

**Rules for assessment of the portfolio and determination of the net asset value  
of  
Mutual Fund "UBB Premium Equity"**

The net asset value of the "UBB Premium Equity", hereinafter the Fund is determined each business day of the week in terms and conditions of the existing legislation and the Rules of the Fund subject to the following

**I. GENERAL PRINCIPLES**

- *(Am. with decision from 16.05.2012, effective from 02.07.2012)* The net asset value of the Fund is determined each business day of the week, including the value of all held by the Fund assets and liabilities in balance on the date of the valuation.
- In calculating the net asset value using a uniform and consistent assessment system, taking account of the costs associated with the activity of sale and redemption of units, including the remuneration of the Management Company and the Custodian as well as other costs if these are provided.
- The net asset value of the Fund is calculated by accounting policies and procedures in accordance with the International Accounting Standards Board in accordance with § 1, p. 6 of AP of the Accounting Act.
- The assessment of the fund's assets are carried at initial acquisition (recognition) - at cost. Ex-post assessment of the fund's assets are carried at fair value.
- In securities transactions the Fund accepted method of reporting on the trade date (date of transaction). In this method securities are recorded (written off) the balance of the Fund on the date of the transaction rather than the date of transfer of ownership. The delisting of securities from the balance becomes their carrying value at the date of the transaction of sale.
- The determination of the net asset value is carried out in the presence of reliable technology and software, allowing to minimize the possibility of errors.
- Credibility and representativity of the information used for assessment purposes.
- Documentary grounds - a reliable system for collecting and using the information necessary for the determination of net asset value; properly documenting decisions related to the determination of net asset value, including the use of relevant documents to the protocols of the decisions taken.
- Related to the determination of the net asset value information is stored in protection system documentation, including durable medium.
- Compliance with the the Rules to avoid conflicts of interest and to ensure protection against disclosure of inside information.
- Perform regular control of the legality and methodological control assessment activities.

**II. (Am. with decision from 16.05.2012, effective from 02.07.2012) EVALUATION OF ASSETS**

The value of the Fund's assets include the value of each one held by the collective investment scheme asset on the balance sheet by the day of the valuation. Their value is calculated as follows:

**Debt securities**

## Government securities

1. (Am by decision from 16.05.2012, effective from 02.07.2012, Am. with decision from 16.12.2013) Subsequent valuation of **securities and money market instruments issued by the Republic of Bulgaria** traded on venues in an active market **in the country**, is based on:

1.1 (Am. with decision from 16.12.2013) The arithmetic prices "buy" at market close on the last business day announced by no less than two primary dealers of government securities.

If the price is calculated on the basis of gross prices of primary dealers, it is used directly. Provided that it is clear, on the basis of interest characteristics and frequency of coupon payments it is converted to gross and then used for reassessment.

1.2. (Изм. с решение от 16.05.2012г., в сила от 02.07.2012г., Am. with decision from 16.12.2013) Failing to implement paragraph 1.1. per day for the valuation, an ex post assessment applies most closely identified under paragraph 1.1. Fair price within the 30-day period preceding the day to which the assessment takes place. On the basis of interest characteristics and frequency of coupon payments of the security is calculated gross value to the corresponding day of the reassessment.

2. Failing to apply so. 1 using the method of discounted cash flows. As a basis for calculations using the prices of past emissions issued by a corresponding maturity that primary dealers are obliged to quote. These latest emissions by a corresponding maturities were further referred to as "basic issues". The issue whose price must be determined is called "demand issue."

For the purpose of calculation the prices of major emissions are calculated in accordance with Section II, Item. 1.

2.1. The calculation of prices of the relevant issues by the method of linear interpolation passes through the following stages:

- a) Based on the average prices of the basic issues form the yield curve;
- b) Depending on the remaining period to maturity of the issue is determined location in relation to the nearest preceding and nearest following on term basic issues;
- c) The difference (in days) between the maturity of the two basic issues, and the difference in their returns until maturity;
- d) Calculate the multiplier, the difference in yield to maturity is divided into the difference in days to maturity;
- e) The difference in the days to maturity of the issue and the preceding main issue;
- f) the difference is multiplied by the factor from the previous step to calculate the difference in yield to maturity of the main issue;
- g) the yield to maturity of the issue is obtained by calculated in the previous step difference in income is added to the profitability of the core issue preceding;
- h) Based on income received until maturity of the issue is the gross calculated its price, using the following formula:

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

Където:

- P – the price of the security;
- F – the principal of the security;
- C – the annual coupon for the bond;
- n – number of interest payments per year;
- N – total number of interest payments;
- r – discount rate (equal to the yield to maturity);
- i – consecutive number of interest payment.

$$w = \frac{\text{days until the next interest payment}}{\hspace{10em}}$$

*total number of days between two interest payments*

2.2. The calculated using the formula price is gross and is used directly for subsequent reassessment of the debt security.

3. (Am by decision from 16.05.2012, effective from 02.07.2012, am. by decision from 16.12.2013) Subsequent assessment issued by the Republic of Bulgaria securities and money market instruments as well as issued by another Member State securities and money market instruments traded on trading venues in active markets abroad is carried out:

a) As "buy" at market close by the day of the valuation, announced in an electronic system for price information (Reuters, Bloomberg or other systems for pricing information);

b) if the foreign market is not working on the day to which the assessment takes place - on the "bid" price at market close on the last business day announced in an electronic system for price information.

c) if the price calculated according to letters "a" and "b" is gross, it is used directly. Provided that it is clear, on the basis of interest characteristics and frequency of coupon payments, it is converted to gross and then used for reassessment.

d) failing to apply the methods under letters "a" and "b" for assessment using the method in Section II, Item. 2.

4. (Am by decision from 17.12.2012, effective from 02.07.2012, am. by decision from 16.12.2013) Subsequent valuation of Bulgarian and foreign bonds and other forms of debt securities, admitted to or traded on an active regulated market in Republic of Bulgaria is carried out:

4.1. At the weighted average price of transactions concluded on the day to which assessment takes place, announced through the trading system or exchange if the volume of transactions concluded on this day is not less than 0.02 percent of the volume of the respective issue.

4.2. If you can not put a price on the previous point, the price of the units or the rights shall be determined as the average of the highest price "buy" on contracts valid at the time of closing of the regulated market on the day to which the assessment takes place and the weighted average price of the transactions with the securities transactions for that day. The price is determined in this way only if there are completed transactions and bid price "buy".

