

## **Strategy**

**MUTUAL FUND**

**PROSPECTUS**

**For public offering of  
units of the fund**

**THE UNITS ARE DEMATERIALIZED FINANCIAL INSTRUMENTS  
REGISTERED AT THE CENTRAL DEPOSITARY AND ARE  
DENOMINATED IN BULGARIAN LEVA**

The prospectus contains the information necessary for investors to make an informed assessment of the proposed investment, including the risks associated with it. The prospectus contains information relating to the risk profile of the Mutual fund, as well as information on the categories of assets in which the collective investment scheme may invest. It is in shareholders' best interest to read the Prospectus before making an investment decision.

The prospectus was updated on **17.06.2024r.**

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## **1. DETAILS OF THE MANAGEMENT COMPANY**

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### **The Fund's home member state**

(Amended by resolution of the Board of Directors of 20.09.2019) The country of origin of Mutual fund "Strategy" and the Management Company organizing and managing the Mutual fund is Republic of Bulgaria.

#### **1.1. (Amended by resolution of the Board of Directors of 02.08.2023) Company name, Headquarters and management office**

The corporate name of the Management Company is "Compass Invest" JSC, (hereinafter referred to as "the Management Company"). Headquarters and management office address are located in Republic of Bulgaria, 1000 Sofia, Alabin Str. 36, floor 4,

#### **1.2. Date of incorporation, license and duration**

(Amended by resolution of the Board of Directors of 25.10.2016) "Compass Invest" JSC was licensed as Management Company by the Financial Supervision Commission (FSC) pursuant to license No 56-UD/28.06.2017. The Management Company was registered with the Commercial register on 5 September 2008. The company has been incorporated for an indefinite duration.

#### **1.3. (Amended by resolution of the Board of Directors of 09.04.2024r. and 17.06.2024r.) Other managed collective investment scheme**

Mutual fund "Eurostability", Mutual fund "Compass Global Trends", Mutual fund "Plus", Mutual fund "Euroselect", Mutual fund "Compass Funds Select-21"

#### **1.4. Members of the Board of directors**

Milena Ivanova Aleksandrova – chairperson of the Board of directors and representative

Ivaylo Krasimirov Angarski – CEO

(Amended by resolution of the Board of Directors of 24.11.2016) Andrey Ivanov Pramov – member of the Board of directors

(Newly amended by resolution of the Board of Directors of 16.06.2021)

Dragomir Hristov Velikov – member of the Board of directors

(Newly amended by resolution of the Board of Directors of 16.06.2021) Boyko Nikolaev Bratanov - member of the Board of directors

### **Details on activities outside the Management Company**

(Amended by resolution of the Board of Directors of 22.02.2017, 16.06.2021, 20.12.2022, 02.08.2023, 08.02.2024 и 17.06.2024) Ivaylo Krasimirov Angarski is an executive director and owner of 48,25% of the capital of "Compass Capital" JSC; the manager and owner of 100% of the capital of "Harvest Capital" Ltd, member of the Board of directors of "Impact Capital" Ltd, and member of the supervisory board of "Eurohold Bulgaria"

(Amended by resolution of the Board of Directors of 24.11.2016) Andrey Ivanov Pramov owns a share of and is a manger of Adlon Diskont Ltd

Milena Ivanova Aleksandrova is a member of the Board of directors of "Compass Capital" Ltd, manager of "Scalisto" Ltd, "Cranforce" Ltd, and "Triple G" Ltd

(New amended by resolution of the Board of Directors of 16.06.2021, amended by resolution of the Board of Directors of 06.04.2023 and 08.02.2024) Boyko Nikolaev Bratanov owns 5,392% of the capital of "Compass Capital" Ltd, owner of the law firm "Spasov and Bratanov", member of the Board of directors of "Sofia Hotel Balkan" Ltd and "S and B Services" Ltd.

(Newly amended by resolution of the Board of Directors of 16.06.2021, amended by resolution of the Board of Directors of 20.12.2022, 02.08.2023 and 08.02.2024) Dragomir Hristov Vekilov is owner of 46.358% of the capital and member of the Board of directors of "Compass Capital" Ltd and managing director of "Impact Capital" Ltd.

Sole owner of the capital, as well as manager of Artea 21 Ltd and Artea 21 Ltd, manager of GP "Compass Capital" Ltd, representative of Mercury 21 Inc. and Compass Digital Finance.

Other information regarding the involvement of the members of the Board of directors of the management company in other companies as unlimited partners, holding more than 25 per cent of the capital of another company, and participating in the management activities of other companies or cooperatives as procurators, managers or members of the board, shall be disclosed in the company's annual activity report as part of the annual financial statements.

**1.5. Amount of the subscribed share capital and indication as to the paid-in capital**

The amount of the subscribed and paid-in capital of "Compass Invest" JSC is BGN 300 000.

**2. DETAILS ON THE MUTUAL FUND**

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**2.1. Corporate name**

(Amended by resolution of the Board of Directors of 20.09.2019) The corporate name of the Mutual fund is "Strategy", (hereinafter referred to as the "Mutual fund" or the "Fund").

(Amended by resolution of the Board of Directors of 20.09.2019) The Fund "Strategy" acts as a collective investment scheme within the meaning of the Collective Investment Schemes and Other Undertakings for Collective Investments Act (CISOUCIA), which publicly issues (sells) units and invests the cash it has raised in transferable securities, units of collective investment schemes and bank deposits.

**2.2. Date of incorporation, issue of license and term**

(Amended by resolution of the Board of Directors of 22.05.2018) The Fund was incorporated by way of registration with the register at the FSC as an issuer within the meaning of art. 30, para. 1, it. 4 of the Law for the FSC pursuant to resolution No 539-DF dated 11 .04.2007. The Fund was incorporated for an indefinite term.

**2.3. The office where the fund rules, periodic reports and additional information can be obtained**

(Amended by resolution of the Board of Directors of 20.09.2019, 06.04.2023 and 02.08.2023) Investors, interested in the units offered by the Fund "Strategy", can obtain a free copy of the Prospectus, Basic information document, the Fund's rules and most recent annual and semi-annual financial reports, details on the current [Remuneration](#) policy of the management company, the procedure for filing complaints by investors in accordance with the complaints handling policy, as well as additional information, at the office of the Management Company "Compass Invest" JSC, every working day from 9.00 to 17.00, 1000 Sofia, Alabin Str. 36, floor 4.

The management company publishes information regarding the fund on its web page, where it discloses data on the issue value and redemption price of the fund's units on the valuation date, an up-to-date prospectus for the public offering of units and a key information document, as well as the fund's rules and periodic reports and other information at the following Internet address: [www.compass-invest.eu](http://www.compass-invest.eu).

Contact phone: 02/4219517, e-mail: office@compass-invest.eu, or at our web page: www.compass-invest.eu.

#### **2.4. Tax regime – taxation of unit-holder' income**

This part of the Prospectus provides information on the general tax regime applicable in relation to the Fund and the taxation of the income from transactions with units of the Fund as per the current tax legislation effective as of the date of the Prospectus.

Unitholders can earn income as capital gain from their investment in the Fund (the profit ensuing from the positive difference between the sale price and the purchase price under the relevant purchase agreement).

##### **The capital gain of investors is tax-free pursuant to:**

- Art. 196 of the Corporate Income Taxation Act (CITA) – corporate income from disposal of financial instruments within the meaning of § 1, it. 21 of the DP of CITA is tax-free;
- Art. 13, para. 1, p. 3 of the Personal Income Tax Act (PITA) – personal income from disposal of financial instruments within the meaning of § 1, it. 1 of the Additional provisions of PITA is taxfree.

Under art. 196 CITA and art. 13, para. 1, p. 3 PITA “Disposal of financial instruments” includes following transactions:

a) (Amended by resolution of the Board of Directors of 22.05.2018) transactions with units of collective investment schemes, stocks and rights, effected on a regulated market within the meaning of Art. 152, para. 1 and 2 of the Markets in Financial Instruments Act; "rights" for the purposes of the first line shall mean securities entitling to subscription of a certain number of shares in relation to a resolution for capital increase;

b) transactions entered into under the terms and in accordance with the procedure for repurchase from collective investment schemes admitted to public offering in the country or in another Member State of the European Union, or in a state – party to the Agreement on the European Economic Area.

Therefore, the income of unitholders from transactions under the terms and in accordance with the repurchase procedure in relation to Fund units is tax-free. There is no tax withholding at the source upon positive capital difference paid by the fund to the unitholders and there is no corporate taxation on the Fund's profit.

Some other examples of tax-free income from Fund's units:

- Tax on inheritance shall not be paid by the surviving spouse and the successors of direct line without any limitations (art. 31, para. 2 of the Local Taxes and Fees Act );



- The properties acquired by way of gift between relatives of direct line and between spouses shall be tax-free (art. 44, para. 6 of the Local Taxes and Fees Act).
- Under art. 37, para.1, it. 12 and art. 46, para. 1 of PITA income originating from transactions with Fund's shares (realized capital gain) made by individuals from non-member states that reside in an EU Member State or EIP Member State for taxation purposes, shall be levied a final tax at a flat rate of 10% on the taxable income.

Foreign persons -unit-holders of the Fund and companies which own Mutual fund's shares should take into consideration that where a treaty for avoidance of double taxation has been signed between the Republic of Bulgaria and the relevant foreign state where the income beneficiary has been registered, its provisions shall supersede the Bulgarian legislation and the Procedure of applying the treaties for avoiding the international double taxation on the income and the property in relation to foreign persons under chapter 16, section III of the Tax-Insurance Procedure Code shall be implemented.

**Attention:** The information is not comprehensive and is not legal or tax advice. Taxation depends on specific circumstances related to the investor and might change in future.

## 2.5. Accpunting dates and dates of income distribution

Management Company is obliged to present to the Financial Supervision Commission and to the public the following reports of the activity of the Fund:

1. Annual report no later than 90 days after the financial year ends;
2. Semi-annual report for the first half of the financial year no later than 30 days after the end of the reporting period.
3. (New pursuant to resolution of the BD dated 17.01.2017 and am. purs. to a res. Of the BD of 20.09.2019) The Management Company must publish on its web page a summary of its portfolio investment structure no latter than the 10-th date of each month. The summary of the portfolio investment structure must show at least the percentage distribution of the fund assets in different financial instruments.

By 31 March each year the Board of directors of the Management Company shall produce an annual financial report for the previous year and annual activity

report of the mutual fund and shall present it for verification to the registered auditor selected by the Management Company.

Under the Fund's Rules of Mutual fund "Strategy," the Fund shall not distribute the realized profit as income between the unitholders. The Management Company shall reinvest the profit of the Mutual fund whereby the net asset value of the Fund shall grow, in the interest of the unitholders.

## **2.6. Auditors**

(Amended by resolution of the Board of Directors of 22.05.2018, 03.05.2019, 22.11.2019, 16.06.2021, 08.02.2022, 08.02.2024) Pursuant to a resolution of the Board of directors of the Fund from 26.11.2012, 27.11.2013, 01.12.2014, 01.12.2015, 06.09.2016 and 15.05.2017. Mariana Petrov Mihailova, reg.No 0203 has been appointed as an auditor for 2012, 2013, 2014, 2015, 2016 and 2017. On 23.07.2018, 02.09.2019, 07.10.2020, 22.10.2021, 03.10.2022 and 21.11.2023 as auditor of the Fund for 2018, 2019, 2020, 2021, 2022 and 2023 is selected audit firm RSM BG Ltd., №173.

## **2.7. Stock exchanges or markets where the units are traded**

(Amended by resolution of the Board of Directors of 20.09.2019) Units of the Fund "Strategy" are not accepted for trading on the Bulgarian Stock Exchange or any other stock exchange.

# **3.DETAILS OF THE TYPES AND MAIN CHARACTERISTICS OF THE UNITS**

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## **3.1.Legal nature of the rights of the unitholders**

All units provide equal rights to their unitholders, as follows:

### *Right of redemption of units of the Fund*

Each investor in the mutual fund is entitled to place a redemption order at any time during working hours on working days, as the order will be completed under the terms and conditions stipulated in the Fund's Rules and the Prospectus, unless the order is suspended by operation of law or under the Fund's Rules. Redemption orders may relate to part or all of the investor owned units.

### *Subscription right of Fund's units*

Each investor is entitled to place a purchase order at any time during working hours on working days, including new units without any limitations relating to their

value, except for cases where the law provides for a specific amount, envisaged under the Fund's Rules and the Prospectus, apart from such cases where redemption is suspended in accordance with the law or the Fund's Rules.

*Right of information (Amended by resolution of the Board of Directors of 20.12.2022, 06.04.2023 and 02.05.2023)*

Each investor has the right to receive information contained in the Prospectus, the document with key investor information, the periodic reports of the Mutual fund as well as other public information related to the Fund. The Management Company shall provide freely upon request from investors the Prospectus, the document with key investor information and the latest annual and semi-annual reports of the Fund.

*Right to liquidation quota*

Each investor is entitled to proportional part of the Fund's assets upon its liquidation in accordance with the units they hold.

*(New with dec. The Board of Directors of 22.05.2018) Rights of complains*

Investors have the right to submit complains without of charge, information about Admission policies and complaint handling is provided free to investors and published on the website of the management company.

### **3.2. The units as financial instruments**

Units of the Fund are registered dematerialized financial instruments, entered with personal accounts segregated from the management fund's account at the Central Depository.

### **3.3. Unit certificates of ownership**

Central Depository JSC keeps record of the unitholders and issues depository receipts as certificate of ownership.

### **3.4. Conditions of winding-up of the Mutual fund and winding-up procedure, particularly in relation to the unit-holders' rights**

A Mutual fund may be terminated in the following cases:

1. By decision of the Board of directors of the Management Company, including in the case of redemption of all units;

2. Upon withdraw of the management company's organization and management of the Fund by the Commission;

3. (Amended pursuant to a resolution of the BD dated 17.01. 2017) In the case of art. 35, para. 7 from the Fund's Rules, if there is no change in the Managing Company

4. Pursuant to art. 363, letters „a and „b“ of the Obligations and Contracts Act.

Apart from the event under item 2, the Mutual fund may be terminated subject to FSC's permission in compliance with the provisions of chapter 14 of CISOU CIA, section V and chapter 4, section V of Ordinance No 44 on the requirements relating to the activity of the collective investment schemes, close-end investment companies and management companies ("Ordinance 44"). The persons nominated as the Fund's liquidators as well as the liquidation plan, which should mandatorily provide for protection actions of the unitholders, including prohibition of transacting in the Fund's assets unless required in the process of liquidation, are subject to permission by the FSC. The Mutual fund ceases to exist upon deletion from the FSC's register.

(New pursuant to a resolution of the BD dated 17.01. 2017) After all of the fund liabilities have been deducted and the net property of the fund has been calculated, the liquidator must under art. 19, para. 3 from the General Rules of the fund disclose the order and terms of payment from the Depository Bank to the investors that took part in the fund, according to their stakes in the fund.

#### **4. TERMS AND CONDITIONS OF ISSUE (SALE) AND REDEMPTION OF UNITS**

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(Amended pursuant to a resolution of the BD dated 26.04.2016 and 20.09.2019) The Fund is should continuously(each working day) to offer its units to the investors at issue price, calculated on the basis of the net asset value of one unit, increased with the value of the expenses relating to the issue (when such are envisaged), and to redeem units upon request of the unitholder at redemption price equal to the net asset value per unit, reduced with the value of the redemption expenses. Redemption costs are not charged when the net amount of the redemption order is invested in one or more than one of the other investment schemes managed by "Compass Invest" JSC. In this case orders for purchase/redemption are executed at net asset value per unit. Purchase of units is made against payment of their full issue price.

