_r – number of shares in one right.

As from the date of registration of the rights in the depositary institution, they shall be recognized as an asset in the portfolio at a price determined according to the formula above.

F1) In case of impossibility to apply the valuation methods under section D, the subsequent assessment of rights shall be made at a price representing the difference between the price of the existing shares of the company, determined according to the requirements of section D and the issue value of the new shares of the capital increase, multiplied by the ratio of the number of shares in one right.

F2) As from the date of subscription of the shares as a result of exercising the rights until the date of registration of the capital increase and its entry into the depositary institution, the subscribed shares shall be recorded as a receivable that is formed by multiplying the number of shares subscribed by the amount of the value of a right on the last valuation before the subscription of the shares divided by the number of shares into one right and the issue value per unit.

$$Rr = N_n \, x \left(P_i + \frac{P_r}{N_r} \right)$$

where: R_r – receivable;

N_n – number of subscribed shares;

P_i – issuing value per share;

P_r – value per right.

N_r – number of shares in one right.

As from the date of subscription of the shares as a result of exercising the rights up to the date of payment of their issue value, a liability for the issuing company shall arise.

F3) As from the date of entry of the new shares into the depositary institution up to the date of entry into trading on the respective trading venue, the new shares shall be recognized at a price calculated using the following formula:

$$P = P_i + \frac{P_r}{N_r}$$

where: P – share price;

P_i – issuing value per share;

P_r – value per right and

N_r – number of shares in one right.

G) Where there is no trading on a trading venue in business days for the country or where securities are temporary suspended from trading, subsequent valuation of the securities admitted to or traded on a regulated market shall be deemed to be the valuation valid for the day of the last trading session. In the subsequent valuation of bonds under the first sentence, the accrued interest for the respective days shall also be accounted for. This rule shall also apply in the cases when a trading session is not held at a trading venue due to a non-working day in the respective country that is business day in the Republic of Bulgaria.

The rule shall not apply when no trading sessions are held on the regulated market for more than 5 business days. In this case, the ex-post evaluation shall be carried out with the corresponding application of sections E) and F1).

H) The following sample data and factors shall be used for determining the fair value of securities using different valuation methods:

- Issuing value stated in a prospectus for public offering of securities of the issuer;
- Decision for increase or decrease of the issuer's capital;
- Decision for transformation of the issuer company;
- Any changes in the issuer's business that affect the price of its securities;
- Changes in the Articles of the Issuer;
- An action for damages, an enforcement or a security procedure where the issuer is a defendant;
- Fundamental data analysis for the issuer;
- Analysis of the economic sector where the issuer operates; life cycle of the sector and sector response to the business cycle; assessment of external influencing factors; supply and demand analysis;
- Analysis of the general state of the financial market;
- Information about transactions or offers for the given securities at trading venues;
- Information on trading and securities quotes of such issuers on a regulated market and other trading venues;
- Other data and factors relevant to the securities subject to valuation.

I) The following main information sources shall be used for determining the subsequent value of securities using different valuation methods:

- Financial statements of the issuers;
- Prospectuses for public offering of securities;
- Register of public companies and other issuers of securities;
- Official bulletins of regulated markets, the Bulgarian National Bank and the National Statistical Institute;
- Quotations, bulletin and analyses of Bulgarian and foreign regulated markets, rating agencies, banks, investment intermediaries, including primary dealers of sovereign bonds;

- Analyses, publications and comments by reputable Bulgarian and foreign consultants and analysts.

J) The fair value of fixed-term and demand deposits, cash funds at hand and short-term receivables shall be determined at the revaluation date as follows:

- Fixed-term deposits – at their nominal value;
- Demand deposits and cash funds at hand – at nominal value;
- Short-term receivables without a specified interest rate or income – at real cost;
- Short-term receivables with specified interest rate or income – at real cost;

K) Financial assets denominated in a currency other than EUR shall be recalculated into Euro equivalents, as determined by the central rate of the European Central Bank, valid for the day, the valuation refers to.

L) The ex post valuation of money market instruments admitted to or traded on a regulated market or other trading venue shall be determined as follows:

L1) According to the last price of a transaction executed therewith on the relevant market for the last business day;

L2) If it is not possible to apply the valuation method under subsection L1, the valuation shall be made at closing bid price on the market for the last business day for which the valuation announced in an electronic securities price information system is carried out;

L3) If it is not possible to apply the valuation method under subsection L2, the valuation shall be made at the last price of a transaction concluded therewith within the last 30-day period.