4.3. If it can not be applied p. 4.2., the price of the units, respectively of the rights is the weighted average price of transactions concluded on the next day in the last 30-day period preceding the day on which assessment takes place, for which have been concluded transactions. If in the previous 30-day period has been an increase in capital or split of the units of the issuer or declared dividend payment, the weighted average price in the first sentence shall be adjusted by the ratio of capital increase, or the division of units or the amount of the dividend if the closest day in the last 30-day period preceding the day on which assessment takes place, for which there are transactions is first day, after which the unitholders are not entitled to participate in the capital increase, respectively date of separation or day by which the unitholders are not entitled to dividend.

**5. In case of inability to apply the methods of valuation of units under the previous p. 4, as well as units which are not traded in active regulated markets**, the following revaluation is done through consistent application of the following methods:

- Net carrying amount of assets method,
- Method of price - earnings ratios of comparable companies and
- Method of discounted net cash flows.

(Am., By decision of the BoD from 16.12.2013e.) These methods are applied in the order in which they are described below. It is possible to be used a combined evaluation method, e.g.

to use more than one of the methods described below. When choosing methods of combined evaluation, the same sequence in which they are described below is respected and in equal weights for each method in the final score.

5.1. The method of net book value of assets consists in calculating the value of the units of the company subject to valuation as the equity of the company (based on the last financial statement) divided by the total number of units in circulation.

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

where:  $P$  – the value of the ordinary units of the company subject to valuation;

$A$  – assets;

$L$  – liabilities;

$PS$  – value of the preference units;

$N$  – total number of ordinary units in circulation.

5.2. (Am. with decision from 16.05.2012, effective from 02.07.2012) The method of price - earnings of comparable companies consists of the following:

a) Calculating the value of the units of the company subject to valuation by multiplying its earnings per unit by a market factor. The market factor is the ratio between the price of comparable companies and its earnings per unit.

b) The profit of the analogue company and of the valuated company is determined based on financial statements covering the most recent annual period from the latest published financial statements. Earnings per unit is defined as net income of the company divided by the total number of units.

c) The factor is calculated based on the weighted average price of transactions on the day to which assessment takes place, with the units of the analogue company if the volume of transactions concluded on this day is not less than 0.02 percent of the volume of the relevant issue. If it can not be determined price under the previous sentence, the unit price of the analogue company is defined as the average of the highest price "buy" on orders valid at the time of closing of the regulated market on the day to which assessment takes place, and the weighted average price of the transactions with the securities transactions for that day. The price of the units of the analogue company is defined in this way only if there are completed transactions and bid price "buy".

If you can not apply the methods in p. 5.2., The price of the analogue company's units, respectively of the rights is a weighted average price of transactions concluded on the nearest day preceding the day on which assessment takes place, in the last 30 days period for which there are transactions. If in the previous 30-day period has been an increase in capital or split of the units of the issuer or declared dividend payment, the weighted average price in the first sentence shall be adjusted by the ratio of capital increase, or the division of units or the amount of the dividend if the closest day in the last 30-day period preceding the day on which assessment takes place, for which there are transactions is the first day, after which the unitholders are not entitled to participate in the capital increase, respectively the date of separation or the day by which the unitholders are not entitled to dividend.

d) Source of primary information for carrying out these calculations are the accountant departments of the public companies, registered in the FSC and BSE, posted on the websites of media intermediaries or a reliable source of information for the foreign regulated market.

e) Method and criteria for identifying comparable companies:

- Company analogue is a company that provides a good enough basis for comparison to the investment characteristics of the rated entity;

- Selection of comparable companies must be justified by comparative analysis and assessment of their performance and the degree of similarity with the characteristics of the rated entity;
- The Company analogue is selected according to these criteria, the companies admitted to or traded on a regulated market in the home country of the issuer;
- The criteria which must meet the analogue company are:
  - Sector of the economy in which the company operates;
  - A similar product range;
  - Must have published financial statements that enable to cover the nearest year;
  - To have transactions with the units of the analogue company on the day to which performed the assessment.
- Other criteria used in justification of the selection of comparable companies are comparable equity and comparable financial indicators.

5.3. The method of discounted net cash flows used to determine the value of one common unit of the company, as the value of capital of holders of ordinary units is divided by the number of ordinary units in circulation.

The value of the capital holders of ordinary units is calculated in two ways:

5.3.1. Method of discounted net cash flows to ordinary unitholders (Free Cash Flows to Equity) - by discounting the net cash flows left for unitholders after meeting all expenses, financial liabilities, necessary investments and changes in working capital:

a) Under this method the net cash flow remaining after meeting all the expenses, covering the financial liabilities (including principals and interests on debts of the company), necessary investments and changes in the working capital.

b) The net cash flows are calculated as the estimated net profit after interests and income taxes:

- Increased by the estimated depreciation costs,
- reduced of the value of the estimated change in the net working capital,
- Increased by the estimated value of the new debt, as well as proceeds from issues of preferred units,
- reduced with projected investments in fixed assets,
- Reduced by the estimated principal amounts repayments on debt,
- reduced by the estimated dividends for preferred units.

The following formula is being used:

$$FCFE = NI + Dep - FCInv - \Delta WCIInv - PP - PD + ND ,$$

Where: *FCFE* – net cash flows to ordinary unitholders;  
*NI* – net profit;  
*Dep* – depreciations;  
*FCInv* – investments in long term fixed assets;  
*ΔWCIInv* – changes in the net working capital;  
*PP* – repayments of principals;  
*PD* – dividends for preferred units;  
*ND* – new debt, as well as proceeds from the issues of preferred units.

c) In this method the net cash flows are discounted at the cost of equity financing  
 d) The cost of financing with equity is the rate of return on ordinary unitholders and is defined in the following ways:

- Through risk-free interest rate plus a risk premium:

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

where  $k_e$  - the cost of equity financing;  
 $k_{RF}$  - risk-free interest rate;  
 $RP$  - risk premium.

- Through the Capital Asset Pricing Model (Capital Asset Pricing Model - CAPM):

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

where  $k_e$  - the cost of equity financing;  
 $k_{RF}$  - risk-free interest rate;  
 $(k_m - k_{RF})$  - market risk premium;  
 $k_m$  - the expected return on the market;  
 $\beta$  - beta coefficient.

- using the discounted cash flows method:

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

where  $k_e$  - the cost of equity financing;  
 $D_1$  - expected next dividend per ordinary unit;  
 $P_0$  - the price per ordinary unit;  
 $g$  - expected growth rate.

5.3.2. Method of discounted cash flows to the firm (Free Cash Flows to the Firm) - by discounting the net cash flows for all unitholders and other investors, reduced by all the company's debts and other claims of investors, other than the unitholders. The net cash flows for all investors in the company - owners of units, debt and preferred units. The net cash flows are calculated in two ways:

a) In the first method the net cash flows are calculated as the estimated net profit after interest and income taxes:

- Increased by the estimated depreciation costs,
- Reduced by the estimated change in the net working capital,
- reduced by the estimated investments in long term fixed assets.

