

BEST EXECUTION POLICY

I. PREAMBLE.

1. *(Am. with decision from 13.03.2012)* This Policy applies to the managed by MC "UBB Asset Management" AD ("UBB AM") collective investment schemes (CIS) and to the holders of units of these CIS. The policy is also applicable to "UBB AM" clients under individual portfolio management contracts that are categorized by "UBB AM" as "Professional" and "Non-Professional" (Client/Clients). **The principles, described in this policy, will not apply to clients under individual portfolio management contracts categorized as "Acceptable Counterparty".**

2. *(Am. with decision from 13.03.2012)* The present Policy includes the performance rules and best performing principles, applied by „UBB AM“, including when executing client orders and orders for trading in financial instruments, merging and division of orders.

3. *(Am. with decision from 13.03.2012)* "UBB AM" will take all necessary actions to ensure the best possible results and will act in the best interest of the respective CIS and/or Client, when executing decisions for transactions on behalf of the respective CIS and/or Client in portfolio management.

4. *(Am. with decision from 13.03.2012)* "Best Execution" within the meaning of this Policy is a series of procedures and arrangements, implemented by „UBB AM" in order to ensure the best possible result for the relevant CIS and/or Clients when executing orders.

5. *(Am. with decision from 13.03.2012)* This Policy includes the types of classes of financial instruments and the persons to whom „UBB AM" submits orders so as to ensure the fulfillment of the obligation to act in the best interest.

II. PRINCIPLES AND CRITERIA FOR BEST EXECUTION.

6. *(Am. with decision from 13.03.2012)* "UBB AM" treats fairly the holders of unit of the CIS, managed by it.

7. *(Am. with decision from 13.03.2012)* "UBB AM" will not place the interests of any group of unit holders over the interests of another group of unit holders.

8. *(Am. with decision from 13.03.2012)* "UBB AM" strives to carry out its activity in a way that will prevent the unreasonable costs for the CIS and for the holders of their units.

9. *(Am. with decision from 13.03.2012)* "UBB AM" treats the respective CIS and Clients equally and fairly, as well as acting with due diligence to protect their interests.

10. (Am. with decision from 13.03.2012) "UBB AM" complies with all the requirements, applicable to its activity, to act honestly and professionally in order to protect the interests of the unit holders, the CIS and the Clients, and to ensure the stability of the market of financial instruments.

11. (Am. with decision from 13.03.2012 and decision from 28.02.2014) "UBB AM" acts in the best interest of the CIS/Clients when executing decisions on transactions on their behalf and for their account. "UBB AM" takes all reasonable actions to obtain the best possible outcome for CIS/Clients, taking into account the price, cost, term, probability of execution and settlement, the volume and type of the order or any other circumstance, related to the execution of the order. The following criteria are applied to determine the relevance of these factors:

- ▶ Objectives, investment policy and specific risks for CIS, as specified in the prospectus, in the Fund's rules, as well as the investment constraints associated with individual portfolio management;
- ▶ The characteristics of the order;
- ▶ The characteristics of the financial instruments subject to the order;
- ▶ The characteristics of the execution venues, to which the order may be assigned.

12. (Am. with decision from 13.03.2012) The evaluation of the best execution of orders at the expense of CIS/Clients is not only bound by the determination of the best price for CIS/Clients, but also with all other mentioned in the bottom factors. If a transaction in financial instruments is found not to have been concluded at the best possible price offered on the market at the time of its conclusion, this does not mean a violation of the best execution order.

13. (Am. with decision from 13.03.2012) Upon evaluation by „UBB AM“ of the execution of an order at the expense of CIS/Clients, the best conditions for them shall be taken into account the complex impact of the following factors:

- ▶ **The market price of the financial instrument** - „UBB AM“ takes into account the pricing mechanisms of venues for financial instruments to determine which place is the most cost-effective.
The price usually depends on the number of market participants, the behaviour of market makers (if any) and the organization of the stock market on which the relevant financial instruments are traded.
The price of the financial instruments, judged together with the cost of executing any order on behalf of a Client, is considered by „UBB AM“ to be the most important factor if the Client is categorized as non-professional. This factor is considered decisive when selecting a place for execution of the Client's orders;
- ▶ **Transaction costs associated with the execution of the order** (commissions and other fees) - „UBB AM“ estimates the cost of orders at the expense of CIS/Clients and executes orders as a matter of priority through third parties who offer the best terms for the costs of execution. Compliance with the preceding sentence is without prejudice to the quality of the services offered by third parties. Expenditure related to execution includes all costs directly related to the execution of the order, including location fees, clearing and settlement fees, and other fees and charges payable to third parties bound by the execution of the order.
- ▶ **The speed of execution** - The price of financial instruments depends on the speed of execution of the orders placed. The pace of execution of a regulated market or multilateral trading facility is largely determined by the type of market model (i.e. the organization of trade in the relevant market as defined in its rules and applicable legislation).
- ▶ **The full execution and settlement capability** - „UBB AM“ - values the probability of the order being executed on a case-by-case basis.