(New pursuant to a resolution of the BD dated 22 May 2018) The Fund's net assets' value and the net asset value per unit are calculated twice a week, on Wednesday and Friday, based on the Fund's assets according to the past/ previous Tuesday and Thursday, by the Management Company under the supervision of the Depository Bank. On the day of calculation, the Management Company publishes issue and redemption price per unit with the FSC, at the Management Company's website, at the Management Company's office and at every place, where purchase and redemption orders are placed and contact with fund's investors is made.

The Management Company executes purchase or redemption orders at issue price or respectively redemption price, as calculated on the closest day following the day when the order has been placed.

#### **4.1. Written contract with the investor (New pursuant to a resolution of the BD dated 14.04.2020 and 16.06.2021 I 21.12.2022)**

The activity on the issue (sale) and redemption of units is executed by the Management Company based on a written contract with the client. The written form is considered complied with if the contract is concluded by way of digital statements, signed via qualified electronic signature within the meaning of the Law on the electronic document and electronic signature.

The contract may be concluded remotely by exchanging the necessary signed documents, provided the client holds a bank account with a credit institution meeting the specified requirements. The client, or their representative, must send the management company the signed contract, an original document from the relevant credit institution confirming the client's bank account ownership, and a certified copy of the client's identity document. For clients that are legal entities, a certified copy of the commercial registration documents, including details of incorporation and representation, must also be provided, along with any other documents specified in the Fund's Prospectus. Authentication must be completed by marking the document as a "True copy," along with the date and the client's signature.

The management company may request other additional information related to the identification of the client in view of the specific case and/or in accordance with the requirements of the regulations.

The bank account must be opened with a credit institution licensed in a Member State of the European Union or a State party to the Agreement on the European Economic Area. The credit institution issuing the document may also be based in a member state of the Financial Action Task Force on Money Laundering (FATF), the Asia-Pacific Group on Money Laundering (APG), the Eurasian Anti-Money Laundering and Countering the Financing of Terrorism Group (EAG) or the Council of Europe's Committee of Experts on Money Laundering Assessment (MONEYVAL).

Transfers of funds in connection with the purchase and redemption of shares of the Fund by the customer under a non-contractual agreement shall be made only from and to a payment account maintained by a credit institution referred to in this subparagraph for which the customer is the account holder.

A contract may not be concluded by proxy.

#### **Orders** *(New with dec. The Board of Directors of 14.04.2020)*

The subscription and redemption of units of the Fund is made by placing a written order. Purchase order is placed personally by the applicant or through a proxy. An investor or his proxy should identify themselves by presenting an official

identification document. It is also permissible to submit orders in absentia, and the exchange of documents shall be carried out by e-mail, ordinary mail or courier with return receipt.

Placing and execution of a purchase order may be carried out through one the following manners under the following terms and conditions:

“Order for value” – the investor pays in to the Fund’s accumulation account the relevant amount of money for the relevant amount of units the investor intends to acquire. After calculation of the issue value the amount of money is divided by issue price whereby the number of units is derived.

“Order for number of units” – the investor requests a certain number of units the investor wishes to acquire. The amount to be credited with the accumulation account upon placing the order equals 110% of the value of the requested number of units, calculated at the latest issue price published. Should there be any surplus, it shall be subject to reimbursement within three days to a bank account indicated by the client. If the issue price should increase and there should be shortage of funds for the order to be executed, the investor shall be immediately notified and there upon shall be obliged to pay in the deficit necessary for the execution of the order.

In addition, the investor may express its intention of acquisition of only a whole number of units by way of a special instruction registered in the order.

Redemption order is always placed for a specific number of units.

#### **4.2. Required documents upon conclusion of the contract**

- **Individuals**

- official identity document of the investor/proxy/legal representative, which shall be copied and signed by the individual and the relevant officer of the Management Company who has verified the individual’s identity;

- notary certified power of attorney in original or notary certified copy thereof which shall provide for the representation powers to perform acts of management or disposal of financial instruments

- official document certifying the right to legal representation (birth certificate, certificate for appointment of a guardian or trustee) which shall be copied and signed by the legal representative and the relevant officer of the Management Company who verified the identity.

-(New pursuant to a resolution of the BD dated 22.05.2018) A statement of the purpose of the automatic exchange of financial information pursuant to Art.142, para.1 Tax Procedure

-(New pursuant to a resolution of the BD dated 22.05.2018, Am.with dec. The board of Directors of 3.05.2019) Declaration of art.42, para.2 of the AML ACT for appointment to high public office

▪ **Legal entity and sole proprietor**

- official identity document of the legal representative, which shall be copied and signed by the legal representative/the proxy and the relevant officer of the Management Company who verified the identity;

- original or notary certified copy of an official excerpt of good standing from the relevant register in case the entity has not been registered with the Commercial Register at the Registry Agency;

- notary certified copy of the articles of incorporation in case the entity has not been registered with the Commercial Register at the Registry Agency

- a copy of the identification card issued by BULSTAT Register for those registered therewith and not registered with the Commercial register – legal entities, which are not merchants, local offices of foreign entities, associations within the meaning of the Obligations and Contracts Act, foreign legal entities, branches etc. according to art.3 of the BULSTAT Register Act;

- a copy of the relevant license, permit or certificate for registration of the individuals who perform transactions or operations in relation to a certain business activity which is subject to licensing, permission or registration.

- as regards foreign persons –relevant documents, certifying their registration, choice of legal representative and registered address;

- notary certified power of attorney in original or notary certified copy thereof providing for the representation powers to perform acts of management or disposal of financial instruments;

- (amend. with dec. The Board of Directors of 22.05.2018) Declaration under art. 59 para.1 item 3 of AML ACT on the beneficial owners of the legal entity or certificate or any other valid document according to the legislation where the registration was made, drafted and executed by a central register or registration officer, providing information on the beneficial owners (natural persons) of the legal entity.

-(New with a dec. the BD of 22.05.2018) a statement of the purpose of the automatic exchange of financial information pursuant to Art.142, para.1 Tax Procedure (DOPK)

-(New with a dec. the BD of 22.05.2018 and am. with dec. of BD of 3.05.2019)Declaration of art.42, para 2 pt.2 of the AML ACT for appointment to high public office of representative entity.

#### **4.3. Required documents when placing an order for purchase/redemption of units**

- **Placed by individual**

- official identity document of the investor/proxy/legal representative to verify the identity; a copy thereof signed by the individual and the officer of the Management Company who verified the individual's identity shall only be kept in case the ID document attached to the contract has changed;

- notary certified power of attorney in original or notary certified copy thereof providing for the representation powers to perform acts of management or disposal of financial instruments; such shall be provided and kept only in cases where such power of attorney has not been attached to the contract or a change has occurred.

- **Placed by legal entity and sole proprietor**

- official identity document of the legal representative/proxy; a copy thereof signed by the individual on behalf of the legal entity and the officer of the Management Company who verified the individual's identity, shall only be kept in case the ID document attached to the contract has changed;

- original or notary certified copy of an official excerpt of good standing from the relevant register which is required in case a change has occurred in relation to circumstances certified upon conclusion of the contract; when no change has occurred an excerpt shall be extracted from the relevant register which shall be certified by the legal entity representative and the relevant officer of the Management Company, who carried out the verification with the Commercial register;

- notary certified power of attorney in original or notary certified copy thereof providing for the representation powers to perform acts of management or disposal of financial instruments; such shall be provided and kept only in cases where such power of attorney has not been attached to the contract or a change has occurred.



**4.4. Execution venue (amend. with dec. The Board of Directors of 14.04.2020, 23.09.2021 and 02.08.2023)**

The execution venue is located at the following address:

- Sofia, 36 Alabin Str., floor 4;
- Remote: by email, post, or courier with return receipt.
- Working hours:

Every working day from 9.00 to 17.00.

**4.5. (amend. with dec. The Board of Directors of 08.02.2022) Conditions of cancellation of the order**

Purchase orders and redemption orders could be canceled up to 17 hours to the closest day (Tuesday or Thursday), preceding the day of the Fund's net asset value determination (Wednesday or Friday).

**4.6. Payment of the value of the units upon purchase of units (amend. with dec. the Board of directors of 14.04.2020)**

(amend. With dec. the Board of directors of 20.09.2019) Upon placing an order the applicant pays in an amount of money equal to the amount of units to be acquired. Payment could be effected in one of the following manners:

- To a bank account held by Mutual fund "Strategy"  
IBAN BG04UBBS80021016659320, BIC UBBSBGSF , BIC UBBSBGSF – found at United Bulgarian Bank JSC, payment details – subscription of units of Mutual fund "Strategy".

**4.7. Payment of the value of the units at redemption (amend. with dec. the Board of directors of 14.04.2020 and 21.12.2022)**

The redemption value of the units shall be repaid in the following manner:

- In cash at a counter – up to BGN 5 000;

**4.8. Term of execution of the orders**

Purchase orders – up to 7 days.

Redemption orders – up to 10 days

**4.9. Confirmation**

The Management Company is obliged to provide a written confirmation of execution to the person who effected the order as early as possible but no later than close of business on the first business day after the day of order execution in one of the following manners, as indicated by the investor: at the office of the Management

Company, by mail, fax or e-mail.

#### **4.10. Terms and conditions of redemption suspension**

In extraordinary cases and if required by the circumstances in view of preserving the unitholders' best interest redemption of units may be temporarily suspended by virtue of a resolution of the Board of directors of the Management Company, including in the following cases:

1. when at a regulated market, of which a substantial part of the assets of the Mutual fund are admitted or are traded, concluding of transactions has been stopped, suspended or restricted - for as long as suspension or restriction continues;
2. when the assets or liabilities of the Mutual fund could not be correctly evaluated, or the Management Company is unable to dispose of Fund's assets without harming the interests of the unitholders – for as long as such inability continues;
3. when a resolution has been adopted for liquidation or transformation by way of merger or takeover of the Mutual fund – until completion of the procedure;
4. Upon the existence of other circumstances which in the event of redemption not having been suspended may affect the unitholders' interests.

The Management Company shall immediately suspend the issuance of units for the period of temporary suspension of redemption and for the extended period of temporary redemption of units respectively. The Management Company shall inform the unitholders through the web page of the Fund. If you need an extension of the suspension, the Management Company is obliged to notify the unitholders through its web page not later than 7 days before the initially determined term expires. If the duration of the suspension is shorter than 7 days, including cases when redemption has been suspended due to technical reasons, the Management Company shall provide the aforementioned notifications until close of business on the day, preceding the day when redemption should have been resumed.

(Amended pursuant to a resolution of the BD dated 17.01.2017 and 18.01.2023)  
Orders submitted after the last redemption price announcement before the start day of the suspension period are not executed. The Management Company must restore the funds of all investor who wanted to acquire shares from the fund or wanted to buy stocks. The funds will be transferred back to their bank accounts or cash from the fund's pay deck by the end of the working day (the next day after the fund's redemption offers have been canceled). Redemption shall be resumed by the Management Company after expiry of the term determined in the resolution for suspension of redemption, respectively in the resolution for extension of the term of suspension of redemption. Unitholders shall be notified on the resumption through

the web page of the Fund. Issue price and redemption price after resumption of the redemption shall be announced on the day preceding the day of resumption.

#### **4.11. Rules for determining and using income**

According to the Fund's Rules, the Fund does not distribute earnings in the form of income (similar to dividends). The Management Company reinvests the Fund's profits' resulting in an increase in the Fund's net assets, the issue value and the redemption price, in the interests of the Fund's unitholders.

### **5. INVESTMENT OBJECTIVES, INVESTMENT POLICY, INVESTMENT POLICY RESTRICTIONS, LOANS AND INSTRUMENTS**

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#### **5.1. Investment goals (Amended pursuant to a resolution of the BD dated 16.06.2021)**

The main objective of the Fund is to achieve good current profitability at a low level of risk. The fund invests mainly in debt securities and money market instruments, as well as a small part of its assets-in shares of public companies. The fund combines the relative security and stable current income of investments in debt securities with the possibility of realizing higher profitability than the part of the portfolio invested in shares.

The Fund follows a balanced investment policy, aiming to achieve an optimal balance between risk and return, as the portfolio structure will be changed depending on market conditions and the attractiveness of different classes of financial instruments. The fund invests in a balanced mix of equities, debt securities and money market instruments, primarily in Bulgaria.

In order to achieve the main objectives of its investment activities, the FUND may apply appropriate strategies to prevent market and currency risk.

Mutual fund "Strategy" provides no guarantee as to the accomplishment of its investment goals.

#### **5.2. (Amended pursuant to a resolution of the BD dated 10.03.2021, 09.12.2021 and 21.12.2022) Investment policy**

The fund follows a balanced investment policy and is designed for investors looking for growth in real terms of the investments, made by combining the steady income provided by investments in fixed income and capital gains from investments

in shares of public companies, and are willing to take a moderate level of risk. The Fund tries to achieve the optimal balance between risk and return, as the portfolio structure will be changed in depending on market conditions and the attractiveness of the different classes of financial instruments.

In order to achieve the investment and financial objectives of the Fund, the Management Company follows an active investment strategy in the management of the portfolio of securities and financial assets and the portfolio structure will be changed in depending on the market situation and the attractiveness of the different classes of financial instruments, subject to the fund rules and this prospectus.

It is essential for any successful active strategy is the identification and analysis of the factors that most strongly influence the performance of various asset classes.

When investing in shares of public companies, the factors influencing the presentation of assets are the macroeconomic situation, both globally and regionally, the market situation, their belonging to different sectors of the market, their different structure and other specific companies fundamental and technical factors. In case of investments in fixed-income securities, these are expectations for the movement of interest rates, their volatility and spreads between the interest rates on the different types of fixed-income securities – government securities, municipal securities, corporate securities, etc.

The instruments in which the Fund will invest will be selected in such a way that the investment portfolio is fully diversified and protected from adverse price movements in financial markets, as well as from significant exposure to the individual market sector/company/issue. To achieve maximum diversification and optimal ratio between risk and return, investment, decisions will be based on both the expected return of a financial instrument and based on correlation of daily returns of the financial instrument with a daily income of the Fund's assets.

The Fund may use techniques and instruments for effective portfolio management, which represent contracts for sale or purchase of financial instruments with a repurchase clause (generally known as repurchase agreements or “repos” transactions) provided that the transactions are economically appropriate, the associated risks are adequately identified within the risk management process and provided that they are used for at least one of the following objectives: to reduce the risk; reducing the costs; generating additional income for the Fund with a risk level corresponds to the Fund risk profile and risk diversification rules.

The use of the techniques 1 may not result in a change in the investment objectives and restrictions or in an increase in the risk profile of the Fund as set out in the Prospectus and these Rules approved by the Commission or the Deputy Chairman, as the case may be.

The Fund may enter into repurchase agreements only if the counterparties thereto are credit or financial institutions that are subject to prudential supervision by a competent authority of a Member State or other country party to the Organisation for Economic Co-operation and Development.

The Fund may only enter into repo transactions in respect of financial instruments in which it is permitted to invest in accordance with the prospectus and rules approved by the FSC.

The Fund shall separately disclose to the Financial Supervision Commission in its financial statements information on all financial instruments purchased or sold under repurchase agreements referred to in par. 1, disclosing also the total amount of contracts in effect at the date of the report.

In the case of repo transactions, the risk exposure of the Fund to any single counterparty may not exceed 10 per cent of its assets where the counterparty is a bank referred to in Article 38(1). 1(6) of the CISOU CIA Act and 5 per cent of the assets in other cases.

The Fund may enter into repurchase agreements for the purchase of financial instruments with an agreement to repurchase them from the seller at a price and within a time limit specified in the agreement between the two parties or reverse repurchase agreements, subject to the following restrictions:

1. the contract expressly provides for the possibility of early termination by the collective investment scheme, whereby the latter redeems the financial instruments loaned under the contract or receives back the full amount;

2. the value of the repurchase agreements entered into must not prevent the Fund from discharging its obligation to repurchase the units at any time at the request of their holders.