The following formula is being used:

$$FCFF = EBIT \times (1 - TR) + Dep - FCInv - \Delta WCIInv,$$

where:  $FCFF$  - net cash flows to the firm;  
 $EBIT$  - earnings before interests and taxes;  
 $TR$  - tax rate for the company;  
 $Dep$  - depreciations;  
 $FCInv$  - investments in long term fixed assets;  
 $\Delta WCIInv$  - changes in the net working capital;

b) In the second approach using the following formula:

$$FCFF = FCFE + Int \times (1 - TR) + PP - ND + PD,$$

where  $FCFF$  - net cash flows to the firm;  
 $FCFE$  - net cash flows to ordinary unitholders;  
 $Int$  - interest expenses;

$TR$  – tax rate for the company;  
 $PP$  – repayments of principals;  
 $PD$  – dividends for preferred units;  
 $ND$  – new debt, as well as proceeds from the issues of preferred units

c) net cash flows are discounted at the weighted average cost of capital. In determining the relative units of different sources of capital used their market values.

d) The weighted average cost of capital is 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:  $WACC$  – the average weighted cost of capital;  
 $k_e$  - the cost of equity financing;  
 $k_d$  the cost of debt financing before taking into account the tax effect of interest expenses;

$t$  - tax rate for the company;  
 $k_{ps}$  - the cost of financing with the preference units;  
 $E$  – the market value of the company's units;  
 $D$  – the market value of the debt of the company;  
 $PS$  – the market value of the preferred units of the company.

When the market value of the debt can not be determined, is used its carrying value.

5.3.3. Each of the methods for determining the value of the unit capital can be used one on two models of discounting:

a) Steady growth rate, where it is assumed that the growth of the company is constant and stable.

The formula that is used is:

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

where:  $P_0$  – the present value of the free cash flows;  
 $FCF$  is or FCFE or FCFF;  
 $r$  - the appropriate discount rate;  
 $g$  - the constant growth of the company.

б) Two-step growth rate, where it is assumed that there are two periods For the first period a forecast is made of net cash flows for each year separately. For the second period is assumed that net cash flows will grow at a stable rate or will remain constant.

The formula used is as follows:

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

where:  $P_0$  – the present value of the free cash flows;  
 $FCF_t$  is or FCFE or FCFF during year  $t$ ;  
 $r$  - the corresponding discount rate during the first period;  
 $P_n$  - the value of the free cash flows at the start of the second period of steady growth;

$P_n$  is calculated this way:

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

where:

$r_n$  is the corresponding discount rate during the period of steady growth;

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

5.4. Subsequent evaluation of the units acquired as a result of capital increase with funds of issuing company or by division of the existing units shall be made as follows:

a) In the case of acquiring (new) units of a company as a result of a capital increase with funds of the company, receivables are recognized from the date on which the holders of units of the Company are not entitled to units from the capital increase - the date after which transactions with the units do not affect the right to acquire new units until the date of registration of the capital increase and its entry in the depository institution.

The value of receivables is equal to the number of new units and the price of one new share

$$R = N_n \times P_n,$$

where

$R$  – the receivable;

$N_n$  – number of the new units;

$P_n$  – price of a single new unit.

The price of a new unit is obtained by the latest assessed price of one "old" unit by the amount of new units acquired in exchange for one "old" unit and a one "old" unit.

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

where

$P_n$  – price of a single new unit;

$P_0$  – latest assessed price of one "old" unit;

$N_r$  – number of new units for one "old" unit.

From the date of registration of the new units in depository institution until the date of their introduction for trading on a regulated market the new units are recognized at a price, calculated by the following formula:

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

where

$P_n$  – price of a single new unit;

$P_0$  – latest assessed price of one "old" unit;

$N_r$  – number of the new units for one "old" unit.

After entering for trade on a regulated market of the new units, their subsequent assessment is performed according to the methods of valuation of securities, admitted to or traded on a regulated market.

b) Cases of acquiring (new) units of a company resulting from the separation of the existing units (split) receivables are recognized from the date from which the new units are already split



from the existing units - the date after which the transactions with the units do not affect the right to acquire the new units until the date of registering the the new issue of units in the depository institution:

The value of the receivable is equal to the product of the number of new units and the price of a new unit.

The price of a new unit is obtained by the latest assessed price of one "old" unit divided of number of new units acquired in exchange for one "old" unit.

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

where  $R$  – the receivable;  
 $N_n$  – number of the new units;  
 $P_0$  – latest assessed price of one "old" unit;  
 $N_r$  – split ratio.

From the date of registration of the new units in the depository institution until the date of their introduction for trading on a regulated market the new units are recognized at a price, calculated by the following formula:

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

where  $P$  – price of a new unit;  
 $P_0$  – latest assessed price of one "old" unit;  
 $N_r$  – split ratio.

After entering for trade on a regulated market of the new units, their subsequent assessment is performed according to the methods of valuation of securities, admitted to or traded on a regulated market.

5.5. The methods under Section II, p. 5.1, 5.2, 5.3 and 5.4 for determining the fair value of securities can be adjusted by coefficients justified on the basis of evidence and circumstances constituting inside information disclosed under Art. 28, para 2 of Ordinance № 2 since 2003. on prospectuses for public offering and admission to trading on a regulated market of securities and the disclosure of information by the public companies and the other issuers of securities.

6. In case of acquisition of rights by a given company with a capital increase by issuing units, receivables (rights) from the date on which holders of units in the company have no right to receive subscription rights of units from the capital increase (the date after which the transactions with the units do not affect the right to acquire rights) until the date of registration of rights in the depository institution.

The value of the receivables is calculated using the following formula:

$$R_r = N \times P_r,$$

Where:  
 $R_r$  – the receivable;  
 $N$  – number of the rights;  
 $P_r$  – the price of the right.

The price of the right is calculated by the following formula:

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

Where:

Pr – the price of the right;

Pl – the price of the last valuation of the unit (before the separation of the rights);

Pi – the issue value of the new units;

Nr – the number of units in one right.

From the date of registration of the rights in the depository institution they are recognized as an asset in the Fund portfolio at a price determined by the formula specified above.

6.1. In case of inability to apply the methods of assessment under Section II, pt. 4 revaluation of rights is carried at cost, representing the difference between the price of the existing units of the company, as determined by the requirements of Section II, pt. 4 and the issue value of the new units from the capital increase, multiplied by the ratio of the number of units in one right.