If the price may not be determined pursuant to section L, the valuation of the particular type of securities shall be carried out with the respective application of section E, and section F. If it is impossible to apply the listed above as well as for the instruments that are not traded on the money market or other trading venue, the following formulas shall be used:

The value of the deposit certificate shall be determined according to the following formula:

$$P_{CD} = \frac{MV}{\left[1 + \left(i\, x \frac{d}{365}\right)\right]},$$

where: $MV = N\, x \left[1 + \left(\frac{c}{100}\, x \frac{d}{365}\right)\right]$

P_{CD} – deposit certificate value;

MV – deposit certificate value at maturity date;

N – nominal value of the deposit certificate;

d – number of days as from the date of revaluation to maturity date;

i – discount rate;

c – interest payable on the deposited amount indicated on the certificate.

Short-term sovereign bonds (treasury bills) shall be valued according to the formula:

$$P_{Tb} = N\left[1-\left(i\,x\,\frac{d}{365}\right)\right],$$

where: Ptb – the price of the treasury bill;

N – nominal value;

i – discount rate;

d – number of days as from the date of revaluation to maturity date.

M) Hypotheses where the Fund will determine a fair value of assets under a methodology other than the methodology specified in sections A to L in these Asset Valuation Rules:

M1) A company where the Fund has shares is removed from trading on a regulated market, there are no transactions with the securities issued by it on regulated markets or other trading venues, there are no public financial statements or other financial information for determining a fair price under the methodology of sections A to M in these Asset Valuation Rules.

M2) A company where the Fund has shares is declared liquidation or insolvency.

M3) A company where the Fund has invested as a founder with a commitment to issue securities on a regulated market or other trading venue has not been authorized by the relevant financial regulator and has not been granted public company status.

M4) Receipt of liquidation shares in the form of property.

M5) Assets acquired under compensatory contracts, indemnities, judicial and extrajudicial agreements and decisions, collateral contracts falling under the hypotheses of subsections N1 to N4.

M6) For all assets described under subsections N1 to N5, a report shall be prepared to the Board of Directors by the respective officials of the “Expat Asset Management” EAD Management Company, responsible for the revaluation of the assets of the Fund, which shall propose a methodology for valuation and a specific valuation of the asset that can may be evaluated under subsections A to N methodology in these Asset Valuation Rules. The Board of Directors shall adopt by its decision the valuation of the respective asset and may not comply with the proposal in the report of the respective officials of MC "Expat Asset Management" EAD. So, evaluated fair asset value shall be considered valid within 30 days, and after each 30-day period the Board of Directors shall reconsider the valuation of the asset if it is still in the Fund's portfolio.

I.3. Valuation of the Fund's liabilities

The value of the Fund's liabilities is equal to the sum of the carrying amounts of short- and long-term liabilities on the balance sheet. Liabilities denominated in a currency other than the EUR are calculated at the central rate of the ECB at the valuation date. Liabilities shall be valued in accordance with the applicable accounting standards at the time of the valuation.

I.4. Determination of the Net Asset Value of the Fund (total and per unit)

The Net Asset Value (NAV) of the Fund shall be determined by deducting the value of the liabilities from the value of the assets determined under these Rules.

The net asset value per unit shall be calculated by dividing the NAV of the Fund by the number of shares currently issued.

I.5. The role of the Fund's auditors for portfolio valuation and NAV determination

The role of the auditors in the valuation of the portfolios and determining the NAV is to provide an audit opinion in accordance with the Independent Financial Audit Act and the professional requirements of the International Auditing Standards for the fact that the financial statements prepared by the Management Company do not contain material misstatements, deviations and inconsistencies. The audit shall include a verification based on evidence tests regarding amounts and disclosures presented in the financial statements of the Fund and an assessment of the accounting principles applied and significant estimates made by the Management as well as the overall presentation in the financial statements.

II. (Am. by BD Resolution No. 213/27.10.2017) Procedure for determining the net asset value, net asset value per unit, indicative net asset value, indicative net asset value per unit, issue and redemption price of units of "Expat Hungary BUX UCITS ETF".

This procedure is based on the statutory requirements and the Fund Rules. The Management Company shall carry out the activity of collecting and analyzing all documents and any information that will serve for determining the net asset value, net asset value per unit, issue and the redemption price of the shares of the Fund, as well as the performance of all necessary accounting operations in relation to that activity. The Depositary shall ensure that the net asset value and net asset value per unit are calculated by the Management Company in accordance with the Law and the Rules. The Depositary shall exercise overall control over compliance with the Law, Fund Rules and these Rules in determining the issue and redemption price of the Fund's shares.