- ▶ **The volume and nature of the orders**, as well as all other factors relevant to the execution of the order - The volume or the number of the financial instruments of the order have a direct relation to the price of the financial instruments and transaction costs.
- ▶ **Type and nature of the order** - "UBB AM" determines who would be the best result for CIS/Client and judges all listed factors according to the nature and type of the order - purchase, sale, exchange, etc.; Limited, market, etc.
- ▶ **Any other factors**, that are relevant to executing the order at the expense of CIS/Client and achieving the best result.

III. ASSESSMENT OF THE BEST PERFORMANCE CRITERIA

14. (Am. with decision from 13.03.2012) As basic criteria for determining the best result, "UBB AM" accepts the price of the instrument and the costs of execution of the order.

15. (Am. with decision from 13.03.2012) In cases where a performance factor other than all significant factors is accepted as a priority with respect to a given order then the respective order is executed in accordance with this factor.

16. (Am. with decision from 13.03.2012) The prioritization of the criteria in the previous chapter, when it comes to Clients under contracts for individual portfolio management, differs depending on the categorization of the clients or the classes of assets falling within the scope and they shall be assessed in the light of the following criteria:

16.1. Characteristic of the client according to his categorization as "Professional" or "Non-professional";

16.2. Characteristics of Client orders, including:

- ▶ *Market or limit order;*
- ▶ *The size of the order and its possible coverage on a regulated market.*

16.3 (Am. with decision from 13.03.2012) Characterization of the financial instruments, subject of the specific order:

- ▶ *Financial instruments traded on Bulgarian Stock Exchange - Sofia AD (BSE) - shares, bonds, units of collective investment schemes and other collective investment enterprises, compensatory instruments. Transactions with financial instruments on BSE represent the purchase and sale of exchange-traded companies during the trading session and the parties to the transaction acquire all rights and obligations under the financial instruments. The transfer of the securities is effected by Central Depository AD within 2 working days after the date of conclusion of the transaction;*
- ▶ *Financial instruments traded on international financial markets - shares, bonds, derivative financial instruments;*
- ▶ *Derivatives traded both on a Regulated Market and OTC;*
- ▶ *Structured financial instruments.*

16.4. Characteristics of the place of execution of the orders to which the relevant ones are relevant:

- ▶ *Quality of execution of the respective order, as well as the ability to provide the best possible result on a regular basis;*
- ▶ *Liquidity of the place of performance of the order.*

IV. ASSESSMENT OF FACTORS FOR BEST IMPLEMENTATION

17. The priority of the different factors differs according to the criteria of item 16 of the previous chapter.

17.1. CLIENT CHARACTERISTICS:

17.1.1. Non-Professional Clients:

„UBB AM“ considers the final consideration of the performance of the contract as the main factor and determines the best possible outcome in terms of the factor that represents the price of the relevant financial instrument and all fees relevant to the execution of the order in the relevant execution venue, Transaction costs relevant to the performance of the contract such as: fees on the relevant market, clearing and settlement fees, and any other charges payable to third parties.

In cases where a financial instrument is traded on more than one market and when each market provides the best result based on all determinants, „UBB AM“ takes other factors into account to ensure the best possible result for its clients.

17.1.2. Professional Clients:

In its relations with Professional Clients, „UBB AM“ considers as a priority the factor concerning the price, the relative fees, as well as the speed and completeness of performance of the order.

17.2. CHARACTERISTICS OF THE ORDER:

17.2.1. „UBB AM“ takes into account the characteristics of the orders in relation to the identification of the relevant performance factors.

17.2.2. Large transactions affecting the market of financial instruments and / or exceeding the available liquidity in the financial instruments market, the possibility of partial or full execution and settlement of the order form the most important factors for best execution.

V. CHARACTERISTICS OF FINANCIAL INSTRUMENTS

18. „UBB AM“ shall take into account the types of financial instruments in order to define the relative importance of the best performing factors.