6.2. From the date of subscription of units resulting from exercising the rights by the date of registration of the capital increase and its entry in the depository institution the subscribed units are reflected as a receivable, which is formed as the number of subscribed units is multiplied by the the sum of the value of a right in the last evaluation before the subscription of the units divided by the number of units in one right and issue value per unit.

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

where:

R – the receivable;

N<sub>n</sub> – the number of the units subscribed;

P<sub>i</sub> – the issue value per unit;

P<sub>r</sub> – the value of one right;

N<sub>r</sub> – the number of units in one right.

If the subscription of units is carried out after the last day of trading of the rights on a regulated market, the valuation of them up to the date of subscription of units is carried out at the last price of evaluation.

From the date of subscription of units resulting from the exercising the rights until the date of payment of their issue value appears a liability to the company - issuer.

6.3. From the date of registration of the new units in the depository institution until the date of introduction for trading on the regulated market, the new units are recognized at a price, calculated by the following formula:

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

Where:

P – the unit price;

Pi – the issue value per unit;

Pr – the value of one right;

Nr – the number of units in one right.

After entering for trade on the regulated market of the new units their subsequent evaluation is carried out according to the the methods of valuation of securities, admitted to or traded on a regulated market.

6.4. (*Am. with decision from 16.12.2013*) In the case of unused participation rights in the capital increase of issuer and selling them at an open auction according to the procedure of Art. 112b of the POSA, the same apply as a receivable whose value is equal to the number of rights multiplied by the weighted average price achieved for the sale of rights on the auction. This claim exists in the Fund's assets until the date of actual incoming flow of cash from the sale of rights on the auction on current account of the Fund.

From the last day of trading of the rights on a regulated market to the date of the open auction, they are valued at the last price of evaluation.

6.5. In cases where units are acquired from non-public stock company as a result of IPO, the units are recognized on the date of their registration in a depository institution (the date of subscription of the units until the date of their registration with the depository institution the units subscribed shall be recorded as a receivable in an amount equal to the emission value paid). The subsequent measurement of the units from the date of their registration the depository institution until the date of admission of units to trading on the regulated market is carried out at a price, equal to the issue value per unit. After entering for trade on the regulated market of the units their subsequent evaluation is carried out according to the methods of valuation of securities, admitted to or traded on a regulated market.

The previous rules are applicable accordingly also to the subscription of units from non-public joint-stock company, for which is not envisaged subsequent registration for trading on a regulated market, as from the date of subscription of the units until the registration of the capital increase in the commercial register the units subscribed shall be reflected as a receivable in an amount, equal to the emission value paid and after the date of registration of the capital increase in the commercial register, the subsequent valuation of the units shall carried out in accordance with section II, pt. 5.

6.6. In cases where units are acquired at the establishment of a new joint stock company, the units are valued at their issue price until the date of admission of units to trading on the regulated market. After entering for trade on a regulated market of the units their subsequent evaluation is carried out according to the methods of valuation of securities, admitted to or traded on a regulated market.

In case you subscribe units in establishing a new joint stock company, for which is not envisaged subsequent registration for trading on a regulated market, they are valued at their issue value until the date of entry of the company in the commercial register. After registration, the subsequent valuation of the units is carried out in accordance with Section II, pt. 5.

6.7. In the case of acquisition of rights by a company on issue of warrants with underlying future issue of shares of the company, receivables (rights) of the date on which holders of shares in the company have the right to receive subscription rights of warrants (date after which the transactions completed with the shares do not affect the right to acquire rights) until the date of registration of rights in the depository institution.

The value of the receivables is calculated using the following formula:

$$R_r = N \times P_r,$$

Where:

R<sub>r</sub> – the receivable;

N – the number of rights;

P<sub>r</sub> – the price of the rights.

The price of the right is calculated by the following formula:

$$P_r = P_l - \frac{P_l + (P_l + P_w) \times N_r}{N_r + 1}$$

Where:

Pr – the price of the rights;

Pl – the price of the last valuation of the unit (before the separation of the rights);

Pi - the issue value of the units from the underlying asset (the exercise price of the warrants);

Pw - the issuing value of warrants;

Nr – the number of warrants in one right.

From the date of registration of the rights in the depository institution they are recognized as an asset in the Fund portfolio at a price determined by the formula specified above.

6.7.1. In case of inability to apply the methods of assessment under Section II, p. 4 revaluation of rights on issue of warrants is carried out at cost, representing the difference between the price of the existing units of the company, as determined by the requirements of Section II, pt. 4 and the sum to the issue value of the units from the underlying asset value and issue price of the warrants, multiplied by the ratio of the number of warrants in one right.

6.7.2. From the date of registration of the warrants as a result of exercising the rights to the date of registration of the warrants and their entry in the the depository institution the subscribed warrants are recorded as a claim, which is formed as the number of subscribed warrants is multiplied by the the sum of the value of a right in the last evaluation before the subscription of the warrants, divided by the number of warrants in one right and the issuing value of the one warrant.

$$R = N_n \times \left( P_w + \frac{P_r}{N_r} \right),$$

Where:

R – the receivable;

$N_n$  – the number of reserved warrants;

$P_w$  – the issuing value of one warrant;

$P_r$  – the value of one right;

$N_r$  – the number of warrants in one right.

*(New, By decision of the BoD on 16.12.2013)* In case the subscription of the warrants shall be made after the last day of trading of the rights on a regulated market, their valuation to the date of enrollment of the warrants, is carried out at the last price of evaluation.

From the date of registration of the warrants as a result of exercising the rights until the date of payment of their issue value appears a liability to the company - issuer.

6.7.3. From the date of registration of the warrants by the depository institution until the date of introduction for trading on the regulated market the warrants, are recognized at a price, calculated by the following formula:

$$P = P_w + \frac{P_r}{N_r},$$

Where:

P – the price of the warrant;

Pw – the issuing value of one warrant;

Pr – the value of one right;

Nr – the number of warrants in one right.

After entering for trade on a regulated market of warrants their subsequent evaluation is carried out according to the the methods of valuation of securities, admitted to or traded on a regulated market.

7. Subsequent measurement of units of collective investment schemes of **Art. 38, para 1, p. 5 CISOUCI ACT**, including in cases of temporary suspension of redemption shall be made at the latest published redemption price If the suspension of redemption covers a period longer than 30 days, their revaluation is carried out at fair value per unit by applying the method of net book value of assets according to 5.1.