II.1. Persons defining and exercising control over the determination of the NAV, NAV per unit, issue and redemption price

The net asset value, net asset value per unit, issue and the redemption price of the Fund's units shall be calculated by the Management Company in compliance with these Rules. The Management Company shall be responsible for the publication of the issue and the redemption price.

II.2. Technology for Determining NAV, NAV per unit, issue and redemption price

The net asset value of the Fund and the net asset value per unit shall be determined for each business day according to the terms and conditions of these Rules, in accordance with the applicable legislation, the Rules and the Prospectus for public offering of shares of the Fund. The Management Company shall perform valuation of the Fund's portfolio, shall define the net asset value of the Fund, the net asset value per unit, and shall calculate the issue and the redemption price. The Depositary shall ensure that the value of the units is calculated by the Management Company in accordance with the Law and the Rules.

The Management Company shall include a premium in the issue price for primary market units purchase to cover the sale costs up to a maximum of 2.0% (two per cent) of the net asset value per unit owed to the MC, unless otherwise agreed in an agreement with the MC. The issue price of the Fund shall be defined as NAV per unit plus the fee due to the MC.

The Management Company shall reduce the NAV per unit with a discount to cover the redemption costs up to a maximum of 2.0% (two per cent) payable to the MC, unless otherwise agreed in an agreement with the MC. The redemption price of the Fund shall be defined as NAV per unit minus the fee due to the MC.

Calculation of the net asset value for the valuation day or Day T shall be performed from 9:00 to 9:45 local Bulgarian time (CET+1:00) on the next day or the day T+1. If for any of the markets that day is not business day, the quotations posted on the last business day for that market shall be applied. When calculating the net asset value, the remuneration due to the Management Company and the Depositary shall also be accrued.

The Management Company shall declare the issue and the redemption price at the FSC on the day of its determination.

A1) (Am. by BD Resolution No. 223/06.12.2017) Procedure for determining the net asset value of the Fund, the net asset value per unit, the issue and the redemption price:

- By 9:15 am (CET+1:00) on the day T+1, following the day T for which the valuation is made, the Management Company shall receive from the Central Depository AD information on the transactions for the sale and redemption of units with finalized settlement and the number of Fund shares outstanding;
- Between 09:15 am and 09:45 am (CET+1:00) on the respective day, the following shall be done:
    - determining the assets and the assets' prices according to these Rules;
    - accounting for all operations of the Fund and the revaluation of assets and liabilities;
    - determining the net asset value, the net asset value per unit, and a decision on the issue and redemption price of units of the Fund. The net asset value per unit shall be determined by dividing the Net Asset Value of the Fund by the number of shares outstanding at the time of this determination. The issue price is equal to the NAV per unit, increased by the issue expenses in the amount of 2.0% of the NAV per unit, unless otherwise specified in an agreement with the MC. The redemption price is equal to the NAV per unit less the redemption expenses of 2.0% of the NAV per unit, unless otherwise specified in an agreement with the MC.
- The calculated net asset value, the net asset value per share, the issue and the redemption price of the Fund's units shall be sent to the Depository at 9.45 am (CET+1:00) on the day T+1, following the T for which the valuation is made, as well as all the information on their determination, including the number of sold and redeemed units with completed settlement;
- By 10:45 am (CET+1:00) on day T+1, following the day T for which the valuation is made, the Depository shall confirm the correctness of the calculated net asset value, the net asset value per share, the issue value and the cost of redemption of the units of the Fund (in case of violations found, adjustments of the discrepancies shall be made);
- By 11:00 am (CET+1:00) on day T+1, following the day T, for which the valuation is being prepared, the process of determining the net asset value per day T shall end.

Indicative NAV and Indicative NAV per unit shall be calculated and published by BSE – Sofia or by another regulated market operator on which the units of the Fund are registered for trading for each day on which the units of the Fund are traded on a regulated market (the regulated market is open and data on the Reference Index is published) hourly as from 10:10 am to 4:10 pm

Bulgarian time (CET+1:00) until the end of the trading session. To this end, the Management Company shall execute, on behalf of and for the account of the Fund, an Agreement with BSE – Sofia AD or with the respective operator of a regulated market. In the absence of such agreement, an indicative NAV and NAV per unit shall be published by the Management Company on the Fund's website. All information about the calculated indicative NAVs for the trading session is provided to the Commission by the Exchange Operator after the end of the trading session electronically.

The Management Company shall provide to BSE – Sofia or to another regulated market operator on which the units of the Fund are registered for trading, data on the structure of the portfolio, the volume of instruments held by each position, the amount of cash in the Fund, the number of issued units confirmed by the Fund's Depository for the previous business day. When calculating the indicative net asset value of the Exchange Traded Fund, the operator on the relevant regulated market or the Management Company shall update the asset prices in the Fund's portfolio, leaving unchanged the level of all other elements on the Fund's balance sheet.