19. As regards financial instruments traded on regulated markets where there is liquidity and market (publicly available) price, „UBB AM“ considers the price of the instrument concerned as the most important cost factor, as well as the costs associated with Order execution.

20. With respect to products traded outside regulated markets (futures, options, etc.) for which there is no market (publicly available) price, „UBB AM“ accepts the possibility of partial or full execution and settlement of the order as The most important factor to implement.

21. With respect to products purchased by „UBB AM“ for the account of a client and for which the Company acts as a counterpart, „UBB AM“ provides, upon request by the

client, the complete available information received from the country that developed the respective product.

21.1. Shares

21.1.1. Essence: Securities expressing ownership of the shareholder on part of the ownership of the public limited liability company.

21.1.2. Income: The shareholder receives income in the form of dividend and / or capital gain / loss (the difference between the purchase and sale value of the share concerned).

21.1.3. Risk:

- ▶ **Macroeconomic risk** - This is the risk of loss due to worsening macroeconomic stability and political situation in the country. The emergence of this risk depends on a number of factors, such as governance, political structure and principles, monetary and fiscal policy of the government, the investment climate in the country, the impact of international events,
- ▶ **Market risk** - Determine both the overall political and economic development of the country and the development of the sector in which the issuer operates, its financial stability and prospects for growth and development. The investors' expectations for the future development of the country, the industry and / or the company also play a significant role in the market risk. Shares are characterized by a significantly higher market risk than that of bonds.
- ▶ **Interest rate risk** - The interest rate risk is related to the domestic monetary policy of the state, the level of interest rates in the country, the overall economic development and the state of the international stock markets.
- ▶ **Liquidity risk** - Liquidity risk depends on the degree of active trading of the security and depends on the type of security and the markets on which it is traded.
- ▶ **Sectoral risk** - This is the risk associated with the development of the sector in which the company operates. Positive or negative trends in the defined branch will inevitably have an impact on the value of the issuer's shares operating in this sector.
- ▶ **Company risk** - Company risk is related to the nature of the company's business and its individual characteristics.
- ▶ **Currency risk** - This is the risk of a change in the value of a security whose denomination is in a currency other than the reference currency as a result of a change in the exchange rate between the two currencies.

2.1.2. Government Securities (GS)

21.2.1. Essence: Debt securities issued or guaranteed by the Bulgarian State.

21.2.2. Income: Income in the form of interest that the investor receives on a certain date or over a specified period plus the nominal value of the security that is paid by the issuer at the maturity date or capital gain / loss in the event that The investor sold the security before the maturity date.

21.2.3. Risk:

- ▶ **Credit risk** - They are characterized by very low credit risk due to the high credit rating of their issuers. The state as the issuer of debt enjoys the greatest trust from investors compared to other bond issuers due to the negligible risk of bankruptcy and falling into a state of impossibility to service its obligations.
- ▶ **Liquidity risk** - Their liquidity risk is insignificant as they are among the most liquid financial instruments traded on the Bulgarian financial market.
- ▶ **Market risk** - This risk is determined by the government's interest rate policy, the fiscal policy pursued by the Ministry of Finance, the overall development of the economy and the domestic capital market, and the state and trends of international financial markets. Government securities prices change mainly as a result of changes in **interest rates**.

21.3. Municipal Bonds

21.3.1. Essence: These are debt securities issued by municipalities.

21.3.2. Income: Income in the form of interest that the investor receives on a certain date or over a specified period plus the nominal value of the security that is paid by the issuer on the maturity date or the capital gain/loss in the event that The investor sold the security before the maturity date.

21.3.3. Risk:

- ▶ **Credit risk** - They carry a higher credit risk from government securities and lower credit risk from corporate bonds. The risk of municipal bonds is determined by the general state of the economy of the municipality and the successful management of investment projects.
- ▶ **Liquidity risk** - Although certain banks maintain constant CB / CB quotes, they are characterized by higher liquidity risk from government securities due to the lack of a sufficiently developed capital market in the country.
- ▶ **Interest rate risk** - Due to the higher credit risk of the municipal bonds compared to government securities, the price of municipal bonds tends to change more when the interest rates change in the country.

21.4. Corporate bonds

21.4.1. Essence: These are debt securities issued by companies.

21.4.2. Income: Income in the form of interest that the investor receives on a certain date or over a specified period plus the nominal value of the security that is paid by the issuer on the maturity date or capital gain/loss in the event that the investor Sells the security before its maturity.