7.1. (Am by decision from 16.05.2012, effective from 02.07.2012) The subsequent evaluation of **units and units, issued by ETFs and other exchange-traded products (ETFs, ETNs and ETCs), including units of collective investment schemes under Art. 38, para. 1, p. 5 CISOUCI ACT**, where there are restrictions on the purchase and redemption for a certain class of investors and / or a certain amount of the contract and as a result of these restrictions the FUND may not purchase the units and the units held directly by the issuer and thus to bring for redemption the units owned, then the financial instruments are measured:

a) At the closing price of the transactions concluded on a regulated market of securities on which are traded units and units of ETFs, ETNs and ETCs, announced through the trading system or in the exchange bulletin on the business day on which is carried out the evaluation.

b) If there is not possibility to be applied p. a) units and units of ETFs, ETNs and ETCs are valued at the last calculated and announced by the regulated market the indicative net asset value of one unit (iNAV-indicative net asset value).

c) In case of inability to be applied the method of evaluation on the previous point and in case of suspension of redemption of units / units of ETFs, ETNs and ETCs for a period longer than 30 days, they are valued at the latest determined and announced from the issuer net asset value of one unit/share.

8. (Am by decision from 16.05.2012, effective from 02.07.2012, Am. with decision from 16.12.2013) Subsequent measurement of **Bulgarian and foreign bonds and other forms of debt securities admitted to or traded on an active regulated market in Republic of Bulgaria** is carried out:

a) The weighted average price of transactions concluded on the business day on which assessment takes place, announced through the trading system or the stock exchange bulletin, if the volume of transactions concluded on this day has been not less than 0.01 percent of the volume of the respective issue.

b) If it can not be determined price under the letter "a", the price of the bonds is the weighted average price of the transactions concluded on the closest day in the last 30-day period preceding the day on which assessment takes place, for which there are concluded transactions

c) In case of ex post evaluation of bonds with upcoming payment of interest and the published through the trading system or in the Exchange Bulletin cost of transactions concluded with them or "bid" price has been net, the following revaluation is formed as to the published price is added interest coupon due on the date of valuation:

The value of the accrued interest is determined using the following formula:

$$AccInt = F * \frac{C}{n} * \frac{A}{E},$$

Where:

AccInt – is the accumulated interest coupon;

F – the principal (the face value) of the bond;

C – the annual interest coupon;

n – the number of interest payments in the year.

A – The previous period of interest days until the date of calculation. The days are calculated on the basis of 30 days in a month or actual number of days depending on the regulations in the prospectus for the relevant emission.

E – the number of days in the current interest period. The days are calculated on a 360, 364, 365 or 366 days a year, or actual number of days depending on the regulations in the prospectus for the relevant issue.

To the net price is added the accumulated interest coupon on the date of valuation and the estimated gross price used for subsequent evaluation of the bond.

9. **In case of impossibility to be implemented the order under Section II, pt. 8, "a" - "c" for determining the price for subsequent valuation of bonds traded in an active regulated market, as well as subsequent valuation of bonds, which are not traded on active regulated markets**, must be applied the method of discounted net cash flows in the formula below with a discount rate:

a) the current yield to maturity of securities with similar characteristics (type, payment terms and maturity) admitted to or traded on regulated markets, adjusted by a risk premium, reflecting the risk of the issuer. The choice of a security whose yield to maturity will be used as a discount rate and the risk premium, reflecting the risk of the issuer, which will adjust the selected discount rate, shall be justified by comparative analysis.

b) the current yield to maturity of government securities with similar conditions of payment and maturity, adjusted by a risk premium, reflecting the risk of the issuer and the security given;

c) at the method of discounted net cash flows the following formula is used:

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

Where:

P – the price of the security;

F – the principal of the security;

C – the annual coupon for the bond;

n – the number of interest payments per year;

N – the total number of interest payments;

r – the percentage of discounting (equal to the yield to maturity);

i – the consecutive number of the interest payment.

*days till next interest payment*

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

10. (Am by decision from 16.05.2012, effective from 02.07.2012, Am. with decision from 16.12.2013) Subsequent **measurement of Bulgarian and foreign transferable securities and money market instruments, admitted to or traded on regularly functioning, recognized and publicly accessible active regulated markets abroad**, is carried out:

10.1. For securities, traded on regulated markets and official markets of stock exchanges:

a) at the last price of a transaction concluded with them on the market concerned on the day, to which performed the assessment.

b) in case of failing to apply the valuation method under letter "a" the valuation are carried out at "bid" price at market close on the day to which assessment takes place, announced in an electronic system for price information of securities.

c) in case of failing to apply the valuation method under letter "b" of the valuation is performed at the last price of a transaction concluded with them within the last 30-day period, preceding the day , to which the valuation is performed.

10.2. If it can not be defined price under point 10.1, the evaluation of the specific type of securities is done by applying Section II, pt. 5, pt. 6 or pt. 9.

11 (*Am by decision from 16.12.2013*) The subsequent **measurement of derivative financial instruments in the country** is performed in accordance with Section II, pt. 4.1 - 4.4.

11a. The subsequent **measurement of derivative financial instruments with underlying securities, listed or traded on a regularly functioning, recognized publicly available and active regulated markets abroad**, is carried out in accordance with Section II, pt. 10.1 and 10.2.

12. In case of inability to be implemented Section II, pt. 11 and 11a for determining the price for subsequent assessment of options, admitted to or traded on active regulated markets, the revaluation is carried out using the approach of the Black-Scholes for determining the price of an option . The Black-Scholes model treats the evaluation of purchase options (call options) because the formation of the value of the put option will be a function of the price of a call option for the corresponding asset under the same conditions.

The formula for determination of the price of the put option is as follows:

$$P=C+Xe^{-rT}-S_0,$$

Where:

C – The price of the call option, calculated using the Black-Scholes model;  
 X – The exercise price of the option (Strike price);  
 e – 2.71828, the base of the natural logarithm function;  
 r – Risk-free interest rate;  
 T – The term to maturity of the option in years;  
 $Xe^{-rT}$  = PV (X) – The present value of the exercise price of the option;  
 $S_0$  – The current price of the underlying asset (the one for which the option is constructed)

Calculation of the price of the call option ("C") for the corresponding asset with the same parameters (Black-Scholes Formula):

$$C_0=S_0N(d_1)- Xe^{-rT}N(d_2),$$

Where:

$$d_1 = \frac{\ln(S_0 / X) + (r + \sigma^2 / 2)T}{\sigma\sqrt{T}},$$

$$d_2 = d_1 - \sigma\sqrt{T}$$

and Where:

$C_0$  – The current value of the call option;

$S_0$  – The current price of the underlying asset.  
 $N(d)$  – The probability one random experiment over the standard normal distribution to have a value less than “d”. The corresponding values can be found in tables with the values of the normal distribution.

$X$  – The exercise price of the option;

$e$  – 2.71828, the base of the natural logarithm function;

$r$  – Risk-free interest rate;

$T$  – The term to maturity of the option in years;

$Xe^{-rT} = PV(X)$  – The present value of the exercise price of the option;

$\ln$  – Natural logarithm function;

$\sigma$  - The standard deviation of the rate of return on an annual basis (continually capitalized) of the underlying asset (volatility).