Term repos and reverse repos of a duration not exceeding seven days shall be deemed to be transactions the terms of which permit the collective investment scheme to redeem the assets at any time

The financial instruments that may be the subject of a transaction under par. 1 are:

1. money market instruments within the meaning of Art. 38, par. 1, point 9 of the CISOU CIA Act;

2. bonds issued or guaranteed by a Member State or another State party to the Organisation for Economic Co-operation and Development Agreement, their central banks, their local authorities, the European Central Bank, the European Investment Bank or a public international organisation of which at least one Member State is a member, as well as qualified debt securities issued or guaranteed by third countries with a credit rating not lower than investment grade assigned by a credit rating agency registered in the Regulation (EC) № 1060/2009;

3. shares or units issued by a collective investment scheme referred to in Art. 38, par. 1, point 5 of the CISOU CIA Act;

4. bonds traded on a regulated market in a Member State or other country party to the Organisation for Economic Co-operation Agreement, trading in which bonds is sufficiently liquid;

5. shares traded on a regulated market in a Member State or another State party to the Organisation for Economic Co-operation Agreement, provided that such shares are included in an index maintained by that market.

The Fund may enter into repurchase agreements for the sale of financial instruments with an agreement for their redemption by the Fund at a price and within a time period specified in the agreement between the parties, and the Fund shall have sufficient funds at maturity to pay the amount agreed for the redemption of the financial instruments.

**(Amended pursuant to a resolution of the BD dated 17.06.2024) Declaration:**

The investments underpinning this financial product do not comply with EU criteria for environmentally sustainable economic activities.

Management company COMPASS INVEST Ltd does not take into account the adverse impacts of investment decisions on sustainability factors, where:

- mutual funds that the Company manages;
- The portfolios of clients with whom the Company has a contract for the management of portfolios of financial instruments;
- In the process of providing investment advice (consultancy).

The reasons for not taking into account the adverse impacts of investment decisions on sustainability factors at this time are as follows:

- the specifics of the imperative provisions of the sectoral legislation - when providing services, the Company is guided by acting in the best interest of the client, taking into account the risk profile and investment policy for each of them. In relation to the above, failure to follow these principles and specifics could result in claims against the Company for loss of profit as a result of investment decisions wrongly made or not made or advice given respectively. The Company commits all of its available resources to achieving its clients' objectives, which do not currently include sustainable investment requirements;
- the current lack of regulated and publicly available means for public companies to disclose the presence or absence of ESG data that could potentially enable the formation of objective information on sustainability factors or their absence.
- The cost of the technical and software support required in taking ESG factors into account when making investment decisions and managing the attendant risks outweighs many times the potential benefits to investors given the scale of the Company's operations;

- the potential effect of any foregone benefits as a result of decisions taken or advice given to invest in so-called more sustainable products should be possible to quantify through statistical analysis in order to comply with the investment policy and risk profile of the relevant Mutual Fund, or portfolio of financial instruments, and to achieve its optimal return/risk ratio objectives;
- considerations of whether sufficient information or necessary data can be provided by all public companies in a comparable format, and the lack of safeguards to ensure that misleading information is not published.
- the ongoing process to develop a single European legal framework in relation to the disclosure of information on sustainability risks to financial market participants.

Although that the Firm does not currently consider the adverse impacts of investment decisions and investment advice on resilience factors, it will undertake an ongoing review of legal requirements and client preferences and, as reasons for not considering and changing client investment policy are removed, will analyse and assess whether considering adverse impacts on resilience factors would contribute to the provision of investment services consistent with the principle of acting in the best

### **5.3. Types of assets eligible for the Mutual fund to invest in**

According to regulatory requirements the investments of the Mutual fund may consist only of, as follows:

1. (Amended by resolution of the Board of Directors of 16.09.2014 and 22.05.2018) transferable securities and money market instruments, admitted to or traded on the regulated market, under art.152, para 1 and 2 of the Market in Financial Instrument Directive;
2. (Amended by resolution of the Board of Directors of 22.05.2018) transferable securities and money market instruments, traded on the regulated market, other than under art. 152, para 1 and 2 of the Market in Financial Instrument Directive, in Republic of Bulgaria or in another member state, regularly well- functioning, recognized and publicly available, as well as securities and instruments of the money market, issued by Republic of Bulgaria or another member state;
3. (Amended by resolution of the Board of Directors of 26.04.2016) transferable securities and instruments on the money market, admitted to trading on the official fund's stock exchange market or traded on another regulated market in a third state, functioning regularly, admitted and publicly traded available, which are included in a list, approved by the Deputy Chairman of the Financial Supervision Commission or provided for in the rules of the Fund;

4. (Amended by resolution of the Board of Directors of 26.04.2016) recently issued transferable securities, under the terms the issue includes an obligation to request admission, and within a period not exceeding one year from their issue, be admitted to trading on an official market on a stock exchange or other regulated market, functioning on a regular basis, recognized and publicly available, which are included in a list approved by the Deputy Chairman of the Financial Supervision Commission or provided for in the rules of the Fund;

5. units of collective investment schemes and/or other undertakings for collective investment which meet the conditions under art. 4, para. 1 of CISOUČIA), regardless of whether they have a registered seat in a Member State, subject to the following condition:

a) The other undertakings for collective investment meet the following conditions:

aa) they have been authorized to operate in a law according to which they are being regulated by the Deputy Chairman of the Financial Supervision Commission in charge of Investment Supervision Commission considers equivalent to supervision under European Union law and cooperation between supervisors is sufficiently secured;

bb) the level of protection of the unitholders, including the rules for allocation of the assets, usage and lending of transferable securities and instruments of the money market, as well as the sale of securities and money market instruments, which the undertakings for collective investment does not possess, are equivalent to the rules and protection of the shareholders of the collective investment schemes;

cc) periodically disclose information by preparing and publishing annual and semiannual reports, allowing valuation of the assets, liabilities, income and operations during the reported period, and

b) pursuant to their foundation acts or internal regulations a total of not more than 10% of the assets of the collective investment schemes or of the other undertakings for collective investment whose acquisition has been envisaged may be invested in shares of other collective investment schemes or other undertakings for collective investment;

6. deposits with credit institutions, payable upon request or which are subject to a right of withdrawal at any time and deposits having a maturity date which is not later than 12 months; the credit institutions in a non-member state shall observe rules and be supervised by Deputy Chairman of the Financial Supervision Commission in charge of the "Investment Supervision" department considers equivalent to those under the European Union law;

7. derivatives, including their equivalent instruments, which provide for obligations that may be cash-settled and also are tradable on a regulated market; (point 1-3);

8. derivatives traded on OTC markets, provided that:



a) Their underlying assets are transferable securities and money market instruments referred to in point 1 above, financial indices, interest rates, currency or exchange rates in which the Mutual Fund may invest in according to its investment policy as state in these rules;

b) The derivatives transaction counterparty is an institution that is subject to prudential supervision and meets the requirements, enacted by the Deputy Chairman of the Financial Supervision Commission, heading the "Investment supervision".

c) They are subject to reliable and daily evaluation which, on its hand, is subject to verification and which may be sold, terminated or closed at any moment upon request of the mutual fund by a set-off at fair value;

9. money market instruments other than those traded on a regulated market mentioned in § 1, p. 6 of the additional provisions of the CISOU CIA, if the issue or issuer of these instruments is supervised to protect investors or savings and satisfy the following conditions:

a) are issued or guaranteed by central, regional or local authorities in the Republic of Bulgaria or in another Member State, the Bulgarian National Bank, a central bank of another Member State, the European Central Bank, the European Union or the European Investment Bank, a third country, and in the case of a federal state, by a public international organization of which at least one Member State is a member;

b) they are issued by an issuer whose issue of securities is traded on a regulated market p 1-3 above;

c) they are issued or guaranteed by a person under prudential supervision in accordance with criteria laid down by European Union law, or by a person who is subject and complies with rules adopted by the competent authority concerned, which are at least as stringent as the requirements laid down by European Union law;

d) are issued by issuers other than those under letters "a", "b" and "c" above, meeting the criteria approved by the Deputy Chairman of the Financial Supervision Commission overseeing the Investment Supervision Division, ensuring that:

aa) investments in these instruments are subject to investor protection equivalent to the protection to which investments in letters "a", "b" and "c" above are subject;

bb) the issuer is a company whose capital and reserves amount to at least

BGN 10 000 000 equivalent, which presents and publishes annual financial statements in accordance with the Fourth Council Directive of 25 July 1978, adopted on the basis of art.54,§ 3, p.j of the Treaty on the annual accounts of certain types of companies (78/660/EEC) or by Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of International accounting standards,

ant is a person who finances a group of companies in which one or more companies admitted to trading on a regulated market participates, or a person who finances securitization companies that use a liquidity bank.

Table 1 presents the asset structure that the Fund will strive to adhere to.

**Table1. Structure of assets (Amended by resolution of the Board of Directors of 25.10.2016,22.05.2018 and 03.01.2020)**

|    |  |                                |
|----|--|--------------------------------|
| 1. | <p>A) bonds, other debt securities and money market instruments admitted to trading or traded on a regulated market under Art. 152, Paragraphs 1 and 2 of the ZPFI or traded on another regulated market in the Republic of Bulgaria, functioning regularly, recognized and publicly available or another Member State or admitted to trading on an official market on a stock exchange or traded on another regulated market in a third country, operating regularly, recognized and publicly available, which is included in a list approved by the Deputy Chairperson and / or referred to in Article 7 para. 2 of the Fund Rules;</p> <p>B) transferable securities and money market instruments issued or guaranteed by the Republic of Bulgaria, another Member State or a third country, their regional and local authorities, or a public international organization of which at least one Member State is admitted to or traded on a regulated market Art. 152, Paragraphs 1 and 2 of the MFIA or traded on another regulated market in the Republic of Bulgaria, functioning regularly, recognized and publicly available or another Member State or admitted to trading on an official stock exchange market or traded on another regulated market in a third country, operating regularly, recognized and publicly available, which is included in a list approved by the Deputy Chairperson and / or referred to in Art. 7 para. 2 of the Fund Rules;</p> | Up to 70% of the Fund's assets |
|----|--|--------------------------------|

|    |  |                                |
|----|--|--------------------------------|
|    | <p>C) recently issued debt securities, if the issue conditions include a commitment to admission and be accepted not later than one year after their issuance trading on the official market on a stock exchange or other regulated market functioning regularly, recognized and open to the public, which is included in a list approved by the Deputy Chairperson and / or referred to in Article 7 paragraph 2 of these Rules;</p>  |                                |
| 2. | <p>A) shares in companies, tradable rights and other transferable securities equivalent to shares in companies admitted to or traded on a regulated market under Art. 152, paragraphs 1 and 2 of the MiFIA or traded on another regulated market in the Republic of Bulgaria or a Member State which operates regularly and is recognized and open to the public, and admitted to trading on an official market on a stock exchange or traded on another regulated market in a third country, functioning regularly, recognized and publicly available, which is included in a list approved by the Deputy Chairperson and / or referred to in Article 7 para. 2 of the Fund Rules</p> <p>B) recently issued shares or other transferable securities equivalent to shares, if the conditions of issue include a commitment to request admission and to be accepted within one year of their issue to trading on the official market of a stock exchange or other regulated market functioning regularly, recognized and open to the public, which is included in a list approved by the Deputy Chairperson and / or referred to in Article 7 paragraph 2 of the rules of the Fund;</p> | Up to 80% of the Fund's assets |
| 3. | <p>(Amended by resolution of the Board of Directors of 17.01.2017) Shares of collective investment schemes and / or other undertakings for collective investment that meet the conditions of Art. 4, para. 1 of the CISOU CIA, regardless of whether they are established in a Member State, provided that the other collective investment undertakings fulfill the</p>  | Up to 10% of the Fund's assets |

|    |  |                                 |
|----|--|---------------------------------|
|    | conditions in Article 38, para. 1, p. 5, "a" and b. "b" of CISOU CIA;  |                                 |
| 4. | (Supplemented by a resolution of the Board of Directors of (11.08.2014) derivative financial instruments, including their equivalent instruments, the obligations of which can be fulfilled through cash payment, traded on a regulated market in the Republic of Bulgaria, functioning regularly, recognized and publicly available, another Member State or a third country functioning regularly, recognized and publicly available, which is included in a list approved by the Deputy Chairperson and / or referred to in Article 7 (2) of these Rules, as well as derivative financial instruments traded of OTC markets that meet the legal requirements pursuant to Art. 38, para. 1, p. 8 CISOU CIA | Up to 25% of the Fund's assets  |
| 5. | deposits in credit institutions, which suit the requirements of the law according to art. 38, para 1, point 6 of CISOU CIA ;   | up to 100% of the Fund's assets |
| 6. | transferable securities and instruments of the money market, different than those mentioned in items 1-5 above.  | up to 10% of the Fund's assets  |

#### **5.4. Investment restrictions (Amended by resolution of the Board of Directors of 16.06.2021)**

(1) The Mutual Fund may not invest more than 5 per cent of the Fund assets in transferable securities or money market instruments issued by a single issuer.

(2) "Strategy" Fund cannot invest more than 20 percent of the Fund's assets in deposits in one bank to art. 38, para 1, point 6 of CISOU CIA.

(3) The risk exposure of the Fund to the counterparty in a transaction with derivative financial instruments traded on OTC markets may not exceed 10 per cent of the assets when the counterparty is a credit institution under Art. 38, para 1, point 6 of CISOU CIA, and in other cases 5 per cent of the assets.

(4) Mutual Fund "Strategy" may invest up to 10 per cent of its assets in transferable securities or money market instruments issued by a single issuer, provided the total value of investments in the persons, in each of which the Fund invests more than 5 per cent of its assets, doesn't exceed 40 per cent of the Fund's

assets. The restriction under sentence one shall not apply to deposits in credit institutions, subject to prudential supervision, as well as transactions in OTC derivative financial instruments with these institutions.

(5)(Amended by resolution of the Board of Directors of 30.06.2021) Despite the limitations in par. 1-3, the Fund may not combine investments in transferable securities or money market instruments issued by one person, deposits with that person, and exposure to the same person resulting from transactions in OTC derivative financial instruments, where, as a result of such combination, the aggregate value of such investments would exceed 20 percent of its assets.

(6) The Management Company may invest up to 35 per cent of the Fund's assets in transferable securities and money market instruments issued by a single person if the securities and money market instruments are issued or guaranteed by the Republic of Bulgaria, another Member State, their regional or local authorities, a third country or a public international organisation of which at least one Member State is a member.

(7) (Amended by resolution of the Board of Directors of 30.06.2021 and 18.11.2022) The Management Company can invest up to 25 per cent of the Fund's assets in covered bonds. The total value of the investments referred to in the first sentence exceeding the limit referred to in par. 1 for exposures to a single issuer may not exceed 80 per cent of the assets of the collective investment scheme.

(8)(Amended by resolution of the Board of Directors of 30.06.2021) Transferable securities and money market instruments referred to in paragraphs 6 and 7 shall not be taken into account for the purposes of the restriction in paragraph 4.

(9)(Amended by resolution of the Board of Directors of 30.06.2021 – previous paragraph 7) The investment restrictions under par. 1 to 7 may not be combined where, as a result of such combination, the total value of the collective investment scheme's investments in transferable securities or money market instruments issued by one person, the deposits with that person, and the exposure to that person arising from transactions in derivative financial instruments pursuant to par. 1 to 7 shall exceed 35 % of its assets.

(10)(Amended by resolution of the Board of Directors of 30.06.2021) Entities included in a group for the purpose of preparing consolidated financial statements under recognised accounting standards shall be treated as a single entity, subject to the limitations in the preceding paragraphs.