21.4.3. Risk:

- ▶ **Credit risk** - Their **credit risk** is higher than that of the municipal bonds due to the greater likelihood of deterioration in the credit quality of the issuer. The credit risk associated with investing in corporate bonds is highly individual depending on the issuer, the parameters of the particular issue, and the availability of a collateral or guarantee.
- ▶ **Liquidity risk** - **Liquidity risk** depends on the degree of active trading of the security and is strictly individual for the various corporate bond issues. When buying bonds with an active secondary market, this risk can be minimized.
- ▶ **Interest rate risk** - Corporate bond prices are most sensitive to the change in **interest rates**. Interest rate risk is mainly related to the domestic monetary policy of the issuer's country, the level of interest rates in the country of the issuer, as well as general economic developments and the state of international debt markets.

21.5. Mortgage bonds

21.5.1. Essence: Debt securities secured by immovable property.

21.5.2. Income: Income in the form of interest that the investor receives on a certain date or over a specified period plus the nominal value of the security that is paid by the issuer at maturity date or capital gains / losses in the event that the investor Sell the security.

21.5.3. Risk:

- ▶ **Credit risk** - The credit risk of mortgage bonds is lower than that of corporate bonds and is related to the credit risk of the issuer bank as well as to the collateral on the securities. The regulation of this type of bonds with a special law determines the lower level of risk due to the placement of certain requirements on the basic and supplementary collateral in respect of the type of property, the risk classification of the loans granted, the non-severity with the weights, the maturity, the liquidity of the substitute collateral and others.
- ▶ **Interest rate risk** - Mortgage bonds are associated with higher interest rate risk than government securities. Compared to ordinary corporate bonds, however, this risk is lower due to lower credit risk.
- ▶ **Liquidity risk** - The mortgage bond market is less liquid than the government securities market, but due to the availability of first-class collateral and a special regulatory base it has significant potential for development.
- ▶ **Market risk** - The market risk of mortgage bonds is affected by the same factors as government securities.

Factors influencing the risk of investing in bonds:

The degree of sensitivity of the bonds to interest rate risk also depends on the **remaining maturity** and **type** of the bond coupon.

Floating interest coupons are characterized by an insignificant risk of incurring losses as a result of the change in interest rates.

Fixed coupon bonds carry a higher risk and, therefore, higher yield.

Zero coupon bonds bear the highest credit and interest rate risk. Long-term bonds are characterized by higher risk and respectively higher yields than short-term ones.

21.6. Currency Forward

21.6.1. Essence: Agreement for future purchase or sale of currency at the exchange rate negotiated at the time of conclusion of the transaction but with delivery at a specified future date at the agreed forward rate.

21.6.2. Income: The profit or loss on the concluded forward contract is determined by the difference between the agreed forward rate and the market exchange rate of the respective currency.

21.6.3. Risk:

- ▶ **Counterparty credit risk** - the risk of loss due to the inability of the counterparty to face the deal to meet its obligation.
- ▶ **Market risk** - the risk of losses due to a drop in the exchange rate of the purchased currency below the agreed forward rate or an increase in the exchange rate of the currency sold above the agreed forward rate.

21.7. Currency swap

21.7.1. Essence: Contract for exchange of currency in one currency with another currency with an arrangement for their reverse exchange at a certain future date and at a pre-agreed exchange rate.

21.7.2. Income: The positive or negative difference between the market and the agreed exchange rate forms the profit or loss for the parties to the contract.

21.7.3. Risk:

- ▶ **Counterparty credit risk** - the risk of default on the counterparty's obligations.
- ▶ **Currency risk** - the risk of exchange rate fluctuations in the currencies of the transaction.

21.8. Currency option

21.8.1. Essence: The buyer of the currency option has the right, but not the obligation to buy or sell a certain currency at a pre-agreed exchange rate (exercise price) on a certain date or every day until a future date occurs.

21.8.2. Income: The buyer may exercise the option in the event of a favourable exchange rate movement and make a profit on the difference between the market and the agreed exchange rate adjusted by the premium paid (option price).

21.8.3. Risk:

- ▶ **Counterparty credit risk** - the risk of default on the counterparty's obligations.
- ▶ **Currency risk** - risk of changing the exchange rate of the currency representing the underlying asset under the option contract.
- ▶ The buyer's maximum loss of the option is equal to the paid premium (option price).