The standard deviation of the rate of return for n observations is calculated by the formula:

$$\sigma = \sqrt{\frac{n}{n-1} \sum_{t=1}^n \frac{(r_t - \bar{r})^2}{n}},$$

where  $\bar{r}$  the average payback for the period of the sample. The rate of return on day t is determined in accordance with the settled capitalization as  $r_t = \ln(S_t/S_{t-1})$ .

12a. In case of inability to be implemented Section II, pt. 11 and 11a for determining the price for subsequent valuation of warrants , admitted to or traded on active regulated markets, the revaluation is carried out using the formula under Section II, item 12 for calculating the price of purchase options (call options).

13. If it is impossible to be applied Section II, pt. 11 and 11a in determining the price of further valuation of futures , admitted to or traded on active regulated markets, the subsequent valuation is carried out as follows:

$$F = \{S - PV(D,0,T)\} * (1+Rf)^T,$$

Where:

F – the price of a futures contract;

S – the spot price of a underlying asset;

PV(D,0,T) – the present value of an expected dividend;

Rf – risk-free interest rate;

T – number of days of the contract, divided by 365.

13a. The subsequent measurement of **derivative financial instruments traded OTC** is carried out at a price "buy" on a market maker at the market close on the business day, to which the valuation is performed. If it is impossible to be applied that rule:

13a.1. ex-post evaluation of options, traded on OTC markets, is carried out using the formula under Section II, p.12;

13a.2. the subsequent valuation of foreign exchange forward contracts is carried out by using the formula below. Where the term to maturity of currency forward contracts is less than one month and in case that there are minor differences in the values of interest rates, due to the short term and the marginal impact of discount factors, it is assumed that the forward exchange rate by the date of subsequent valuation (t) is equal to the current spot exchange rate.





Where:

Vt - value of the forward contract;

N – amount of the forward contract;

C - the current spot rate between the two currencies;

P – forward foreign exchange rate, agreed at the conclusion of the forward contract;

Both of these two foreign exchange rates are expressed as units of currency B per unit in currency A.

iA – risk-free interest rate for currency A;

iB – risk-free interest rate for currency B;

T – maturity date of the forward contract;

t – current date.

13a.3. the subsequent evaluation of forwards, other than those mentioned in p.13a.2., is carried out by using the formula under Section II, p.13;

14. (Am. with decision from 16.05.2012, effective from 02.07.2012, former p.13b, Am. with decision from 16.12.2013) Subsequent measurement of financial instruments admitted to trading on more than one active regulated market is done at prices made public by the regulated market on which the management company has provided access and the financial instrument is initially purchased. If the financial instrument has bought more than one active regulated market, the valuation shall be carried out at prices made public by the regulated market on which the same day is traded the highest volume (number of units traded) of the respective financial instrument.

15. (Изм. с решение от 16.05.2012г., в сила от 02.07.2012г, former p.14, Am. with decision from 16.12.2013) In cases where no trade takes place on a regulated market on business days for the country or when certain securities are temporarily suspended from trading, for subsequent valuation of securities, admitted to or traded on on an active regulated market, must be take the value, valid for the day of the last trading session to a date , to which the valuation refers to. Upon subsequent valuation of bonds under the terms of the first sentence must be accounted also the interest accrued for the corresponding days.

The rule also applies in cases when on a regulated market is not conducted trading session due to a holiday in the respective country day, which is working day in Republic of Bulgaria.

The rule does not apply when on the regulated market are not carried out trading sessions for more than 5 working days. In this case the revaluation is performed by the respective application of Section II, pt. 5, 6, 9, 12 and 13.

16. (Am. with decision from 16.05.2012, effective from 02.07.2012 former p.15, Am. with decision from 16.12.2013) **The deposits in banks, the money in cash and the short-term receivables** are valued on the day for which the valuation refers to, as follows:

a) term deposits - at their nominal value;

b) cash - at nominal value;

c) demand deposits - at nominal value;

d) short-term receivables with no stated interest rate or income - at cost price;

e) short-term receivables with a fixed interest rate or income - at cost price.

17. (Предидшна т.16, Am. with decision from 16.12.2013) **The financial assets, denominated in foreign currencies**, are recalculated in their BGN equivalent, by using the official exchange rate of the Bulgarian National Bank, valid for the day, for which the valuation refers to.

18. (Former p.17, Am. with decision from 16.12.2013) **The subsequent measurement of money market instruments, admitted to or traded on a regulated active market**, is determined in accordance with Section II, pt 10.1. And so on. 10.2. If it is impossible to be applied Section II, pt. 10.1 and 10.2 , as well as the money market instruments that are not traded on a regulated market, the following formulas are used:

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

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

Where:

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

$P_{CD}$  is the value of the certificate of deposit;

MV – the value of the certificate of deposit at maturity;

N – the nominal value of the deposit certificate;

d – number of days between the valuation date and the maturity;

i – discount rate;

c – the interest, paid on the deposited amount, indicated on the certificate.

Short-term government securities (treasury bills) are estimated by the formula:

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

$P_{Tb}$  is the price of the treasury bill;

N – nominal value;

i – discount rate;

d – number of days between the valuation date and the maturity.

The discount rate in the above formulas is determined in accordance with Section II, pt. 9 letter "a" or "b".

19. (Former p.18, Am. with decision from 16.12.2013) **Intangible long term assets** are initially measured at acquisition cost , and subsequently subject to periodic evaluation at fair value , as specified in the IAS 38 model of evaluation. The revaluation at fair value is performed annually on 31 December of that year.

20. (Former p.19, Am. with decision from 16.12.2013) Under a decision for distribution of dividend from a company, whose units are included as an asset in the Fund portfolio, from the first date of trading of the units on a regulated market ,on which the transferee of the units is not entitled to a dividend until the date of payment of the dividend (real revenue of cash from dividend to the current account of the Fund), the amount of the gross dividend applies as a receivable.

### **III. MAIN SOURCES OF INFORMATION**

The following main sources of information are used to determine the fair value of the assets:

- Register of the public companies and other issuers of securities kept by the Financial Supervision Commission (FSC);
- Prospectuses for public offering of securities;

- Financial statements of the issuer;
- Official Bulletin of the "BSE-Sofia" JSC, as well as the corresponding bulletin or similar document, issued by another regulated securities market (Bulgarian or foreign), approved by the FSC, where the securities owned by MF "UBB Premium Equity" are admitted to trading;
- Quotes by Reuters and Bloomberg for assets, listed for trading on Bulgarian and foreign regulated markets. In case of impossibility for a direct access to the electronic systems, these can be provided by banks, investment firms and other financial companies;
- The official statistical and background information;
- Analyses, publications and reviews of certified Bulgarian and foreign consultants and analysts.