(11)(Amended by resolution of the Board of Directors of 30.06.2021) The total value of the investments in securities or money market instruments issued by a single group may not exceed 20 per cent of the value of Fund's assets.

(12) The Mutual fund "Strategy" may not acquire more than:

1. Ten per cent of the nonvoting shares issued by a single issuer;
2. Ten per cent of the bonds or other debt securities issued by a single issuer;

3. Twenty-five per cent of the units of the same collective investment scheme or other collective investment undertaking which satisfies the requirements of art. 4, para 1 of CISOU CIA;

4. Ten per cent of the money market instruments issued by a single person.

(13) The restrictions under paragraph 12, p. 2, 3 and 4 above shall not apply when at the time of acquisition of the said instruments, the collective investment scheme cannot calculate the gross amount of the debt securities, money market instruments or the net worth of the securities issued.

(14)( Amended by resolution of the Board of Directors of 30.06.2021) The Fund may invest no more than 10 per cent of its assets in units of the same collective investment scheme or other collective investment undertaking referred to in Art. 1(5), whether or not it is domiciled in a Member State.

(15)( Amended by resolution of the Board of Directors of 30.06.2021) Where a collective investment scheme invests in units of other collective investment schemes or other collective investment undertakings managed directly or by delegation by its management company or by another company with which its management company is linked by common management or control or by a substantial direct or indirect holding, its management company or the other company shall not be entitled to levy charges on the investing collective investment scheme on the sale and redemption of the units of the collective investment scheme.

(16) The restrictions in the preceding paragraphs shall not apply where subscription rights arising from securities and money market instruments forming part of the Fund's assets are exercised.

(17) In the event of a violation of the investment restrictions for reasons beyond the control of the Management Company, the Management Company shall, as a matter of priority, but not later than six months from the occurrence of the violation, bring the assets of the Fund into compliance with the investment restrictions through sale transactions, taking into account the interests of the Unitholders. The management company shall, within 7 days of the infringement, notify the Commission, providing information on the reasons for the infringement and the measures taken to remedy it.

(18)( Amended by resolution of the Board of Directors of 20.12.2022) The Fund's total exposure to derivative financial instruments may not be greater than its net asset value. The MA shall calculate the Fund's total risk exposure using the commitment method.

(19) The mutual fund may invest in derivative financial instruments subject to the restrictions in paragraphs 8, 10, 11 and provided that the exposure of the underlying assets does not cumulatively exceed the limits in paragraph 8. 1 - 11.

**5.5. Procedure for attracting borrowed funds from the fund (as amended by the resolution of the Board of Directors of 22.05.2018)**

The Mutual Fund, the Management Company and the Depository Bank, when acting on behalf of the mutual fund, may not borrow. These rules allow the conclusion of a loan agreement only after obtaining the prior permission from FSC at the proposal of the Deputy Chairperson and subject to the following conditions:

1. the loan is necessary to cover the obligations relating to redemption of Fund's units;
2. the amount of the loan should not exceed 10% of the Fund's assets;
3. the term of the loan is not more than three months;
4. the terms and conditions of the loan agreement may not be less favorable than the usual for the market;
5. Lender under the loan agreement should be a bank, save for the Depository Bank. Using a loan without prior permission by the Deputy Chairman of the FSC, managing Investment Activity Supervision Division shall be null and void in respect of the unitholders. The loan shall not be taken into account when calculating the net asset value of the Fund's assets

**6. ASSETS VALUATION RULES**

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The Rules of asset valuation calculation is attached to the Prospectus and is an integral part of it. (Appendix No. 1)

**6.1. Determination of net asset value**

The net asset value of the collective investment scheme is calculated by subtracting the value of the liabilities from the value of all assets calculated in accordance with the Rules for portfolio valuation and determining the net asset value.

**6.2. Frequency of calculation of units' prices**

- 1) Net asset value, issue price and redemption price per unit are calculated and published twice a week, Wednesday and Friday, based on the Fund's assets from the previous Tuesday and Thursday.
- 2) If the relevant valuation and disclosure day is non-working, the determination and disclosure of the above values and prices shall be made on the next business day.
- 3) Where no trading takes place on trading venues on the valuation day, a subsequent asset valuation shall be made on the day of the last trading session preceding the day of valuation.

### **6.3. Fees relating to issue and redemption of units**

(Amended by decision of the Board of Directors of 16.06.2021 and 23.09.2021)  
Investors shall not pay transaction costs when they purchase units from the Management Company.

(Amended by decision of the Board of Directors of 26.04.2016 and 20.09.2019)  
Investors pay transaction costs upon redemption order which are included in the redemption price, with the net asset value per unit being reduced by 1.0% of the net asset value per unit. When, in the case of a redemption of Strategy units, the net redemption amount is invested in one or more of the other collective investment schemes managed by Compass Invest JSC, no redemption costs are charged. In these cases, redemption and redemption orders are executed at the net asset value per unit.

Expenses for bank transfers and for additional services like issuance of depository receipt, sending confirmations for purchase/redemption of units, reports and other documents via mail, are for the account of the investors. These expenses are not included in the issue value for purchase of units and redemption price respectively.

In case of change in the amount of issue and redemption expenses which would result in increase of the issue price and reduction of the redemption price respectively, the Management Company shall inform unitholders by way of publication on its web page, including update of the Prospectus immediately after an approval by Deputy Chairman of the FSC, managing Investment Activity Supervision Division has been received.

### **6.4. Ways, venue and frequency of publication of these prices**

By the end of the business day in which the issue value and the redemption price are calculated, the Management Company shall disclose the information on the assessment made by:

- Entering data on the websites of the management company / contractual fund, including but not necessarily on the websites of BAUD / financial media / agency;
- Information board in the office of the Management Company.
- (Amended by resolution of the Board of Directors 25.10.2016 and 20.12.2022) In addition, the Management Company publishes on its web page and provides the Financial Supervision Commission with summary on the published issue values and redemption prices of units of the Fund at least twice a month on equal time intervals, with the information containing the data specified in art. 77 of Ordinance No 44 of FSC about the requirements for the activity of the collective investment schemes, the Management Companies, national investment funds and the persons managing alternative investment funds



(Ordinance 44).

## **7.REMUNERATION PAYABLE BY THE MUTUAL FUND**

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### **7.1.Method of calculation of the remuneration payable to the Management Company**

The annual remuneration of the Management Company is determined by the Board of Directors. According to the decision of the directors of “Compass Invest “JSC on 08.09.2008 the annual remuneration is 2.40% of the average annual net value of the Fund’s assets.

The Management Company accrues the agreed remuneration on a daily basis based on the officially announced previous net asset value. At its discretion, the Management Company may, on certain days, not accrue any or charge less than the allowable remuneration. The daily wages accrued during the month are paid to the Management Company for the whole month, on the first business day of the following month. The redemption costs, which reduce the net asset value per unit of the fund and are accordingly included in the redemption price of one unit, are expenses incurred by the management company, which is why the corresponding revenue is paid to the management company, beyond the agreed remuneration.

When the Mutual Fund invests in units of other collective investment schemes or undertakings for collective investment, managed directly or by delegation of the Management Company or another company which the Management Company is related to by way of a common management or control, or by significant direct or indirect shareholding, the Management Company or that other company are not permitted to charge fees upon purchase and redemption of units of that collective investment scheme.

(New by decision of the Board of Directors of 25.10.2016). In addition to the remuneration under item 7.1 above, the remuneration, incentives, bonuses and other benefits to employees of Compass Invest JSC shall not be paid in any form by the mutual fund.

The remuneration policy of Compass Invest JSC is available on the web site of the Management Company – [www.compass-invest.eu](http://www.compass-invest.eu) in section Documents.

Management Company Compass Invest AD JSC declares that, it will provide free of charge copy of the Company’s Remuneration Policy to every person upon request.

### **7.2. Method of calculating the Depository Bank’s remuneration**

The remuneration of the Depository Bank is defined as fees and commissions for depository services under the contract with the Depository Bank as follows: fees

for keeping financial instruments, fees for transferring financial instruments, monthly fee for confirmation of the net asset value, without commissions for maintenance and opening of the accounts.

The Management Company, at the expense of the Mutual Fund, pays fees and commissions to the Depository Bank for the performance of other banking operations in accordance with the Tariff for terms and conditions, interest rate, fee and commission of the bank in effect.

The remuneration shall be paid until the 5<sup>th</sup> day of the month following the month for which remuneration is due.

### **7.3. Operation expenses**

(Amended by resolution of the Board of Directors of 20.09.2019) The operating expenses per year may not exceed 1.5% of the annual average net asset value of the Fund. These expenses are subtracted of the “Strategy” Fund’s assets and thus indirectly covered by all unitholders. They represent the second component of expenses, which the investors should keep in mind when investing in the Mutual Fund.

The “operating expenses” include basic predictable operative expenses, such as: consultants’ fees, remunerations for the Depository Bank, remunerations and fees for brokers, banks, the exchange stock market, Central Depository and other fees related to the investment of the Fund’s assets; remuneration of the auditors for certification of the annual financial statement of the Mutual fund; expenses for marketing and advertising of the Fund, for contacts with the investors, current fees for supervision, membership and other fees payable to the FSC, Central Depository and other state authorities and institutions related to the Fund’s activity; other expenses assigned in the Fund’s Rules, legal and other costs associated with protecting the interests of the unitholders of the Fund, such as other emergency expenses, connected to the Fund’s activity.

### **7.4. Reimbursement of expenses**

The annual operative expenses may not exceed 1.50% of the yearly average net value of the Fund’s assets. If according to the monthly balance, the size of the operative expenses exceeds 1.5% of the yearly average net value of the Fund’s assets, the Fund’s difference is being reimbursed on the account of the Management Company.

## **8. RISK PROFILE AND RISK FACTORS**

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(Amended by resolution of the Board of Directors of 20.09.2019.) It is important to have in mind that your investment in units of the Mutual Fund is not a bank deposit and therefore, it is not guaranteed under the Bank Deposit Guarantee Act. Although the leading investment objective of Mutual fund “Strategy” is to increase the value of the investment in units, there is no absolutely certainty that by investing in units of the Fund, investors will not lose money.

### **8.1.Tendency to risk and risk profile**

Investment theory and practice have found that for a long period of time there is correlation between the risk level and the expected return. Generally higher risk suggests higher returns. In this regard, it is required the risk inclination of the investors to be defined. This tendency should also determine the risk profile of the investment portfolio.

The main target group of investors in the Fund are small and medium investors with above average income, with above average investment culture and placing their savings rather than speculative purposes to their investment decisions, as well as institutional investors. This defines investors in the fund as investors with low level of risk.

There are two factors that influence the risk tolerance of investors:

- the financial capacity to take the risk;

- the desire to accept the variability in the return on investment. Given these two factors of investor risk tolerance, the Fund also builds its risk profile.

The risk profile of the Fund is defined in the range of low to moderate. Thus, it is assumed that investors in the Fund recognize that high returns imply volatility and have shown a willingness to tolerate a decline in portfolio value of 15% or more within a year.

### **8.2.Risk factors**

In the dynamic and chaotic environment of financial markets, investors need proper identification of the risk factors and their characteristics in order to accurately assess and reasonably manage them. The risk in modern portfolio theory is defined as possible deviations from the expected return. Main motive for investors is professionally managing of the risk. As a result the Management Company monitors and analyses all groups of factors which affect the profitability of the Fund’s investments.

### **8.3.Types of risks and risk assessment**

The main risks affecting the Fund’s investments are:

1. Market risk – Market risk is the risk of losses in the value of balance and off-balance items arising from changes in market prices of the investment instruments.

Main components of the market risk, which the Management Company watches closely are:

- Fund risk;
- Interest rate risk;
- Currency risk.

**A. Fund Risk** is the risk of losses from changes in stock prices, which are traded on a regulated market. According to the Modern Portfolio Theory and, in particular, the Capital Asset Valuation Model (SARM), this risk is divided into two components:

Systematic risk that relates to the sensitivity of an investment instrument or the value of a portfolio to changes in levels of the underlying market index.

Unsystematic (specific) risk is refers to the proportion of the variability of an instrument that is determined by the specific characteristics of the firm. Only unsystematic risk can be eliminated through diversification.

Because of the specifics of the Bulgarian market investigating those two types of risk is not effective enough. This is due to the character of the market as being emerging one. Emerging markets have found that the sensitivity of assets to market levels is not clearly expressed; it is highly volatile and uncertain in magnitude. This circumstance determines the necessity of applying other models for evaluation of the Fund's risk which is beyond the abilities of SARM.

This is why the Management Company observes not only systematic and unsystematic risk but also the overall risk and the change in the risk of each asset included in the portfolio of the Fund. It is very important to observe variation of the overall risk (the risk of the risk).

**B. Interest rate risk** is the risk from losses due to changes in the interest rate. A significant portion of the Fund's portfolio is invested in bonds and therefore this portion is exposed to interest rate risk.

Interest rate risk consists of two components:

**Price risk** -the risk of deviations in the market prices of debt securities. Due to change of the basic pricing factor of the bond market –the interest rate, it is possible to change the values of the assets in which the Fund has invested. In this way, due to changes in interest rates on the day of the investment horizon, investors will have a changed value of their investment.

**Reinvestment risk** – the risk stemming from changes in the interest rate at which the intermediate earnings from bond are reinvested till the holding period. The portfolio of debt securities of the Fund is exposed to reinvestment risk as it is known at what interest rate the coupons will be reinvested. If after the purchase of bonds the interest rate should decrease then the coupons will be reinvested at lower interest rate than expected, which will affect the final value of the portfolio, being lower than expected.

The two components of the interest rate risk have the opposite effect on the portfolio value. If the interest rates rise, then the bond prices will fall below expectations, but the coupons will be reinvested at a higher interest rate. Hence the return received from reinvestment will be higher than expected. If interest rates fall, the bond prices will be higher than expected, but the return from reinvestment of the coupons will be lower.

**C. Currency risk** – the risk from losses related to unfavorable changes in foreign exchange rates. Because of the potential fund to invest in foreign stocks, monitoring this risk is important for investors. The sources of currency risk are the spot rates of the currencies, as well as the forward exchange rates. Depending on the character and the causes of the change in exchange rates the risks can be classified as follows:

**Current currency risk** – the risk of accidental change in currencies with floating exchange rates. Most countries have floating currencies whose fluctuations reflect both fundamental and technical factors.

**Currency devaluation risk** – risk of sharp decline of the exchange rate against other currencies. An example of devaluation of currencies is the Asian crisis in 1998, when the exchange rates of dozens of countries fell catastrophically by 20% up to 80% within a couple of days. Although devaluation is associated with macroeconomic factors, the immediate decline of the exchange rates depends on the resolutions of the state regulating authorities. Such resolutions may include official decrease of the fixed exchange rate, refusal of maintaining the exchange rate, refusal of pegging the exchange rate to the currencies of other countries.

**Risk of change of the system of currency regulation** – risk of loss associated with the change of currency regime. In this regard, as an example of such type of change may serve the transition from a fixed exchange rate to a floating rate and vice versa, or the transition to the use (or refusal of use) on market methods for regulating the exchange rate.

## **2. Credit risk**

Credit risk is the risk that the issuer of the debt securities or the person providing the security may be unable to fulfill its obligations, in particular to repay the principal and / or the interest due on time. In repurchase agreements, if the Fund's counterparty is unable to fulfill its obligation to repurchase the securities, the Fund may incur a loss insofar as the proceeds from the sale of the security are less than the redemption price when it is fixed. When specific securities have a credit rating, credit risk includes the possibility of downgrading the securities in which the Mutual Fund has invested.

## **4. Operational risk**

Operational risk is the risk of direct and indirect losses related to mistakes or imperfections in the organization's system, under qualified staff, and unfavorable external events of non-financial nature.