21.9. Repo deals

21.9.1. Essence: The repurchase rights represent the sale of a security with a repurchase and repurchase of the maturity at a predetermined price. The reverse repo transaction is a purchase of a security and its sale at an agreed price on a certain date.

21.9.2. Income: The negotiated interest rate on the repo transaction is the expense of the purchaser of the right repo and the buyer's reverse repo.

21.9.3. Risk:

- ▶ **Counterparty credit risk** - the risk of default on the counterparty's obligations. In the event of a repayable buyer's insolvency, the lender may sell the security provided as collateral to the transaction on the due date to settle its claim.
- ▶ **Market risk** - the risk of impairment of the cash receivable under the repurchase agreement if it is used to finance more sensitive positions or impairment of the security received on the reverse repo transaction. If the value of the securities collateralised by the transaction diminishes as of the time of repayment, the lender / buyer of reverse repo is at risk of loss. To mitigate this risk, the market price of the collateral is calculated by the creditor, adjusted for a certain discount.

- ▶ **Operational risk** - There is no risk of incurring losses because of the inability to exercise effective control over the securities serving as collateral for the transaction. This risk is minimized as the securities serving as collateral under the repo transaction are held with the creditor.

21.10. Mutual Funds - Collective Investment Schemes

21.10.1. *(Am. with decision from 13.03.2012)* Essence: The collective investment scheme is a collective investment enterprise which meets the following conditions:

- its sole purpose is to collectively invest in transferable securities or other liquid financial assets under Art. 38, para. 1 of the Law on the activity of collective investment schemes and other undertakings for collective investment (LCIICLA), of funds raised through public offering, and acts on the principle of risk distribution;
- its shares are dematerialized and subject to redemption, directly or indirectly, on the basis of the net asset value at the request of the unit-holders.

The collective investment scheme is established as a contractual fund or as an investment company.

21.10.2. Income: Dividend income and income in the form of capital gains / losses - difference between the purchase and sale value of the purchased shares or units. The costs of managing the assets of the mutual fund are calculated as a percentage of the assets under management.

21.10.3. *(Am. with decision from 13.03.2012)* Risk:

- ▶ **Counterparty credit risk / risk of not meeting obligations** - the risk of non-compliance with the mutual fund's obligation to redeem at any time the units issued by it.
- ▶ **Liquidity risk** - the risk of losses due to the inability to sell an asset at a value close to its fair value if liquidity is required to cover short-term liabilities. This risk of investing in mutual funds is heavily minimized as they are considered to be a highly liquid financial instrument due to the Fund's obligation to buy back at any time the shares/units issued by it.
- ▶ **Other risks** - all risks associated with the investment in the different types of instruments in the portfolio of the fund.
- ▶ Unlike the equity investment of a specific issuer, the purchase of a mutual fund share carries a lower risk due to the professional management of the investment and the minimization of non-systemic risks through diversification.

VI. RISK FACTOR CHARACTERISTICS *(New, with decision from 13.03.2012)*

22. Risk management:

▶ „UBB AM” has a well-established and functioning risk management system, which is key to the company's performance. This is in view of the allocation of risk management obligations according to „UBB AM”'s internal organization.

▶ Employees performing risk management and risk management functions are aware of their responsibilities for identifying and reporting relevant risks and other liabilities within the organization and their associated responsibilities.

▶ Risk management actions (ie responsibilities, risk tolerance and risk appetite, etc.) shall be documented and updated appropriately.

▶ The level of risks that „UBB AM” can assume is also limited by the regulatory framework. Because of the specific nature of CIS activities and the economic environment, risk measurement is reviewed regularly and thoroughly. „UBB AM” sets credit, liquidity and market risk limits as well as other risk limits that meet the overall risk appetite and risk tolerance of the institution, even in times of debilitated economic environment.

▶ „UBB AM” has created a Risk Management Division, which is responsible for the implementation of the risk management function throughout the company and its

activities and coordinates the activities of other departments insofar as it relates to risk management.

►The Head of the Risk Management Department is sufficiently independent to take a responsible position and be able to participate in the „UBB AM“ decision making process, Blocking some of them. The position of the Head of Risk Management within „UBB AM“ allows him to communicate directly with the management body of the company as well as with the other employees of „UBB AM“.

►The internal procedures and information systems of the MC are compatible and reliable enough to allow the detection, measurement and overall monitoring of all sources of relevant risks.