In the determination of fair value of assets can be used the following sources of information:

- Declared in a prospectus for public offering of securities of the issuer emission value;
- A decision to increase or decrease the capital of the issuer of financial instruments;
- Decision for transformation of the issuing company;
- Any changes in the business of the issuer, which would affect the price of the issued financial instruments;
- Changes in the statute (office) of the issuer;
- Initiated lawsuits under which the company of financial instruments is a defendant;
- Analysis of the overall economic situation of the country / ies where the issuer operates;
- Analysis of the industry in which the issuer operates;
- Analysis of the overall state of the market of financial instruments, on which are traded the securities of the issuer;
- Available information about deals or offers for particular financial instruments on unregulated markets;
- Availability of option contracts for specific financial instruments.

#### ***IV. (Am. with decision from 16.05.2012, effective from 02.07.2012) EVALUATION OF LIABILITIES***

The value of liabilities is equal to the sum of the carrying amounts of the short-term and the long-term liabilities on the balance sheet. The liabilities denominated in foreign currency, are calculated at the official exchange rate of BNB for the day to which the evaluation is performed. Evaluation of liabilities is performed in accordance with the International Accounting Standards and the accounting policy of the FUND.

#### ***V. NET ASSET VALUE (NAV)***

NAV of the FUND is equal to the amount of the assets, minus the sum of liabilities.

NAV per unit is equal to the NAV, divided by the number of the units of the Fund outstanding.

The issue price (IP) per unit is equal to the NAV per unit, while the redemption price (RP) per unit is equal to the NAV per unit reduced by the provided in the rules of the FUND redemption fee.

## **VI. (Am. with decision from 16.05.2012, effective from 02.07.2012) SYSTEM OF ORGANIZATION OF THE ACTIVITY IN DETERMINING THE NET ASSET VALUE**

The NAV per unit of the FUND is determined each day (called day T + 1 "day on which valuation is carried out") for the previous day (called day T "day for which is carried out the evaluation" or "day, for which is the evaluation "), according to the Rules, the Prospectus for public offering of units of the FUND and the present Rules as well as the current legislation.

Portfolio valuation is carried out by "UBB Asset Management" JSC, which determines the NAV of the Fund and the NAV per unit and calculates the EP and RP under the control of the Custodian.

### **Процедура за определяне на последваща цена и справедлива стойност**

1. (Am. with decision from 16.05.2012, effective from 02.07.2012) Until 10 o'clock of the day, on which the evaluation is carried out (day T + 1) the management company receives from "Central Depository" JSC information for the transactions of sale and redemption, which settlement is completed and the number of units of the FUND in circulation at the end of the day T;
2. (Am. with decision from 16.05.2012, effective from 02.07.2012) Between 10:00 and 11:00 on the day on which the evaluation (day T + 1):
  - is determined the fair value for the day of the valuation (day T) according to these Rules; The data and / or the analysis, used for determination of the fair value, are applied to the calculation of the price and kept for at least five years.
  - is carried out revaluation of the assets at their fair value, a balance of the Fund is prepared and NAV per unit is determined for the date of the valuation (day T).
3. (Am. with decision from 16.05.2012, effective from 02.07.2012) Until 11 o'clock of the day at which the valuation is carried out (day T + 1) the Management Company provides to the Depository Bank all the information about the determined NAV per unit (including the number of sold and repurchased units with completed settlement) as well as the estimated EP and RP.
4. (Am. with decision from 16.05.2012, effective from 02.07.2012) Until 12 o'clock of the day at which the valuation is carried out (day T + 1) the Management Company receives confirmation from the Depository Bank for the calculated NAV, EP and RP.
5. (Am. with decision from 16.05.2012, effective from 02.07.2012) The Management Company, by the end of each business day, at which the valuation is carried out (day T + 1), declare EP and RP of the units of the Fund, for which the valuation refers (day T):
  - Appropriately indicated in the Prospectus for Public Offering of units and Key Investor Information Document of the Fund.
  - To the Commission for Financial Supervision.
  - To the person / s, with which the management company has signed a contract for usage a network of offices, that declared them at the counters for sale / redemption.
6. The calculated according to the current EP and RP are published on the website of the Management Company.
7. When calculating the NAV, EP and RP, the Management Company uses appropriate software that allows it to keep accounts of the FUND separately from its own.
8. All the documentation and information, used for determination of the NAV, EP and RP is kept by the management company on paper and on magnetic media at least 5 years in a way that ensures access to it exclusively for authorized employees. For additional security, the information is stored also on a second electronic device.

## **VII. DETECTION AND AVOIDANCE OF CONFLICTS OF INTEREST AND PROTECTION AGAINST DISCLOSURE OF INSIDE INFORMATION**

1. Conflict of interests is a situation that arises in connection with the services provided by the management company services and can damage the interests of investors in units of the FUND. Such a situation would exist when the interests of the persons / collective investment schemes, whose portfolios or activity the asset management company manages and the Fund, may enter or come into conflict with each other.

2. Upon establishing the types of conflicts of interest, that arise as a result of the provided by the asset management company services and the presence, of which the can damage the interest of investors in units of the FUND, the Management Company accounts, applying minimum standards, whether the company, a person working on contract for it or a person directly or indirectly linked to it by control, falls into one of these cases as a result of the services provided by the asset management company or otherwise:

2.1. is able to make a financial gain or to avoid financial loss at the expense of the FUND;

2.2. there is interest in the outcome of the service or transaction carried out on behalf of the Fund, other than the interest of the person of this result;

2.3. has a financial or other incentive to favor the interest of another person / collective investment scheme or group of persons / collective investment schemes whose portfolios or activity the Management Company manages to the interest of the fund;

2.4. receives or will receive from a person other than the FUND benefits in connection with a service provided to the customer, in form of a cash, goods or services, other than the standard commission or fee for this service.