The operating risk is classified into several types:

**The staff risk** is the risk of losses related to the possibility of errors, fraud, insufficient qualifications, unfavorable changes in labor legislation.

The technological risk is the risk of losses caused by the imperfection of the technologies used- inadequacy of the ongoing operations, lack of precision in the methods of data processing, low quality of data used.

The environmental risk relates to the possible losses ensuing from changes in the environment where the Fund operates of non-financial nature, i.e. changes in legislation, political changes, changes in the tax system.

The risk of physical interference relates to losses incurred as a result of a direct physical interference in the activities of the fund - robbery, terrorist act, unauthorized access into the data system of the Fund or the Management Company.

### **5. Liquidity risk**

Liquidity risk is the risk of the Fund not being able to meet its obligations due to the inability to obtain adequate funding or liquid assets.

### **6. Political risk**

Political risks are related to the possibility of occurrence of unfavorable domestic political turmoil and change in economic legislation.

This risk is related to the possibility of a state government suddenly changing its policy and as a result, the environment in which companies operate changing is unfavorable and investors suffer losses. The governments of some countries may take action, including an increase in taxation, limiting the repatriation of profit and others, which may adversely affect the Fund.

**(New by decision of the Board of Directors of 16.09.2014)**

#### **Risk from investment in derivative financial instruments**

The Management Company enters into derivatives transactions so as to hedge other financial instruments and/or to achieve its investment objectives in accordance with the investment policy of the company. The Management Company concludes on behalf of the Fund (as buyer or seller) only derivative contracts that meet certain criteria described in the risk management rules. Derivative financial instruments in which the Management Company invests at the expense of the investment company are:

Interest rate futures;

Futures on debt securities;

forward commitments to buy or sell debt instruments;

options on interest rates;

options on debt instruments;

Stock options;

Options on financial futures contracts;

Options on swaps;  
Exchange rate options;  
Warrants on debt securities;  
Warrants on shares;  
Swaps.

The main risks of the derivative instruments mentioned above relate to the risks inherent in the underlying instruments on which they are constructed. The main risks inherent in these derivatives are price, interest rate and currency risks. Moreover, the Management Company takes into account in the process of asset management the limitation which provides that the value of the underlying asset of every single hedge position may not exceed the value of the asset included in the Fund's portfolio at the moment of closing of the transaction.

The commitment method is used to calculate the total risk exposure.

**(New by decision of the Board of Directors of 18.11.2022) Risks associated with using effective portfolio management techniques.**

The use of repurchase agreements involves certain risks, such as the risk of counterparty default. In this case, the Fund may proceed to realise the collateral received. If the collateral is in the form of securities, there is a risk that the sale of the collateral will yield less than the cash provided, whether due to inaccurate pricing of the collateral, adverse market movements, deterioration in the credit rating of the issuer of the collateral or illiquidity in the market in which the collateral is traded. Accordingly, if the collateral is in the form of cash, there is a risk that it will be insufficient to purchase the same number of securities that were provided in the transaction. On the other hand, the reinvestment of cash collateral received under repurchase agreements involves risks associated with the type of investments made and the risk that the value of the cash collateral may fall below the amount due to the counterparty.

(Amended by resolution of the Board of Directors of 20.09.2019)

**In conclusion, you should keep in mind that the value of the Fund's units and their income may decline, the profit is not guaranteed and you, as an investor, take up the risk of not having full return on your investment. Investments in "Strategy" units are not guaranteed by a guarantee fund or otherwise. The operating results of the Fund going forward are not necessarily related to its previous operating results.**

## 9. DETAILS ON THE DEPOSITORY BANK

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**9.1. (Amended by resolution of the Board of Directors dated 17.01.2017 and 03.05.2019.) Details for identification of the Depository Bank and description of its obligations and potential conflict of interests.**

**Name, Headquarters and management office of the Depository Bank**

TB "United Bulgarian Bank" JSC, hereinafter referred to in this prospectus "Depository Bank". Headquarters and management office: Sofia (Bulgaria), Stolichna municipality, Blvd. Vitosha No. 89B

### **Main activity of the Depository Bank**

The Depository Bank carries out depository services for the Mutual fund by keeping and supervising the Fund's assets, including:

- a) ensure that the issuance, sale, redemption and cancellation of nits of the fund are carried out, in accordance with the law and the rules of the Mutual fund;
- b) ensures that the value of the units of the fund is calculated in compliance with the law and rules of the collective investment scheme;
- c) carries out regular verification of correspondence between the accounts kept by the Management Company and the Depository for the assets of the collective investment scheme, and in the cases under Art. 37a of Ordinance No. 44 - with the accounts kept by the third party;
- d) ensures that, in the appropriate terms, all funds are transferred in favor of the collective investment scheme arising from transactions with its assets;
- e) ensures that the fund's income is distributed in accordance with the law and the fund rules;
- f) reports at least once a month to the management company for the assets entrusted and the transactions performed with them, including by providing a complete inventory of the mutual fund's assets by the 5th of the following month;
- g) monitors the cash flows of the Fund, including monitoring whether all payments made by or on behalf of investors and on their behalf when subscribing to units of the Fund are received and accounted for in accounts that:
  - 1. (Amended by resolution of the Board of Directors of 20.09.2019) have been opened in the name of "Strategy" or the name of the Management Company acting on behalf of and on behalf of the Fund or of the Depository Bank acting on behalf of and on behalf of the Fund;



2. have been opened in a central bank, a bank licensed under the Credit Institutions Act, a bank licensed in a Member State or a bank authorized in a third country, and are managed in compliance with
3. Managing the funds cash as it:
  1. maintaining accounts and keeps accounts in such a way that at any moment it is possible to distinguish between the held assets of the Fund from the assets held for another client and from the own assets of the Depository Bank;
  2. keeping accounts in a way which guarantees the accuracy and precision of the written information.
  3. carrying out a regular review of the correspondence between the accounts kept by the Management Company and the Depository Bank for the assets of the Fund, and in the cases under Art. 37a of CISOU CIA- also with accounts maintained by a third party;
  4. taking the necessary actions to ensure that all funds of the Fund deposited with a third party can be clearly distinguished from the Funds of the Depository bank and that third party through the individual accounts of the holders held by the third party or through equivalent actions that achieve the same level of protection;
  5. taking the necessary actions to ensure that the Fund's funds in the accounts of the person under b. 3), p.2 above shall be kept on an individual account or on accounts separately from all accounts for holding cash of the person in whose name the assets of the fund are kept;
  6. establish appropriate organization and take the necessary steps to minimize the risk of loss or reduction as a result of abuse, fraud, mismanagement, mismanagement and record keeping, including through negligent conduct
- h) controls the remuneration of the management company to be calculated and paid in accordance with the CISOU CIA and with these rules.
- i) Assists the Mutual Fund in obtaining information and participation in the General Meetings of the issuers in whose financial instruments the Fund has invested and assumes other obligations related to the entrusted assets, in accordance with the concluded contract and the provisions of the effective legislation.

i)( New by decision of the Board of Directors of 20.12.2022) verify that the management company has adopted and implemented procedures for conducting liquidity stress tests of the collective investment scheme.

### **Conflict of interests**

The Depository Bank's management team as well as its control authorities must not have any connection with the Managing Company or its managing team. The Depository Bank's management team and control authorities must act independently from the Managing Company.

The Depository Bank takes care of a good trader, carries out its duties honestly, fairly, professionally, independently and solely in the interests of the Fund and the holders of units in the Fund.

(Amended by resolution of the Board of Directors dated 20.09.2019.) The Depository Bank may not carry out activities for the Fund or for the Management Company acting on behalf of the Fund, which may give rise to a conflict of interest between the Fund, the investors in it, the Management Company and the Depository itself, unless there is a functional and hierarchical separation between the Depository's functions for the fund and its other functions, and if conflicts of interest that may arise are properly identified, managed, monitored and disclosed to investors in "Strategy".

**9.2 (New by decision of the Board of Directors of 17.01.2017) A description of all functions for keeping, delegated by the Depository Bank, list of people to whom the functions have been delegated, and potential conflict of interest due to delegation.**

By the time this prospectus has been updated the Managing Company has no information that the Depository Bank in the face of "United Bulgarian Bank" JSC has delegated keeping functions.

**9.3 (New by decision of the Board of Directors of 17.01.2017) Declaration from the Managing Company**

The Managing Company declares that updated information regarding line 9.1 and 9.2.will be presented upon request.

## **10. DETAILS ON CONSULTANCY COMPANIES OR EXTERNAL CONSULTANTS PROVIDING ADVICE UNDER AN AGREEMENT WHOSE REMUNERATION IS BEING PAID FROM ASSETS OF THE FUND.**

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As of the moment of the Prospectus' actualization there are no contracts concluded with consultancy companies and external consultants.

## **11. FINANCIAL RESULTS OF THE MUTUAL FUND FROM PREVIOUS YEARS**

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### **a) Selected financial information:**

#### **Selected financial information for 2011:**

- net asset value per unit in the beginning of the period: – BGN 0.7301
- net asset value per unit in the end of the period – BGN 0.6643
- total return per unit – 8.57 %

#### **Selected financial information for 2012:**

- net asset value per unit in the beginning of the period: – BGN 0.6618
- net asset value per unit in the end of the period – BGN 0.6837
- total return per unit – 3.31%

#### **Selected financial information for 2013:**

- net asset value per unit in the beginning of the period: – BGN 0.6859
- net asset value per unit in the end of the period – BGN 0.7032
- total return per unit – 2.52 %

#### **Selected financial information for 2014:**

- net asset value per unit in the beginning of the period: – BGN 0.7082
- net asset value per unit in the end of the period – BGN 0.7001
- total return per unit – 1.14%

#### **Selected financial information for 2015:**

- net asset value per unit in the beginning of the period: – BGN 0.6998
- net asset value per unit in the end of the period – BGN 0.7004
- total return per unit – 0.09 %

#### **Selected financial information for 2016:**

- net asset value per unit in the beginning of the period: –BGN 0.7022
- net asset value per unit in the end of the period – BGN 0.6875
- total return per unit –2.09 %

#### **Selected financial information for 2017:**

- net asset value per unit in the beginning of the period: – BGN 0.6884
- net asset value per unit in the end of the period – BGN 0.7204

- total return per unit – 4.65%

**Selected financial information for 2018:**

- net asset value per unit in the beginning of the period: – BGN 0.7199
- net asset value per unit in the end of the period – BGN 0.6931
- total return per unit – 3.72 %

**Selected financial information for 2019:**

- net asset value per unit in the beginning of the period:– BGN 0.6980
- net asset value per unit in the end of the period – BGN 0.7098
- total return per unit – 1.69 %

**Selected financial information for 2020:**

- net asset value per unit in the beginning of the period:– BGN 0.7287
- net asset value per unit in the end of the period – BGN 0.7180
- total return per unit – -1.47 %

**Selected financial information for 2021:**

- net asset value per unit in the beginning of the period:– BGN 0.7199
- net asset value per unit in the end of the period – BGN 0.7112
- total return per unit – -1.21 %

**Selected financial information for 2022:**

- net asset value per unit in the beginning of the period: – BGN 0.7093
- net asset value per unit in the end of the period – BGN 0.6998
- total return per unit – -1.34 %

**Selected financial information for 2023:**

- net asset value per unit in the beginning of the period:– BGN 0.7028
- net asset value per unit in the end of the period – BGN 0.7479
- total return per unit – 6.42 %

**b) minimal, maximum and average issue and redemption price**

**For 2011:**

- minimal issue price – BGN 0.6525
- maximum issue price – BGN 0.7904
- average issue price – BGN 0.7361
- minimal redemption price – BGN 0.6444
- maximum redemption price – BGN 0.7805
- average redemption price – BGN 0.7269

**For 2012:**

- minimal issue price – BGN 0.6391
- maximum issue price – BGN0.6837
- average issue price – BGN 0.6578
- minimal redemption price – BGN 0.6327
- maximum redemption price – BGN 0.6769
- average redemption price – BGN 0.6526

**For 2013:**

- minimal issue price – BGN 0.6646
- maximum issue price – BGN 0.7032
- average issue price – BGN 0.6621
- minimal redemption price – BGN 0.6580
- maximum redemption price – BGN 0.6962
- average redemption price – BGN 0.6710

**For 2014:**

- minimal issue price – BGN 0.6890
- maximum issue price – BGN 0.7317
- average issue price – BGN 0.7027
- minimal redemption price – BGN 0.6821
- maximum redemption price – BGN 0.7244
- average redemption price – BGN 0.7122

**For 2015:**

- minimal issue price – BGN 0.6925
- maximum issue price – BGN 0.7153
- average issue price – BGN 0.7065
- minimal redemption price – BGN 0.6856
- maximum redemption price – BGN 0.7081
- average redemption price – BGN 0.7028

**For 2016:**

- minimal issue price – BGN 0.6825
- maximum issue price – BGN 0.7194
- average issue price – BGN 0.6934
- minimal redemption price – BGN 0.6757
- maximum redemption price – BGN 0.7122
- average redemption price – BGN 0.6909

**For 2017:**

- minimal issue price – BGN 0.6770
- maximum issue price – BGN 0,7330
- average issue price – BGN 0,7086
- minimal redemption price – BGN 0,6702
- maximum redemption price – BGN 0,7257

**For 2018:**

- minimal issue price – BGN 0,6931
- maximum issue price – BGN 0,7425
- average issue price – BGN 0,7116
- minimal redemption price – BGN 0,6862
- maximum redemption price – BGN 0,7351
- average redemption price – BGN 0.7199

**For 2019:**

- minimal issue price – BGN 0,6918
- maximum issue price – BGN 0,7242
- average issue price – BGN 0,7133
- minimal redemption price – BGN 0,6849
- maximum redemption price – BGN 0,7170
- average redemption price – BGN 0.7062

**For 2020:**

- minimal issue price – BGN 0,6766<sub>1</sub>
- maximum issue price – BGN 0,7382
- average issue price – BGN 0,7108
- minimal redemption price – BGN 0,6698
- maximum redemption price – BGN 0,7308
- average redemption price – BGN 0,7073

**For 2021:**

- minimal issue price – BGN 0,6923
- maximum issue price – BGN 0,7539
- average issue price – BGN 0,7275
- minimal redemption price – BGN 0,6854
- maximum redemption price – BGN 0,7464
- average redemption price – BGN 0,7175

**For 2022:**

- minimal issue price – BGN 0,6798
- maximum issue price – BGN 0,7322
- average issue price – BGN 0,7032
- minimal redemption price – BGN 0,6730
- maximum redemption price – BGN 0,7249
- average redemption price – BGN 0,6962

**For 2023:**

- minimal issue price – BGN 0,6887
- maximum issue price – BGN 0,7555
- average issue price – BGN 0,7206
- minimal redemption price – BGN 0,6818
- maximum redemption price – BGN 0,7479
- average redemption price – BGN 0,7134

**c) Number of units in circulation in the beginning and at the end of the period**

**For 2011:**

- Number of units in circulation in the beginning of the period – 397832.17
- Number of units in circulation at the end of the period – 397 832.17

**For 2012:**

- Number of units in circulation in the beginning of the period –286 179. 6629
- Number of units in circulation at the end of the period –2 007 631.4424

**For 2013:**

- Number of units in circulation in the beginning of the period – 2 007 631.4424
- Number of units in circulation at the end of the period – 3 026 235.5059

**For 2014:**

- Number of units in circulation in the beginning of the period – 3 026 235.5059
- Number of units in circulation at the end of the period – 5 215 305.9404

**For 2015:**

- Number of units in circulation in the beginning of the period – 5 215 305.9404
- Number of units in circulation at the end of the period –7 391 797.3017

**For 2016:**

- Number of units in circulation in the beginning of the period – 7 391 797.3017
- Number of units in circulation at the end of the period –15 607 206.7246

**For 2017:**

- Number of units in circulation in the beginning of the period –15 607 206.7246
- Number of units in circulation at the end of the period – 22 778 344.4064

**For 2018:**

- Number of units in circulation in the beginning of the period –22 778 344.4064
- Number of units in circulation at the end of the period – 24 941 400.8979

**For 2019:**

- Number of units in circulation in the beginning of the period – 24 941 400.8979
- Number of units in circulation at the end of the period – 26 387 489.4600

**For 2020:**

- Number of units in circulation in the beginning of the period – 26 387 489.4600
- Number of units in circulation at the end of the period – 30 015 876.4852

**For 2021:**

- Number of units in circulation in the beginning of the period – 30 015 876.4852
- Number of units in circulation at the end of the period – 33 963 509.0028

**For 2022:**

- Number of units in circulation in the beginning of the period – 33 963 509.0028
- Number of units in circulation at the end of the period – 33 953 174.8658

**For 2023:**

- Number of units in circulation in the beginning of the period – 33 953 174.8658
- Number of units in circulation at the end of the period – 35 490 423.7683

**Remark:** Units and their return may decrease in value, the profit is not guaranteed and the investors take up the risk of their investment not recovering in full amount, also the investments in the Fund are not guaranteed by a State Guarantee Fund and previous results are not related to future earnings of the Fund.