On the day T+1 following the business day T for which the valuation is calculated, the Management Company shall inform the Investment Activity Supervision Division of the Financial Supervision Commission on the issue and redemption price of the Fund's units for day T.

By the end of the business day T+1, when calculating the issue value and redemption price of the Fund's units, the Management Company shall announce this data on the Management Company's website.

The Management Company shall keep record of the discussions, decisions and sources of information related to the determination of the net asset value of the Fund. The information and documentation used for decision making shall be attached to the records. Minutes shall be kept for a minimum of five years. The complete documentation and information related to the determination of the NAV of the Fund and the net value per unit are stored on hard copy and magnetically (2 copies).

The head of the "Internal Control and Compliance" Department of the Management Company shall be responsible for keeping the documents related to the calculation of the NAV of the Fund and determining the net asset value per unit.

The control over the process of keeping the documents related to the calculation of the NAV of the Fund and the determination of the net asset value per unit shall be exercised by the Board of Directors of the Management Company.

The Management Company shall use a software product to calculate the net asset value, the issue and the redemption price. The software product is linked to the Fund's accounting system, which allows stipulation of models for accounting the various operations and the ex-post automatic generation of the accounting records that are accepted in the accounting system. This type of connectivity eliminates re-entry of information, as well as contributes to the avoidance re-entry errors. The software recognizes the price files of recognized world news agencies such as REUTERS and BLOOMBERG and includes them in the information database of the system. Based on this data, the market price of the positions traded on the Budapest Stock Exchange is calculated on a daily basis subject to observance of the holdings of the respective positions in the Fund's portfolio and subject to the market price criteria set out in these Rules and included in the net asset value. The market prices of other assets shall be imported electronically. The program product has different levels of access, which ensures data protection when calculating the NAV. The program stores the data related to the calculation of the NAV, the issue and the redemption price and allows their verification for prior periods.

All documentation and information used for determining the net asset value, issue and redemption price shall be kept on a hard copy and magnetically by the Management Company for at least 5 years. Because of the risk of loss due to technical reasons, it shall be also stored on a second magnetic device.

The Management Company of the Exchange traded fund shall provide the Commission, the BSE-Sofia and other regulated markets or multilateral trading systems on which the units of the Fund are admitted to trading and shall publish on its webpage the following information in tabular form until the end of the day on which the Net Asset Value of the Fund is calculated:

- The date of determination of the issue and the redemption price;
- Net Asset Value;
- Number of shares outstanding;
- Net asset value per unit.
- Issue price;
- Redemption price.

III. Organization of the portfolio valuation activity and determination of the net asset value of the Fund

III. 1. The Board of Directors of the Management Company “Expat Asset Management” EAD shall be responsible for the adoption, amendment and supplementing of these Rules. The Management Company shall control the compliance and enforcement of the Rules by all persons involved in calculation of the net asset value, including the Depositary. The Head of the “Internal Control and Compliance” Department of the Management Company shall periodically perform a revision of the calculated net asset value, the issue and the redemption price of the Fund’s units, as well as the accounting related to the determination of the NAV. In case of inconsistencies with the Law, the Rules or the Prospectus for public offering of shares, this person shall notify the Board of Directors of the Management Company.

The Management Company shall have the following powers and responsibilities in controlling the activity of valuing the assets of the Fund's portfolio and determining the net asset value:

- The Board of Directors of the Management Company shall examine at least once a month the reports prepared by the Management Company and the Depositary and all documents and information related to the execution of the Management Company’s obligations according to the Fund Rules and obligations of the Depositary under the agreements executed therewith;
- In performing its obligation, the Board of Directors may request additional documents, information and clarifications from the Depositary, including information on the net asset value at a given time and the number of shares issued (sold) and redeemed;
- The Board of Directors of the Management Company is obliged to immediately notify the Financial Supervision Commission “Investment Activity Supervision” Department in the event of non-submission of the requested additional documents, information and explanations by the Depositary as well as in case of establishing a violation of the methods and procedure for determining the net asset value or control thereto;
- The Board of Directors of the Management Company is obliged to approve monthly the expenses related to the Fund’s activity in order to comply with the relevant requirements of

the Fund Rules and as agreed in the contracts with the depositary and the investment intermediaries;

- The Board of Directors of the Management Company shall annually revise the procedure for determining the market and fair value of the Fund's assets or when circumstances arise in relation to the market of financial instruments that require it;
- In the event of a persistent or significant breach of the methods or procedure for determining the net asset value or control thereon, it shall take appropriate action with respect to the responsible officer and/or the Depositary, including the imposition of sanctions and/or termination of agreements therewith.