23. Risks affecting investments in financial instruments:

23.1. market risk - the possibility of losses due to unfavorable changes in securities prices, market interest rates, exchange rates and others. The components of market risk are:

a) interest rate risk - the risk of lowering the value of the investment in a security due to a change in the level of interest rates;

b) currency risk - the risk of a decrease in the value of an investment in a security or a deposit denominated in a currency other than BGN and EUR due to a change in the exchange rate between that currency and the lev or euro;

c) price risk - the risk of lowering the value of the investment in a security in the event of unfavorable changes in market price levels;

d) liquidity risk - the risk of losses due to the impossibility of selling an asset at a value close to its fair value if liquidity is required to cover short-term liabilities.

23.2. Credit risk - the ability to reduce the value of a position in a financial instrument in the event of unexpected events of a credit nature relating to the issuers of financial instruments, the counterparty to the stock and over-the-counter transactions, and the countries in which they operate. We distinguish the following types of credit risk:

a) counterparty credit risk/default risk - the counterparty's financial counterparty is likely not to meet its contractual obligations.

b) investment credit risk - the risk of loss due to a decrease in the value of an investment in a security due to a credit event with the issuer of that instrument. The credit event may be declaring bankruptcy, insolvency, significant change in the capital structure, credit rating reduction, etc.

c) residual risk - the risk that remains if recognized credit risk mitigation techniques show lower than expected performance.

23.3. Operational risk - the possibility of incurring losses associated with errors or inadequacies in the system of organization, insufficiently qualified personnel, unfavorable external events of a non-financial nature, including legal risk;

23.4. Risk of concentration - the possibility of loss due to incorrect diversification of exposures to Clients, groups of connected clients, Clients of the same economic sector or geographic area.

23.5. Information risk - the risk of loss-making due to an improper investment solution as a result of unequal access to the issuer's securities data, delay of essential information about it, its partial disclosure or improper representation.

23.6. Political risk - the likelihood of loss as a result of government-led economic policy and possible changes in legislation affecting the investment climate.

23.7. Macroeconomic risk - the likelihood of direct losses to the investment firm due to sharp fluctuations and negative trends in the macroeconomic environment.

23.8. Inflation risk - the likelihood of a decrease in the purchasing power of the local currency and respectively an increase in the overall price level in the country and the realization of losses due to the depreciation of the assets denominated in BGN.

23.9. Sectoral risk - this is the risk of a loss due to negative trends in the development of the particular sector in which the company operates.

23.10. Company/specific risk - the risk associated with the nature of the company's business and its individual characteristics. It is conditioned by the company's financial position, business strategy and management, as well as the company's prospects for growth and growth.

24. Risks in the use of derivative financial instruments. In addition to the above-mentioned market, credit and liquidity risk, derivatives carry additional risks specific to them. **Management risk.** Derivative financial instruments are highly specialized instruments the use of which requires understanding both the underlying asset and the mechanism of action of the derivative itself. The complexity of derivative financial instruments requires adequate means of monitoring their transactions, analyzing specific risks and the ability to predict pricing. **Risk of leverage.** An unfavorable change in the price of the underlying asset, rate or index may result in a loss greater than that invested in the derivative. Some derivative financial instruments have the potential for unlimited loss. There is also a **risk of misrepresentation of the derivative.** Many derivatives are complex tools and often their assessment is subjective. As a result, the investor may incur losses when buying overpriced derivative financial instruments. In conclusion, the use of derivatives may not always be successful.

VII. PERFORMANCE CHARACTERISTICS

25. Execution of the order may vary depending on the place of performance. Choosing places to complete the order may affect the way it is executed. Through this policy, „UBB AM“ defines the characteristics of the execution venues where it is possible to achieve the best possible result from their execution on a regular basis.

26. „UBB AM“ assumes that, under normal market conditions, the characteristics of the execution venues will not be materially affected by the performance of the contract.

27. *(Am. with decision from 13.03.2012)* In cases where a financial instrument is admitted to trading in one place only, „UBB AM“ assumes that it meets the best conditions.

28. *(Am. with decision from 13.03.2012)* If financial instruments are traded on more than one regulated market or multilateral trading facility, the order is executed at the place where the best result is possible, in favor of the CIS / Client.

VIII. ADOPTION/CLOSURE AND IMPLEMENTATION OF CONTRACTS

29. *(Am. with decision from 13.03.2012)* Relations between "UBB AM" and CIS/Clients are built on the basis of mutual trust, confidentiality of information and bilateral financial benefit in compliance with the normative requirements.

30. „UBB AM“ executes client orders through third parties with which „UBB AM“ is in contractual relations.