## **12. TYPE OF INVESTOR PROFILE**

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The investment in Fund units is intended for individual investors looking for a relatively safe investment, storing and increasing in real terms their savings, protecting them from currency risk and giving them the opportunity for higher returns by investing a small part of the portfolio into quality shares of public companies. The typical investor is a person who seeks the preservation and increase of investment in the long term, while at the same time the funds can benefit from the liquidity of its investment in the shares of the Fund by bringing them back to redemption.

The investment in Fund units is also suitable for institutional investors who follow the low-risk policy in managing their funds and have a long-term investment horizon. Investing a percentage of the investor's assets of units of the Fund would allow diversification of the investment portfolio, while at the same time would make it possible to realize a higher return on its entire portfolio.

Investing in the Fund is also suitable for corporate investors who temporarily or in the medium term have free cash and have no investment alternative that would provide them with comparable high profitability and the same time liquidity of the investment.

## **13. ECONOMIC INFORMATION**

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### **13.1. Transaction costs**

Purchase and redemption fees are the expenses which are directly paid by the investors/unit holders and have been described in detail under item 6.3.

### **13.2. Annual operational expenses**

Annual operational expenses are such expenses which are deducted from the assets of the fund and thus indirectly borne by all unit-holders. They are the second cost component that investors should keep in mind when investing in a fund. The



Fund's annual operating expenses include the remuneration for the Management Company, the Depositary Bank and other operating expenses detailed in p. 7, the amount of which is no more than 3.90% of the annual average net asset value of the fund.

**13.3.( NEW PURSUANT TO A RESOLUTION OF THE BD DATED 18.11.2022) A description of the policy on direct and indirect operating costs and fees resulting from the use of effective portfolio management techniques.**

Net income (gross income less direct and indirect operating expenses) resulting from the use of efficient portfolio management techniques shall remain in the Fund. Information on direct and indirect operating expenses and fees that may be incurred in this regard will be available in the Fund's annual financial statements.

**14.COLLATERAL POLICY (New pursuant to a resolution of the BD dated 17.01.2017 and Amended pursuant to a resolution of the BD dated 22.02.2017)**

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All assets, received by the Fund in the context of efficient portfolio management techniques should be considered as collateral for the purpose of these guidelines and should comply with the criteria laid down below. The risk exposure of the Fund to the counterparty as a result of and the techniques for effective portfolio management, is included in the calculation of the limits as of art. 45 and 46 of CISOU CIA . The management company is assigned to supervise for compliance with the limitations of the portfolio of the Fund. In case the Fund receives collateral for at least 30% of its assets the management company is obliged to develop and apply stress testing policy in place to ensure regular stress tests are carried out under normal and exceptional liquidity conditions to enable the Fund to assess the liquidity risk attached to the collateral.

Where the Fund (on the behalf of and on the account of the Fund) enters into OTC financial derivative transactions and applying efficient portfolio management techniques, all collateral used to reduce counterparty risk exposure should comply with the following criteria at all times: liquidity; valuation; issuer credit quality; correlation; collateral diversification; risks, related to the collateral management; in the event of transfer of a unit the received collateral is held by the depositary institution of the collective investment scheme; collateral must be fully enforceable by the collective investment scheme at any time without reference to or approval by the counterparty; non-cash collateral cannot be sold, reinvested or pledged; cash collateral can only be:

- a) placed on deposit in compliance with art. 38, para. 1, it. 6 of CISOU CIA;
- b) invested in high-quality government bonds;

- c) used for the purpose of reverse repo transactions, provided that the transactions are with credit institutions subject to prudential supervision, and the Fund is able to recall at any time the full amount of cash on accrued basis;
- d) invested in short-term money market funds.

Cash collateral is invested in accordance with the diversification requirements applicable to non-cash collateral. Cash collateral is only invested in banks for which there is not information that they have required liquidity support from their local authorities in the last 3 calendar years.

The Fund could exceed the diversification limits if the collateral is different transferable securities and money market instruments issued by persons according to art. 38, para. 1, it. 9, letter "a" of CISOU CIA in compliance with art. 47, para. 4, of CISOU CIA .The fund is able to accept financial assets as collateral for more than 20% of its net asset value only if the securities are issued by any of the EU Member State, as well as all regional or local authorities in the Member State, issuing or guaranteeing securities. The fund is able to accept as collateral financial assets exceeding 20% of its net asset value, instruments issued by public international organizations with investment grade credit rating from at least one of the big three rating agencies- Standard & Poors, Fitch or Moody's. In case the Fund receive cash collateral it is treated in compliance with its investment strategy under the Prospectus and the Rules of the Fund.

The evaluation of potential losses on deposits in Bulgarian lev (BGN) is calculated as the nominal value of the collateral is reduced with the potential costs of disposing of it.

The evaluation of potential losses on deposits in euro (EUR) are calculated as the value of the collateral is converted using bid exchange rate of the bank and is reduced with the potential costs of disposing of it.

The evaluation of potential losses on deposits in a foreign currency other than Euro (EUR) is calculated as:

- a) taking current bid exchange rate from the bank in which the collateral is kept;
- b) taking the standard deviation of the exchange rate to BGN lev monthly for the last 12 months;
- c) when assessing the possible loss of collateral, the exchange rate calculated by the formula: **current exchange rate buys-standard deviation on an annual basis is taken;**
- d) the evaluation as of point b."b" is reduced with the potential costs of disposing of it.

The evaluation of potential losses from collateral invested in high-quality government securities are calculated taking the price for which there is demand for the same securities. The evaluation of potential losses from collateral invested in short-term money market funds are calculated on the basis of redemption price of the indicated funds. The evaluation is adjusted by reducing with the standard

deviation of the price of the fund. The evaluation of potential non-cash collateral is calculated according to the characteristics of the assets received as collateral. The evaluation of potential losses from debt instruments and securities pledged as collateral is calculated by assessment of the risk from changes in interest rates of the indicated instruments. In case the instruments have credit rating the Management Company evaluates the probability for a change in the credit rating to cause change in the price of the collateral. The evaluation of potential losses from shares pledged as a collateral is calculated as the last close price is reduced with the monthly standard deviation for last twelve month of the shares. In case the case the instruments have credit rating the management company evaluates the probability for a change in the credit rating to cause change in the price of the collateral.

**15.(NEW PURSUANT TO A RESOLUTION OF THE BD DATED 22.02.2017 AND 18.11.2022)  
DETAILS REGARDING THE INTENTION OF THE FUNDABOUT USING  
INCREASED LIMITATIONS FOR DIVERSIFICATION, CONTAINING IN  
ART. 46, PARA.1 OF CISOU CIA**

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The Mutual Fund has no intention to use increased limitation for diversification, containing in art. 46, para.1 of CISOU CIA.

**16. (NEW PURSUANT TO A RESOLUTION OF THE BD DATED 27.05.2020, 08.02.2022 AND  
31.01.2023) DETAILS OF THE CURRENT REMUNERATION POLICY OF THE  
MANAGEMENT COMPANY**

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The Management Company adopts and applies a remuneration policy for the purpose of defining the principles of remuneration in Compass Invest JSC, which covers all forms of remuneration, such as salaries and other financial and/or material incentives, including benefits related to voluntary pension and/or health insurance.

The nature, scale and complexity of the activities of the management company, the structure of its internal organisation and the scope of the investment services and activities it provides have been taken into account in drawing up the policy. Compass Invest JSC applies the policy in accordance with the following basic principles:

- a) promoting prudent and effective risk management and discouraging risk-taking beyond an acceptable level;
- b) Compliance with the company's business strategy (business programs, rules and policies), objectives, values and long-term interests of Compass Invest JSC;
- c) implementing measures to avoid conflicts of interest;
- d) Compliance with the principles and best practices to protect the interests of the clients of Compass Invest JSC and the investors in the managed mutual funds;

e) gender neutrality;

f) avoidance of any form of discrimination (gender, age, race, religion, etc.) and unequal treatment of employees;

The management company shall apply the remuneration policy in the preparation, conclusion, amendment and supplementation of individual employment or civil contracts, as well as in the determination of the remuneration under the management contracts of the Board of Directors by the General Meeting of Shareholders of the management company.

Remuneration in the Management Company is generally based on the following main elements: level of position, level of competence, results achieved. At present, remuneration in the management company has only a fixed, but not a variable, performance-related element.

The Managing Director and the Chairman of the Management Board of the Management Company form the specific remuneration of all employees at all levels of the internal organisational structure of the Company.

The Labour Code and its implementing regulations shall apply to the formation and payment of remuneration to persons working under contract for the Management Company. In the event of termination of the employment relationship, employees shall be paid compensation in the cases, according to the procedure and in the amounts laid down in the Labour Code.

Regarding the remuneration structure in the management company, it should be pointed out that currently only a fixed remuneration is formed, which is defined in the concluded contracts. Compass Invest JSC does not pay variable remuneration and, for this reason, does not take into account the integration of sustainability risks when paying remuneration. The integration of sustainability risks is acceptable when they are relevant to the positive performance of the clients' investments, as this would positively affect the Company's employees in addition to the clients. The Management Company pays compulsory social and health insurance contributions. The Management Company does not set variable remuneration. The Management Company does not provide retirement benefits. The current remuneration policy is subject to immediate change in the event that the possibility arises of variable remuneration or the provision of retirement benefits. The amendment shall contain criteria for assessing the financial position of the management company, criteria for assessing the performance of the relevant business unit and the contribution of specific individuals, as well as the beneficial effect of the qualifications and experience of the various staff departments, and criteria for assessing the amount and structure of variable remuneration, subject to the requirements of Ordinance No 48.

The management company may pay additional remuneration of a non-permanent nature in the exceptional cases provided for in the Labour Code, e.g. for overtime. The

management company may also pay additional remuneration of a non-permanent nature in the form of one-off remuneration for annual performance, target bonuses for the performance of additional tasks assigned or successfully completed. Remuneration at Compass Invest JSC may include a non-monetary compensation package - funds for preventive health care, funds for improvement of working conditions, technical/computer support, funds for improvement of professional qualification and meal vouchers, up to the amounts specified in Article 209 of the Tax Code, provided in a manner and procedure determined by order of the Executive Director. The management company shall not benefit from exceptional State aid.

The management company does not establish a Remuneration Committee in view of its current internal organization. In case of increasing the scope and complexity of its activities, the management company will establish such committee in compliance with the requirements of Ordinance No. 48 and other regulations.

The Executive Director of the management company Ivaylo Angarski and the Chairman of the Board of Directors Milena Alexandrova are jointly responsible for the preparation of policy decisions and for determining the specific remuneration, taking into account their impact on risk and risk management, capital and liquidity of the management company. When making decisions, they take into account not only the interests of the staff, but also the long-term interests of the shareholders in the company, as well as the holders of units in the managed mutual funds.

The remuneration policy is developed and adopted by the Board of Directors of the management company in cooperation with the Regulatory Compliance Department and, where appropriate, with human resources experts who have the necessary qualifications and functional independence, in order to ensure an objective assessment of the appropriateness of the remuneration policy, including the consequences of risk management.

The members of the Board of Directors of the management company, who are not entrusted with management and who have experience in risk and remuneration management, shall conduct a periodic review of compliance with the requirements of this policy and regulatory requirements, at least once a year, but not later than 30 days from the end of the calendar year for which the review is carried out.

The implementation of the remuneration policy is subject to a central and independent internal review by the Head of the Regulatory Compliance Department at least once a year, and if the need for change is established, he prepares a corresponding report to the Board of Directors. The policy is updated according to changes in the market and the financial situation of the company.

The management company discloses in its prospectus to the interested parties information about the remuneration policy and any subsequent change in it in a clear and accessible way, without disclosing the information that is a secret protected by law. The management company shall provide in its annual financial statements summarized quantitative information on the remuneration paid. The annual financial

statements of the mutual fund shall contain information on the remuneration policy, which shall include:

- a) the total amount of remuneration for the financial year, broken down by fixed and variable remuneration, paid by the management company to its employees, the number of recipients and, where applicable, any amounts paid directly by the collective investment scheme itself, including the performance fee;
- б) The total amount of remuneration broken down by categories of employees or other members of staff pursuant to Art. 108, para. 1 of CISOUCA;
- в) description of the methods of calculating remuneration and benefits;
- г) (New pursuant to a resolution of the BD dated 02.05.2023) The result of the examinations under Art. 108, para. 7 and 8 of CISOUCA, including any irregularities found;
- д) the significant changes in the adopted remuneration policy.

In addition to the remuneration under point 7. 1. of the management company, remunerations, incentives, bonuses and other benefits are not paid in any form from the funds of the mutual fund to the persons who work under a contract for Compass Invest JSC.

The management company declares that a copy of the remuneration policy will be provided on paper free of charge, to each investor, upon request.

**17.( NEW PURSUANT TO A RESOLUTION OF THE BD DATED 18.11.2022) INFORMATION ON THE METHOD USED TO CALCULATE THE TOTAL RISK EXPOSURE, IN CASE THE INVESTMENT POLICY OF THE FUND EXPLICITLY PROVIDES FOR THE POSSIBILITY OF INVESTING IN DERIVATIVE FINANCIAL INSTRUMENTS**

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The management company applies the method of commitments consistently to all positions in derivative financial instruments, including embedded derivative instruments, regardless of whether they are used as part of the general investment policy of the Fund for the purposes of risk mitigation or for the purposes of effective portfolio management.

When applying the commitment method, the value of each position in a derivative financial instrument is equated to the market value of an equivalent position in the underlying asset of that derivative instrument.

**For Management Company “Compass Invest” JSC,  
acting on behalf of Mutual fund “STRATEGY”:**

\_\_\_\_\_  
Milena Aleksandrova,  
Chairperson of the Board of directors

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Ivaylo Angarski,  
Executive Director

## 18. SCHEDULE №1

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### **RULES FOR PORTFOLIO VALUATION AND DETERMINATION OF THE NET VALUE OF THE ASSETS OF MUTUAL FUND “STRATEGY”**

(Amended by resolution of the Board of Directors of 13.08.2019.) These present Rules regulate the principals and the methods for valuation of the assets, the liabilities and the appraisal of the net value of the assets of Mutual fund “Strategy” (the “Mutual fund” or the “Fund”), set up and managed by the Management Company “Compass Invest” JSC (the “Management Company”). They also regulate the principles and methods for avoidance of conflict of interests and protection against disclosure of inside information.