III. 2. The Management Company shall make the decisions related to the determination of the NAV, NAV per unit, the issue and the redemption price according to the current legislation, Fund Rules and Prospectus, and these Rules. The Management Company shall determine the fair value of the assets and shall collect and analyse the data necessary to carry out that activity. It shall also be responsible for obtaining the market quotes, the number of outstanding shares and the exchange rate for the purpose of calculating the net asset value. The Management Company shall also carry out all accounting operations with regard to the revaluation of assets.

III. 3. The Depositary shall control the calculation of the issue and redemption price of the Fund's shares by the Management Company in accordance with the LACISOCIU, its Implementing Acts, Fund Rules and Prospectus and these Rules. The Depositary shall review the valuation and the determined net value and shall notify the Management Company in writing of the outcome of the review by 10.45 am (CET+1:00) on the valuation day. In the event of an established breach, the Depositary shall promptly notify the Management Company and request elimination of the discrepancies. If a difference of more than 0.5% of the net asset value per unit is established in their calculation, the Depositary shall notify the FSC and the Management Company. The Depositary shall notify the Management Company and request that the discrepancies be eliminated. The Management Company shall promptly eliminate the discrepancies and make the necessary notifications.

IV. Basic rules for avoiding conflicts of interest and providing protection against disclosure of inside information

IV.1. The identification and avoidance of conflicts of interest shall be carried out by:

A) Allocation of functions and powers between the Management Company, market maker, investment intermediaries and the Depositary:

- The Management Company shall manage the portfolio of the Fund through investment decisions and orders, shall perform the sale and redemption of shares and shall keep the Fund's accounts;
- The Management Company shall execute contracts on the name and for the account of the Fund with investment intermediaries executing the orders of the Management Company for implementation of investment decisions, with the exception of the cases of initial public offering or transactions with sovereign bonds outside regulated market;
- The Management Company shall execute, in the name and on behalf of the Fund, a contract with a Depositary for the safekeeping of the funds and securities of the Fund;
- The Management Company shall execute, on the name and for the account of the Fund, contracts with market makers that provide constant buy and sell quotes for the shares of the Exchange traded fund on the secondary market, shall buy and redeem shares of the Fund

on the primary market; shall fulfil their obligations, in the context of LACISOCIU and its adjoining regulations.

B) Strict compliance with the investment restrictions related to the members of the Board of Directors of the Management Company and equal treatment of shareholders.

- The members of the Board of Directors of the Management Company may not invest the Fund's funds in securities issued by themselves or by persons related thereto.
- The members of the Board of Directors of the Management Company and other persons working under a contract with the Management Company and related persons may not be party to transactions with the Fund except in the capacity of its shareholders in compliance with statutory restrictions and the rules of the Management Company.
- The members of the Board of Directors of the Management Company and other persons acting under a contract for it, upon taking up office or starting business for the company, shall provide the Head of the Internal Control Department with information about the securities held by them and/or related persons. Information shall also be provided in any subsequent acquisition or disposal of securities by the end of the business day following the day of acquisition or disposal.
- The Management Company shall be solely managed by the interests of the shareholders and shall ensures their fair treatment, in which the principles of unfair treatment of one of them in favour of the other, equal treatment on equal terms shall be valid, as well as full disclosure of the information required for taking investment solution.

C) The "Internal Control and Compliance" Division and Regulatory Compliance Division of the Management Company shall monitor the compliance with the statutory requirements and restrictions on the Fund's activities and, in case of violations, shall inform the Chief Executive Officer, who shall convene the Board of Directors to take the necessary measures to remedy the violation.

IV.2. Procedure for protection against the disclosure of inside information and the measures taken for its insurance:

- The Internal Rules of Operation of the Management Company regulate its internal organization and structure and the internal control over its activities. The Rules also define the manner in which the records and information available to them on the portfolio management and the determination of the net asset value are safeguarded and ensure that they are protected against disclosure of the information.
- The members of the Board of Directors of the Management Company, its employees and all other persons working for the Management Company may not disclose, unless they are authorized to do so, and may not use facts or circumstances for the benefit of themselves or others, concerning the stocks and transactions on the securities accounts and for the money of clients of the Management Company, as well as all other facts and circumstances of business secrets which they have been aware of in the course of execution of their official and professional duties. All persons, when taking up office or starting work for the Management Company, shall sign a Statement of Secrecy.

Board of Directors:

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(Nicola Yankov)

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(Nikola Veselinov)

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(Lachezar Dimov)