31. In cases where „UBB AM“ executes an order through a third party, it shall take all necessary steps to ensure the best execution of the order.

32. *(Am. with decision from 13.03.2012)* "UBB AM" regularly monitors the implementation of this policy by the third parties with whom the company has

contractual relations and, in particular, the quality of performance on their part and, if necessary, removes identified disadvantages.

33. *(Am. with decision from 13.03.2012)* "UBB AM" acts in the best interest of the CIS managed by it, when it assigns to others the execution of the orders on behalf of these schemes in the management of their portfolios. „UBB AM“, in fulfilling the obligation under the preceding sentence, shall take all reasonable steps to obtain the best possible result.

34. *(Am. with decision from 13.03.2012)* Upon execution of an order at the expense of CIS/Clients „UBB AM“ observes the restrictions, prohibitions, requirements and conditions of the applicable legislation, the investment restrictions of the CIS according to their prospectuses, the General Conditions applicable to client contracts and the specific contract, including by implementing orders to execute orders in the objectively feasible best conditions for CIS / Clients.

35. *(Am. with decision from 13.03.2012)* "UBB AM" shall adopt and apply procedures and measures that ensure the proper, correct and prompt execution of the transactions with the assets in the portfolios of CIS / Clients. Procedures and measures meet the following requirements:

1. Ensure that orders executed on behalf of CIS/Clients are duly and correctly entered and distributed;
2. execute consistently and duly comparable orders to CIS/Clients, unless this is impracticable due to the characteristics of the contract or existing market conditions or if the interests of the scheme in question require otherwise.
3. the financial instruments or cash proceeds received when settled orders are executed immediately and accurately on the account of the relevant CIS/Client.

36. *(Am. with decision from 13.03.2012)* "UBB AM" may not misuse the information related to outstanding orders of the CIS / Client and shall take all reasonable steps to prevent the misuse of such information on the part of The persons who work under contract for him / her.

IX. CLIENT ORDERS IN EXECUTION OF CONTRACTS

37. In cases where "UBB AM" Client provides specific instructions regarding the performance of an order, "UBB AM" will be deemed empowered to take all necessary actions to achieve the best result of its execution, fulfilling it in full Or partially in accordance with the specific instruction or part thereof.

X. UNDERSTANDING AND DISTRIBUTION OF CONTRACTS *(New, with decision from 13.03.2012)*

38. "UBB AM" may combine only orders at the expense of the CIS/Clients, concerning the same type of financial instruments and orders which do not differ in their nature and nature.

39. It is permissible to aggregate orders at the expense of CIS/Clients, whose quantification of performance is different, i.e. Orders that are executed "in part" with those executed "in full".

40. "UBB AM" cannot execute a single CIS order by merging it with an order of another scheme it manages or with another client or with an order on its own account unless the following conditions are met:

1. There is little likelihood that the merging of orders will harm the interests of any CIS/Client whose bids will be merged;
2. "UBB AM" has adopted and effectively implemented a policy of pooling and distributing orders that contains sufficiently specific rules for the equitable distribution of merged contracts, including how the volume and price of orders determines the allocation and processing in the case of partial performance.

41. In cases where "UBB AM" merges an order at the expense of CIS/Clients with one or more other orders and the merged order is partially executed, it allocates the related transactions - the result of executing the order proportionally.

42. When "UBB AM" aggregates orders at the expense of CIS/Clients with own-account transactions, the company divides the respective transactions in a way that does not harm CIS or other clients.

43. When "UBB AM" aggregates an order at the expense of CIS/Clients with a transaction on its own account and the combined order is partially executed, "UBB AM" divides the relevant transactions into the CIS or the other client as a matter of priority before dividing the transactions at its own expense.

44. "UBB AM" applies a procedure to avoid reallocation of own-account transactions executed jointly with orders at the expense of CIS/Clients where this is to the detriment of the client.

45. In cases where "UBB AM" merges an order at the expense of CIS/Clients with a transaction on its own account and the combined order is partially executed, it distributes the transactions on behalf of CIS/Clients as a matter of priority before dividing transactions at its own expense. If „UBB AM" can reasonably prove that without the merger it would not be able to execute the order at the expense of CIS/Clients under such favorable terms or that it would not be able to fulfill it at all, it may distribute the concluded transaction proportionally between itself And CIS/Clients.

46. Provided that an order at the expense of CIS/Clients has been executed at a price more favorable than the specified price, the entire benefit belongs to the CIS/Clients.