These present Rules regulate the procedure and the organization of the appraisal of the net value of the assets for the following purposes:

- Determination of the net value of the assets per unit, the issue price and the redemption of Fund’s units;
- Compliance with the investment policy, the investment restrictions and the asset allocation portfolio, as well the requirements for minimum liquidity and the structure of assets and liabilities of the Fund;
- Compliance with the provisions of the CISOU CIA , its implementing regulations and all other legal requirements.

The rules for appraisal of the Mutual fund’s assets, incorporating the principles and methods for asset appraisal as well the system for organization of this operation shall be based on:

- 1) The application of a unified and coherent system for appraisal of portfolio assets, decision making and control;
- 2) A system for collecting information, related to the determination of the net value of the assets – sources of information and types;
- 3) Rules to avoid conflicts of interest and to provide protection against disclosure of inside information;



- 4) Recording the discussions, related to the determination of the net value of the assets and application of relevant documents to the protocols;
- 5) Technological and Software Assurance in determining the net value of the assets;
- 6) A system for storing and protecting documentation, relating to the determination of the net asset value, on paper and on magnetic media storage;

**1. Principles and methods for valuation of the assets and the liabilities. Net value of the assets**

These methods are based on the Regulations of the Mutual fund and the statutes regulating its activity. The methods contain principles and methods for valuation of the assets and the liabilities of the Fund.

**A. Assets valuation**

**(Amended by resolution of the Board of Directors of 13.08.2019.)**

**General principles of valuation of the Mutual fund “Strategy” assets**

(Amended by resolution of the Board of Directors of 25.04.2012 and 30.11.2012) The valuation of the assets and the liabilities of the Mutual fund is made in accordance with the International Accounting Standards (IAS) – by initial recognition, while the subsequent evaluation – at fair value. Transactions with financial instruments executed at the expense of the Fund are being booked on the date of the trade.

**(Amended by resolution of the Board of Directors of 13.08.2019) Methods for valuation of the assets of Mutual fund “Strategy”.**

The value of the assets includes the value of every asset property of the collective investment scheme according to the balance as of the date of preparation of the valuation. The value is calculated as follows:

**1. (Amended by resolution of the Board of Directors of 23.11.2022)**

2. (Amended by resolution of the Board of Directors of 12.09.2016 previous p.3, amended by resolution of the Board of Directors of 23.11.2022) The fair value of the securities and the money market instruments, issued by the Republic Bulgaria in the state, as well as securities and money market instruments issued by another member state and third country, traded on active market trade venues, is made:

- a) at the "buy" price at the close of the market for the day on which the valuation announced in the electronic price information system is carried out.
- b) at the "buy" price at market closing for the last business day, announced in an electronic price information system, in case the trading venue is closed for the day on which the valuation is carried out.
- c) In case there are no "buy" offers on the day of the valuation, then the valuation is carried out at the "buy" price or other similar indicator for the nearest day of the 30-day period preceding the day of the valuation.
- d) In cases where trading is not carried out on trading venues on working days for the country, the valuation is carried out on the basis of a "buy" price for the day of the last trading session preceding the day of the valuation. In the event that there are no bid prices on the day of the last trading session preceding the valuation day, the fair value of these instruments shall be determined at the bid price or other similar item publicly disclosed by trading venues for the nearest day of the 30-day period preceding the valuation day.
- e) In case the price, according to points "a" - "d", is gross, it is used directly for revaluation. Provided that the price is clean, based on the interest rate characteristics by frequency and level of interest coupons, it is converted to gross and then used for revaluation.

3. (New pursuant to a resolution of the BD dated 12.09.2016 and 23.11.2022) **If it is impossible to apply the manner of valuation of securities under p. 2**, the fair value is determined by applying the appropriate methods:

3.1. the method of comparative prices for financial instruments with similar conditions of payment, fall, liquidity and risk or

3.2. (Amended by resolution of the Board of Directors of 03.10.2016) The method of the discounted cash flows as follows:

the prices of the most recent issued emissions with a corresponding maturity, which the primary dealers are missions with a corresponding maturity are hereinafter referred to as "basic issues". The issue, the price of which is to be determined, is called the "demand issue".

For calculation purposes the prices of the main issue shall be calculated in accordance with item 1.

The calculation of the prices of the issues via the method of the linear interpolation has the following stages:

- a) Based on the average prices of the main issues an income curve is formed;
- b) Depending on the residual term to final maturity of the request issue, its position to the nearest preceding issue and the nearest following in terms of relevant period Main issue shall be determined;
- c) The difference shall be determined (in days) between the period until maturity of both Main issues, as well the difference in their income until maturity date;
- d) A multiplier is calculated whereby the difference of the income until maturity date is divided into the difference in the days until maturity date;
- e) The difference between the days until maturity of the Sought issue and the preceding Main issue is determined;
- f) This difference is multiplied by the multiplier under the previous stage so as to calculate the difference in income to maturity of the Sought and the Main issue;
- g) The income until maturity date of the Sought issue is determined by adding the yield of the Main issue, preceding the Sought issue to the calculated difference under the previous stage;

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**h) Based on the calculated income until the maturity of the sought issue, its gross price is calculated via the application of the following formula:**

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

Where:

P – price of the security;

F – principal of the security

C – annual coupon of the obligation

n – number of interest payments per year

N – total amount of the interest payments

r – discount percentage (equal to the income until maturity date)

i – number of the interest payment

w = number of days until next interest payment/total number of days between two interest payments

4. The fair value of **the Bulgarian and foreign securities and rights, which were admitted to trading or have been traded on an active market in the Republic of Bulgaria**, shall be determined in the following manner:

4.1.( Amended by resolution of the Board of Directors of 23.11.2022) At the weighted average price of transactions concluded on the last business day announced through the trading system or in exchange Bulletin, if the volume of transactions concluded for the day is not less than 0.02 per cent of the volume of the issue.

4.2. (Amended by resolution of the Board of Directors of 23.11.2022) If you cannot determine the price from the previous point, the price shares, respectively, by rights, are defined as the average price at the highest price, bought by orders valid at the closing of the regulated market on the last business day, and the weighted average price of transactions concluded with the relevant securities on the same day. The price is determined in this order only if there are concluded transactions and submitted orders with the price.

4.3. If you can not implement paragraph 4.2., the price of the shares or the rights of a weighted average price of transactions concluded on the next day in the last 30-day period preceding the date of valuation, which has concluded transactions. If in the previous 30-day period has been an increase in capital or splitting the shares 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 shares or the amount of the dividend if the closest day during the last 30-day period prior to the valuation date for which has signed deals before the day after which the shareholders are not entitled to participate in the capital increase, respectively date of section net or day by which the shareholders are not entitled to dividend.

5. **If it is impossible to apply the manner of valuation of securities under item 4, as well in relation to shares traded over-the-counter**, the fair value shall be determined through consistent application of the following methods:

- method of the net book value of assets
- method of the ratio price – profit of comparable companies,
- method of the discounted net cash flows.

These methods are applied in the sequence provided below, provided that the method indicated in the first place could not be applied.

5.1. (Amended by resolution of the Board of Directors of 12.09.2016, previous p.5.2)  
The method of the net book value of assets is calculating the value of the shares of the appraised company, whereby the own capital of the company (according to the last financial report) shall be divided by the total number of shares in circulation.

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

Where: P – the value of the ordinary shares of the appraised company

A – assets

L – liabilities

PS – value of the privileged shares

N – total number of ordinary shares in circulation

5.2. (Amended by resolution of the Board of Directors of 12.09.2016; previous p.5.1)

The method of the ratio price – profit of comparable companies consists of, as follows:

a) Calculating the value of the appraised company's shares through multiplying the company's profit per share by a market multiplier. The market multiplier reflects the ratio between the comparable company's price and its profit per share.

b) The profit of the comparable company and the appraised company shall be determined based on the financial reports for the latest one-year period as of the latest published financial report. The profit per share is determined as the net profit of the company is divided by the total number of shares.

c) The multiplier is calculated based on the weighted average price of the transactions in shares of the comparable company executed on the last business day, if the volume of the executed transactions for the day is not less than 0,02 per cent of the volume of the relevant issue. If the price still can't be estimated, the price of the comparable company's shares is determined as an average of the highest purchase orders for valid until closing of the regulated market in the last business day and weighted average price of the executed transactions with shares for the same day. The comparable

company's shares price is determined in that way only if there are executed transactions and submitted purchase orders.

d) Source of the primary information relating to the execution of the above calculations are the financial statements of the public companies according to the register of the Financial Supervision Commission and the Bulgarian Stock Exchange, or other reliable source of information for the relevant trade venue upon active trade.

e) Method and criteria of determination of a comparable company:

- Comparable company is such a company, which provides a good base for comparison to the investment characteristics of the appraised company;
- The selection of comparable companies should be based on a comparative analysis and assessment of their characteristics and the degree of similarity with characteristics of the appraised company;
- The comparable company is selected in accordance with the above criteria and among other companies, traded on active securities market trading venues in the state of seat of the issuer.
  - The criteria that must be met by the company- analogue are:
    - Economic sector, where the company operates;
    - similar product range;
    - published financial reports, which cover the nearest one-year period;
    - executed transactions in company's shares on the same business day.
- Other conditions used in the selection of a comparable company is a comparable main capital and similar financial indicators.

5.3. The method of the discounted net cash flow is applied to determine the value of an ordinary share of the company, whereby the amount of the capital of the holders of ordinary shares is divided by the number of ordinary shares in circulation.

The capital amount of the holders of ordinary shares is calculated in two ways:

5.3.1. Method of the discounted net cash flow for the ordinary shareholders (Free Cash Flows to Equity) – by discounting all net cash flows that remain for the shareholders after meeting all costs, financial obligations, required investments and changes in the working capital are made:

a) This method uses the cash net flows that remain after all cost have been paid, all financial obligations have been covered (including principals and interests of company's debts), the required investments and the changes in the working capital.

b) The net cash flows are calculated whereby the predicted net profit after interests and taxes on profit:

- is increased with the predicted costs for amortization,
- is reduced / increased with the absolute value of the predicted change of the net working capital,
- is increased with the predicted value of a new debt, as well as with the proceeds ensuing from the issue of privileged shares,
- is decreased with the predicted investments in long-term assets,
- is decreased with the predicted payments of the debt's principal,
- is decreased with the predicted dividend payments in favor of the privileged shareholders.

The following formula is applied:

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

Where: FCFE – net cash flow for the ordinary shareholders

NI – net income

Dep – depreciation

FCInv – investments in long-term assets

$\Delta WCInv$  – change of net working capital

PP – principal payments

PD – dividend payments in favor of privileged shareholders

ND – new debt and proceeds ensuing from the issue of privileged shares

c) By applying this method the net cash flows are being discounted by the price of own capital funding.

d) The price of own capital funding is the required rate of return of the ordinary shareholders and is determined in the following way:

- by the risk-free interest rate along with a risk premium:

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

Where:  $K_e$  – the price of own capital funding,

$K_{RF}$  - risk-free interest rate

$RP$  - risk premium

- By the Method of capital asset pricing model:

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

Where:  $K_e$  – the price of own capital funding

$K_{rf}$  – the risk free interest rate

$(K_m - K_{rf})$  – the market risk premium,

$K_m$  – the predicted market return

$\beta$  – beta coefficient

- By the method of the discounted cash flows:

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

Where:  $K_e$  - the price of own capital funding



$D_1$  –the predicted value of the next dividend payment per an ordinary share

$P_0$  – price of an ordinary share

$g$ - predicted growth rate

5.3.2. Free Cash Flows to the Firm method – by way of discounting the net cash flows for all shareholders and other investors, decreased with the total amount of the company’s debts and other receivables of the investors other than the shareholders. Net cash flows are applied in relation to all investors in the company – shareholders, bondholders and privileged shareholders. The net cash flows are calculated in the following manners:

a) In the first case the net cash flows are calculated in a manner whereby the predicted profit before interests and after taxation on profit:

- Is increased with the predicted depreciation costs,
- Is decreased with the predicted change of the working capital,
- Is decreased with the predicted investments in long-term assets.

The following formula is applied:

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

Where: FCFF – firm’s net cash flows

EBIT – earnings before interests and taxes

TR – firm’s tax rate

Dep – depreciation

FCInv –investments in long-term assets

$\Delta WCInv$  – change of the working capital

a) In the second case the following formula is applied:

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

Where: FCFF – firm’s net cash flows

FCFE – net cash flows for ordinary shareholders

Int– Interests costs

TR – firm’s tax rate

PP – principal payments

PD – dividend payments for privileged shares

ND – new debt and proceeds ensuing from the issue of privileged shares

- a) The net cash flows are discounted with the weighted average price of the company’s capital. Upon determination the relevant proportions of the different sources of capital, their different market values are being used.
- b) The weighted average price of the company’s capital is determined via 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 weighted average price of the company’s capital

$k_e$  – price of own capital funding

$k_d$ – price for debt funding before taking into account the tax effect of the interest expenses

$t$  is company’s tax rate

$k_{ps}$  price of financing with privileged securities

E – market value of company’s shares

D – market value of company’s debt

PS – market value of company’s privileged shares

If the market value of the debt could not be determined, its book value shall be used.

5.3.3. Each of the methods for determination of the share capital value could use either of the discounting models:

a) Consistent growth rate where it is assumed that the company’s growth rate is consistent and stable.

The formula which is applied is:

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

Where:  $P_0$  – current value of free cash flows;

FCF is FCFE or FCFF;

$r$  is the relevant discount rate;

$g$  is the company’s consistent growth rate;

b) Two-staged growth rate, where it is assumed that two different periods exist. A prediction for the net cash flows for each year individually is being made in relation to the first period. For the second period it is assumed that the net cash flows shall increase consistently or shall remain unchanged.

The used formula is:

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

Where:  $P_0$  – the current value of the free cash flows;

$FCF_t$  is FCFE or FCFF during the year  $t$ ;

$r$  is the relevant discount rate for the first period;

$P_n$  – is the value of free cash flows in the beginning of the second period of consistent growth;  $P_n$  calculated in the following manner:

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

Where:  $r_n$  is the relevant discount rate during the period of consistent growth;  $g_n$  is the company's growth rate. When assumed that during the second period the net cash flows shall remain the same, then  $g_n=0$ .

5.4. The subsequent valuation of shares, acquired by way of a capital increase with funds of the issuing company or following a division of the existing shares, shall be made in the following manner:

a) In case of acquisition of (new) shares of a company by way of capital increase with own funds a receivable is recognized as of the date when the company's shareholders do not have the right to subscribe shares from the capital increase – the date after which closed transactions with such shares do not affect the right of acquisition of new shares until the date of registration of the capital increase and its entering with the depositary institution.

The value of the receivable equals the result of the amount of new shares multiplied by the price of single new share

$$R = N_n \times P_n,$$

Where  $R$  – receivable

$N_n$  – number of new shares

$P_n$  – price per new share

The price per new share is estimated whereby the last price of valuation relating to an "old" share is divided by the total amount of new shares, acquired in consideration for one "old" share.

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

Where:  $P_n$  – price per new share

$P_0$  – last price of valuation per an “old” share,

$N_r$  – number of new shares in consideration for an “old” share

From the date of registration of the new shares with the depository institution until the date of their admission to trading on a regulated market or trading venue, the new shares’ price is calculated under the following formula:

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

Where:  $P_n$  - price per new share

$P_0$  – last price of valuation per an “old” share,

$N_r$  – number of new shares in consideration for an “old” share

After admitting the new shares for trading on a regulated market or another trading venue, their subsequent valuation is made pursuant to the methods for valuation of securities admitted to trading on a regulated market or another trading venue.

b) In the case of acquisition of (new) shares by a company as a result of splitting the already existing shares (split) a receivable is recognized as of the date, when the new shares were split from the existing shares – the date, after which the closed transactions in shares shall not impact the right to acquire the new shares until the date of registration of the new securities with the depository institution:

The receivable value is equal to the number of new shares multiplied by the price per new share.