3. In order to avoid conflict of interest, the employees of the Management Company shall observe the following principles and rules:

3.1. priority to the interests of the FUND, to those of the Management Company, the interests of the members of the Board of Directors entrusted with the operational management of the Management Company and to all other persons working under contract for the MC;

3.2. making of all possible efforts to conduct business under the best conditions for the Fund;

3.3. conflict-free - the Management Company, respectively, an employee should not be placed in a position where his interests will collide with the interests of the FUND, and if that happens, should always be given priority to the interest of the FUND;

3.4. Confidentiality - The management company should not use in its favor or for the benefit of another person, including another client, confidential information received, acting on behalf of its client;

3.5. strict compliance with the legal requirements of all persons, involved in the organization and management of the FUND, and control over this activity, in accordance with their competencies prescribed by law;

3.6. compliance with internal rules of the Management Company, which determine the way of storage of the available information and ensure protection against its disclosure;

3.7. strict compliance with the provisions included in the rules for personal transactions adopted by the Management Company;

3.8. separation of functions between employees and departments;

3.9. ensuring the independence and objectivity in the performance of official duties of employees in the areas of their competence;

3.10. it is forbidden employees to accept gifts, compensation or any other tangible benefits from clients, contractors and others persons, that can lead to a conflict of interest;

3.11. Employees are obliged to inform the Compliance Unit for all possible and potential conflicts of interest.

4. Internal information is specific information that has not been made public, relating directly or indirectly to the shares of the Fund, if its public disclosure could have a material effect on the price or the price of related derivative financial instruments. The inside information includes:

4.1. any information that indicates facts or circumstances that have occurred or may reasonably be expected to occur in the future, and is specific enough to draw a conclusion about their effect on the price of shares of the FUND, or related derivative financial instruments;

4.2. information that is commonly used by investors in the claim of decision to invest in a financial instrument;

4.3. to persons who execute orders on units of the fund insider information is also specific information conveyed by a client relating to the submitted but still unfulfilled orders of the client that relates directly or indirectly to the shares of the Fund and which, if made public, could materially affect the price of shares or the price of related derivative financial instruments.

4.4. Internal information under the Act against market abuse with financial instruments is either "internal" to its public announcement in the bulletin of the "BSE-Sofia" JSC the submission of appropriate notification to the Financial Supervision Commission and dissemination her in the newsletter of the FSC or through the media .

5. It is forbidden to a person who possesses inside information to:

5.1. reveal inside information, to any other person unless such disclosure is made in the normal exercise of his employment, profession or duties;

5.2. recommend or inducing another person on the basis of inside information to acquire or dispose of units of the FUND;

5.3. manipulate the market of financial instruments.

The foregoing prohibitions also apply to any other person beyond those already mentioned, who possesses inside information if it knows or ought to have known that it is inside information.

6. Members of the Board of Directors of the Management Company, employees and all other persons working for the management company can not disclose, unless authorized to do so, and to use for the benefit of themselves or others facts and circumstances affecting balances and transactions in the accounts of the unitholders of the Fund and all other facts and circumstances constituting trade secrets which they have learned in the performance of their professional duties. For this purpose, inauguration or commencement of activity for the asset management company, the persons under the preceding sentence shall sign a declaration to respect confidentiality.

7. In addition to the Financial Supervision Commission (FSC), the Vice - President, Governor "Investment Supervision" and authorized officials of the administration of the FSC, or "BSE-Sofia" JSC for the purposes of their control activities and within inspection order, the Management company can give information under paragraph 6 of this section only:

➤ with the agreement by the corresponding shareholder; or

by a court decision issued under the terms and conditions of Art. 35, para. 6 and 7 of the Markets in Financial Instruments.

## **VIII. DUTIES AND RESPONSIBILITIES IN EVALUATION OF ASSETS AND LIABILITIES AND DETERMINATION OF NET ASSET VALUE OF FUND**

1. Departments within the asset management company operate on the basis of developed detailed internal rules governing the allocation of functions and powers of both departments as a whole and of each employee in the department.

2. The decisions on operational activities are taken according to the level of competence and delegated powers in the system of relations.

3. The Board of Directors of the Management Company:

3.1. is responsible for the adoption, amendments and supplements of these Rules;

3.2. supervise the observance and application of these rules by all persons involved in the calculation / verification of NAV;

3.3. authorizes a person holding the necessary qualifications, which supervises the calculation of NAV, EP and RP of the shares of the Fund and bookkeeping. Upon finding discrepancies with the law, fund rules, these Rules and the Prospectus, that person shall immediately notify the Board of Directors;

3.4. control the execution of the contract with the Custodian as receive and review monthly reports, as well as all documents and information relating to the performance of their duties, including may ask them additional documents, information and explanations;

3.5. approve the monthly costs associated with the activity of the FUND, in order to comply with the limits for expenditure charged to the fund;

3.6. in establishing a systematic and / or serious breach of the method or procedure for determination of NAV described in these Rules, or control over, take appropriate action against the Custodian, including termination of the contract for depository services;

3.7. In the establishment of breach of the duty of the Custodian to oversee the calculation of the net asset value of the FUND, take action to seek accountability against it, except in cases where the Custodian is not responsible.

4. Bank – Depository:

4.1. controls over the calculation of the NAV, EP and RP of the shares of the Fund by the the asset management company to be carried out in accordance with CISOU CI ACT, acts for its implementation, fund rules and these Rules.

4.2. check the assessment and determined by the Management Company NSA, the EU and the RP of one share of the fund in the event that no comments inform the the asset management company of the outcome of the check electronically no later than 12.00 hours of the day that is done assessment and determined the appropriate values (day T + 1).

4.3. in violation in the calculation of the NAV per share Custodian shall immediately notify the Management Company and make adjustments to the the EP and RP. Bank fulfills this obligation before announcing the EP and RP of the shares of the Fund.

5. The auditors of the FUND, give an opinion on the presence of substantial inaccuracies, errors and inconsistencies in the reports made by the Management Company financial statements, according to the independent financial audit and professional requirements of the International Standards on Auditing.

For all matters not regulated in these Rules are applicable provisions of the regulations governing the relevant legal material.

When individual provisions of these Rules reference is made to specific regulations or identified specific state authorities and subsequently as a result of changes in legislation changing the titles of these regulations or they are repealed will be considered that new titles

respectively latest acts governing the legal field, right replace their corresponding references in the texts of these Rules, without having subsequent amendment of the Rules. The same applies for cases specifically mentioned state bodies.

These Rules have been adopted by Decision of the Board of Directors of "UBB Asset Management" JSC, reflected in Minutes № 201 from 07.02.2012 and countermanded according to Minutes № 95 from 14.07.2008, Rules. The Rules are amended and supplemented with Minutes № 208/07.03.2012, Minutes № 217/16.05.2012.

The changes, adopted with Minutes № 217/16.05.2012, will take into action from 02.07.2012 and after approval from the Financial Supervision Commission.

The Rules are amended with decision of the BoD, adopted with Minutes № 218 / 08.06.2012 and decision in Minutes № 264/16.12.2013.

These Rules shall enter into force upon receipt of approval from the Financial Supervision Commission.

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**Katina Peycheva**  
**Executive Director**

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**Ivan Koutlov**  
**Procurator**