47. "UBB AM" will avoid the combined purchase order being executed at a different market price for different portions of the total amount of the order at the expense of the CIS/Clients.

48. "UBB AM" has the right to merge orders at the expense of CIS/Clients only if they are limited orders.

49. "UBB AM" has the right to merge orders at the expense of CIS/Clients only if the securities are held with one and the same depository institution.

XI. FEES, COMMISSIONS AND OTHER NON-MONETARY BENEFITS *(New, with decision from 13.03.2012)*

50. "UBB AM" shall act honestly, fairly and professionally according to the best interest of CIS and clients under individual portfolio management contracts and in relation to the activities of management and administration of the investments of the respective CIS/Client shall not pay or receive a fee Or commission or provide or receive non-cash benefits unless they are:

1. a fee, commission or non-monetary benefit paid by or to the relevant CIS/Client or to a person on behalf of the relevant CIS/Client or received by such person;
2. a fee, commission or non-monetary benefit paid by or to a third party or received by him or a person acting on behalf of a third party where the following conditions are met:
 - a) the existence, nature and amount of the fee, commission or benefit, or where the amount cannot be ascertained, the method of calculating the amount must be clearly disclosed to the relevant CIS/Client in a comprehensive, accurate and comprehensible manner prior to the provision of the service concerned ;
 - b) the payment of a fee or commission or the provision of non-cash benefits must be aimed at improving the quality of the service concerned and not obstructing the compliance of „UBB AM“'s obligation to act in the best interests of the relevant CIS/Client;
3. specific fees which are permitted or necessary for the provision of the service concerned, including custodian fees, settlement and exchange fees, regulatory fees, taxes or legal fees and which, by their nature, cannot lead to conflicts of interest with The obligations of „UBB AM“ to act honestly, fairly and professionally in the best interests of the relevant CIS/Client.

XII. MONITORING

51. *(Am. with decision from 13.03.2012)* "UBB AM" guarantees that for each transaction related to the CIS/Clients portfolio a record of the information necessary for reproduction of the details regarding the order and of the deal.

52. "UBB AM" establishes adequate monitoring of the implementation of the Best Execution Policy in the cases when it receives, transmits and executes client orders and identifies the cases of deviation.

53. The effectiveness of this Policy is monitored by the portfolio managers.

54. The Portfolio Manager monitors the quality of the performance by the person to whom „UBB AM“ issues orders for execution of decisions taken by him for trading in financial instruments for the account of CIS/Client.

55. All responsible structural units in "UBB AM" maintain the relevant dossiers containing documentation concerning the asset transactions for each individual client.

56. In the event of incompleteness and/or the need to make changes to this Policy, portfolio managers shall notify the Board of Directors of "UBB AM".

57. The Board of Directors of "UBB AM" shall review the policy once a year and, where necessary and in a shorter period, when circumstances arise that would lead to the inability to continue to provide the best possible result of executing client orders .

XIII. TRANSITIONAL AND FINAL PROVISIONS

§1. "UBB AM" provides its clients with information about the Company's Best Practice Policy prior to the conclusion of an Individual Investment Portfolio Management Contract at its own discretion, without any special client orders. An essential part of this policy is included in the Prospectus of the UCB managed by CIS, in order to provide the unit holders with an appropriate part on the best performing policy.

§2. *(Amended by decision from 28.02.2014)* This Policy is available to all current and potential clients and holders of CIS units managed by „UBB AM“ at the head office of the company as well as on the corporate website - www.Ubbam.bg.

§3. "UBB AM" publishes on its corporate site a notice on amendments and additions to this policy in order to familiarize Clients and unit holders with these changes.

§4. "UBB AM" reviews this policy annually as well as a significant change that may affect „UBB AM“'s ability to continue to receive the best possible outcome for the relevant CIS/Clients.

§5. In the event of a contradiction between the present policy and the normative act regulating the activity of „UBB AM“, the provisions of the respective act shall be applied without the need of immediate amendment of the policy except in the cases where the respective normative act explicitly does not provide for it.

§6. This policy was adopted with a decision of the Board of Directors of "UBB AM" from 06.04.2009, reflected in the Minutes № 111, with effect from 07.04.2009. The policy was amended by a decision of the Board of Directors of "UBB AM" AD, pursuant to Minutes № 209 / 13.03.2012g. and Minutes № 271 / 28.02.2014

KATINA PEYCHEVA
Executive Director

IVAN KOUTLOV
Procurator