The price per new share is estimated as the latest price of valuation per an “old” share is divided by the number of new shares, acquired in consideration for an “old” share.

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

Where R – receivable

$N_n$  – number of new shares,

$P_0$  – latest price of valuation per an “old” share,

$N_r$  – split ratio

From the date of registration of the new shares with the depositary institution until the date of their admission to trading on a regulated market or other trading venue, the new shares’ price is calculated under the following formula:

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

Where

P – price per new share;

$P_0$  – latest price of valuation per an “old” share,

$N$  – split ratio

After admitting the new shares for trading on a regulated market or another trading venue, their subsequent valuation is made pursuant to the methods for valuation of securities admitted to trading on a regulated market or another trading venue.

5.5 (Amended by resolution of the Board of Directors of 12.09.2016) The abovementioned methods under p. 5.1, 5.2, 5.3, 5.4 for determination of the fair value of the securities may be amended by ratios, based on the data base and circumstances which represent disclosed inside information.

6. In cases of acquisition of rights by a company upon capital increase by way of issue of shares, a receivable shall be recognized as of the date, when the shareholders in the company shareholders do not have the right to subscribe shares from the capital increase (the date after which closed transactions with such shares do not affect the

right of acquisition of rights) until the date of registration of the rights with the depositary institution.

The receivable value is calculated on the basis of the following formula:

$$R_r = N \times P_r$$

Where

R<sub>r</sub> – receivable

N – number of rights

P<sub>r</sub> – price per right

The rights' price is calculated pursuant to the following formula:

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

Where:

P<sub>r</sub> – price per right

P<sub>l</sub> – price under the latest valuation of the share (before rights' split)

P<sub>i</sub> – issue price per new share

N<sub>r</sub> – number of shares per right

From the date of registration of the rights with the depositary institution, they are recognized as a portfolio asset at a price determined pursuant to the above formula.

(New pursuant to a resolution of the BD dated 20.09.2018) In case that the receivables was with a negative value, the admission to trading, rights are valued at the indicative reference price for the first trading session published by the regulated market.

6.1.(Amended by resolution of the Board of Directors of 20.09.2018) If application of the methods under p. 4 is impossible, the subsequent evaluation of rights is performed by sequential application of the following methods:

6.1.1(New pursuant to a resolution of the BD dated 20.09.2018) in rights, issued in connection with a capital increase by issuing shares:

a) indicative reference price for first trading session published by the regulated market.

b) if it cannot be applied a) the rights shall be valued at the price representing the difference between the price of the existing shares of the company, as determined by the requirements of p. 4, respectively 5 and the issue price of the new shares from the capital increase multiplied by the ratio of the number of shares in one right.

6.1.2. (New pursuant to a resolution of the BD dated 20.09.2018) In case of rights issued in connection with a convertible bond issue, at a price representing the difference between the price (determined in accordance with the valuation methods set out in points 4-5) of the company's existing shares and the issue value of the convertibility bonds multiplied by the ratio of the number of convertible bonds into a single right and corrected by a conversion factor using the following formula:

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

where:

Pr-the price of the right;

Pl-price of the last valuation of the share (before separation of rights);

Pi - issue price of the new bonds;

Nr- the number of bonds in one right;

C - conversion factor

6.2. (Amended by resolution of the Board of Directors of 30.11.2012)From the date of share subscription by way of exercising the rights until the date of capital increase registration with the depositary institution, the subscribed shares are booked as a receivable, which is formed as the number of the subscribed shares is multiplied by the sum value of single right as per the latest valuation before share subscription, divided by the number of shares per right and issue value per share.



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

Where

R – receivable,

$N_n$  – number of subscribed shares,

$P_i$  – issue value per share,

$P_r$  – value of one right,

$N_r$  – number of shares per right.

6.2.a (New pursuant to a resolution of the BD dated 20.09.2018) From the date of subscription of convertible bonds as a result of exercising the rights until the date of registration of the issue of convertible bonds and entering into a depositary institution, the subscribed convertible bonds are recorded as receivables, which is formed by multiplying the number of subscriptions of convertible bonds by the sum of the value of a right on the last valuation prior to the subscription of the convertible bonds divided by the number of convertible bonds into a right and the issue value of a convertible bond. From the date of subscription of convertible bonds, as a result of exercising the rights until the date of payment of their issue value, an obligation arises from the Mutual Fund to the issuing company.

6.3. From the registration date of the new shares with the depositary institution until the admission to trading on a regulated market or other trading venue, the new shares shall be recognized at a price, calculated under the following formula:

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

Where:

P – price per share

$P_i$  – issue price per share

$P_r$  – value of one right

$N_r$  – number of shares per right

After admitting the new shares to trading on a regulated market or another trading venue, their subsequent valuation is carried out pursuant to the methods for valuation of shares admitted to trading on a regulated market or another trading venue.

6.3.a (New pursuant to a resolution of the BD dated 20.09.2018) From the date of entry of new convertible bonds in depository institution until the date of trading on the relevant trading venue, convertible bonds are recognized at a price calculated using the formula contained in the Valuation Rules for the convertible bonds is calculated and interest every day, according to the prospectus of the issue, and then introduced for trading on the relevant trading venue of convertible bonds subsequent assessment is performed using the methods for valuation of securities admitted to or traded on a regulated market or other trading venue.

6.4. If private company's shares are being acquired by way of an initial public offering, the shares are recognized as of the registration date with the depository institution (from the date of share subscription until the date of registration with the depository institution the subscribed shares are booked as a receivable which is equal in amount to the paid in issue value). The subsequent valuation of the shares after their registration with the depository institution until admitting to trading on a regulated market, is carried out at a price equal to the paid in issue price per share. After admitting the shares to trading on the relevant trading venue, their subsequent valuation is carried out pursuant to the methods for security valuation, which are admitted to trading on a regulated market or another trading venue.

The above mentioned rules are applied accordingly also upon subscription of shares of a non-public joint stock company, in relation to which no subsequent registration of trading on a regulated market is envisaged, whereby from the date of share subscription until the capital increase registration with the Commercial register the subscribed shares are booked as a receivable in amount equal to the paid in issue value, whereas after the date of capital increase registration with the Commercial register, the subsequent valuation of the shares is carried out pursuant to p. 5 above.

6.5. In cases where shares are acquired upon incorporation of a new joint stock company, the shares are valued according to their issue value until their admission to trading on the relevant trading venue. After their admission to trading on the on the relevant trading venue, their subsequent valuation is carried out pursuant to the methods for valuation of securities, admitted to trading on a regulated market or other active market trading venue. If shares are subscribed upon incorporation of a new joint stock company, in relation to which no subsequent registration for trading on a regulated market or other trading venue is envisaged, such shares shall be valued

pursuant to their issue value until the company's registration with the Commercial register. After registration, the subsequent valuation of the shares shall be carried out pursuant to 5. above.

6.6 In cases of rights' acquisition from a company upon issue of warrants having future issue of company's shares as an underlying asset, a receivable is recognized as of the date when the company's shareholders are not entitled to subscribe warrants (the date after which the closed transactions in shares do not impact the right of acquisition of rights), until the registration date with the depository institution.

The receivable value is calculated under the following formula:

$$R_r = N \times P_r,$$

Where:

R<sub>r</sub> – receivable;

N – number of rights;

P<sub>r</sub> – right's price

The rights price is calculated by way of the following formula:

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

Where:

P<sub>r</sub> – right's price;

P<sub>l</sub> – the latest valuation price per share (prior to the rights' split);

P<sub>i</sub> – the issue value of the underlying shares (spot price);

P<sub>w</sub> – warrants' issue value

N<sub>r</sub> – number of warrants per right.

From the date of registration of the rights with the depository institution, they are recognized as Fund portfolio's asset at a price determined under the formula above.

6.6.1. When it's not possible to apply the valuation methods in item 4 the fair price value of rights of warrants issue is determined by a price, which is the difference

between the price of the existing company securities, determined under the requirements of item 4, respectively item 5, and the sum of the issue value of the underlying shares and the issue value of the warrants, multiplied by the number of warrants per right ratio.

6.6.2. From the subscription date of the warrants as a result of exercising the rights until the registration date of the warrants with the depository institution, the subscribed warrants are recognized as a receivable, which is formed whereby the number of subscribed warrants is multiplied by the sum of the value of a right under the latest valuation before warrant subscription divided by the number of warrants per right and the issue value of a warrant.

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

Where: R – receivable

Nn – number of subscribed warrants;

Pw – issue value of a warrant;

Pr – value of a right;

Nr – number of warrants per right.

From the date of warrant subscription as a result of exercising the rights until the payment date of their issue value an obligation to the company-issuer is created.

6.6.3. From the registration date with the depository institution until the date of admission to trading on the relevant trading venue the warrants are recognized at a price determined under the following formula:

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

Where:

P – warrant price;

Pw – issue price per warrant;

Pr – value of a right;

Nr – number of warrants per right.

After releasing the warrants on a stock exchange market the fair value shall be determined according to the valuation methods for securities admitted to trading on a regulated market or another trading venue.

7. (1) (Amended by resolution of the Board of Directors of 12.09.2016) The fair value of the collective investment scheme shares, which have authorization to carry on an activity pursuant Directive 2009/65/EC of the European Parliament and of the Council and/or other entities for collective investment pursuant to art. 38, para. 1, item 5 of the Act on the operation of the collective investment schemes and other undertakings for collective investment is determined based on the last published redemption price. In cases of temporary redemption suspension of the collective investment scheme's units, their subsequent valuation shall be carried out either pursuant to the last determined and published redemption price, or at a fair value per unit. If the temporary suspension of units' redemption is for a period longer than 30 days, the subsequent valuation shall be carried out pursuant to the fair value per unit by applying the method of net book value of assets.

(2) The fair value of the financial instruments of the collective investment scheme upon non-active market is determined by applying the following techniques for valuation.

(3) The valuation techniques include the use of prices from recent and fair stock market transactions between informed and willing parties, reference to the current fair value of another asset, which is in a large extent similar and the conventional methods.

7.1. (Amended by resolution of the Board of Directors of 23.11.2022)

7.2. (Amended by resolution of the Board of Directors of 12.09.2016; previous p.7.1.) A subsequent assessment of shares and units, issued by funds admitted to trading on the stock exchange and other products traded on the stock exchange (ETFs, ETNs and ETCs), including collective investment units pursuant to art. 38, para. 1, item 5 of the CISOUČIA, where there is a limitation on purchasing and redemption for certain class of investors and/or for a certain amount of the order and this results in the inability of the Mutual fund to purchase the shares and units directly from the issuer and respectively to redeem the units it holds, then the financial instruments shall be valued:

a) At price of closing of the transactions in such units on a regulated market, where units and shares of ETFs, ETNs and ETCs, published in the trading system or the stock exchange bulletin board on the last business day.

b) If it's not possible to apply item a) the units and shares of the ETFs, ETNs and the ETCs shall be valued according to the last indicative net asset value per unit as calculated and published by the relevant regulated market (iNAV-indicative net asset value).

c) If it's not possible to apply the above mentioned valuation method, as well in case of suspension of the redemption of units/shares of ETFs, ETNs and ETCs for a

period longer than 30 days, they are valued according to the last determined or published by the issuer price for the net value of the assets per unit/share.

8. (Amended by resolution of the Board of Directors of 23.11.2022) The fair value of **Bulgarian and foreign bonds, admitted to trading on a regulated market or another trading venue in the Republic of Bulgaria** is determined, as follows:

a) On the weighted average price of the transactions concluded with them on the last working day, announced through a trading system or in the stock bulletin, if the volume of transactions concluded with them for the day is not less than 0.01% of the volume of the respective issue.

b) If a price can't be determined according to the methods under letter a) the subsequent valuation of the bonds shall be carried out at the weighted average price on the closed transactions in such bonds during the closest 30-days period prior to the valuation day when transactions were closed;

c) In cases where a fair value of bonds is determined in relation to which interest payment is coming and the price of the closed bond transactions or purchase price is net, as published in the stock market bulletin, the subsequent valuation is formed whereby the published price is added to the outstanding interest coupon as of the date of valuation:

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

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

Where:

AccInt – the accrued interest coupon

F – principal (face value) of the bond

C – annual interest coupon

n – number of interest payments per year

A – the interest-bearing days from the beginning of the interest period to the date of calculation. The days are calculated based on a 30 days per month or different number of days depending on the procedure set out in the prospectus for the relevant issue.

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

To the net price is added the accrued interest coupon as of the valuation date and the calculated gross price is used for subsequent valuation of the bond.

9. (Amended by resolution of the Board of Directors of 12.09.2016 and 11.11.2019) If the application of the procedure under p. 8, letters a) – b) is impossible when calculating the fair value of a bond, admitted to trading on a regulated market or other active market trading venue, as well in relation to determination of bonds' fair value which have not been admitted to trading on a regulated market or other trading venue, the method of the discounted cash flows is applied.

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

b) the discounted cash flow method uses the following formula:

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

Where:

P – the price of the security

F – the principal of the security

C – the annual coupon of the bond

n – number of interest payments per year

N – total number of interest payments

r – discount rate (equal to income to maturity)

i – serial number of the interest payment

w = days until the next interest payment / total number of days between two interest payment

10. The valuation of the fair value **of the Bulgarian and foreign securities admitted to trading on active market trading venues abroad** is carried out, as follows:

10.1. As regards securities, traded on regulated markets and official stock exchange markets:

a)( Amended by resolution of the Board of Directors of 12.09.2016 and 23.11.2022) at closing price of the relevant market, which is also publicly announced, around the day of the valuation;

b)( Amended by resolution of the Board of Directors of 17.01.2022 г.)

c)( Amended by resolution of the Board of Directors of 17.01.2022 г.)

d)( New pursuant to a resolution of the BD from the date) at the closing price publicly disclosed by trading venues for the last business day, if the trading venue is not operational on the day on which the valuation is carried out;

10.2. (Amended by resolution of the Board of Directors of 23.11.2022) If the price could not be determined pursuant to p. 10.1, the valuation of the concrete type of security is made by way of accordingly applying p.14, 5, 6 and 9

11. The valuation of the fair value of derivative financial instruments with underlying securities, admitted to trading on a regularly operating, recognized and publicly accessible regulated markets or other trading venues in the Republic of Bulgaria is determined under item 4.1-4.3.

11a. The valuation of the fair of derivative financial instruments with underlying securities, admitted to trading on a regularly operating, recognized and publicly accessible regulated markets or other trading venues abroad, is determined under p. 10.1.

12. If application of p.11 and 11a is impossible when forming a price for subsequent valuations of options, admitted to trading on a regulated market or other securities' trading venues the subsequent valuation is made by applying the Black-Scholes approach to determine the option price. The Black-Scholes model refers to the call-option valuation and thus the valuation of the put-option shall be a function of the call option price for the relevant asset under the same conditions.

The formula to determine the put option price:

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

Where:

C – the call-option price calculated under the Black-Scholes model;

X – the price of exercising the option (Strike price)

E – 2. 71828, base of the natural logarithm function



R – risk-free interest rate

T – Period until option maturity in years

$Xe^{-rT}$  = PV (X) – current strike price of the option.

$S_0$  – Current price of the underlying asset (in relation to which the option is underwritten)

Calculating “C” - the price of the call option for the relevant asset having the same parameters (Black-Scholes formula):

$$C_0 = S_0 N(d_1) - X e^{-rT} N(d_2)$$

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

$C_0$  – current value of the call-option

$S_0$  – Current value of the underlying asset

N(d) - The probability of a random experiment over the standard normal distribution having a value less than d. The relative values can be found in tables with rates of normal distribution.

X - Strike price of the option

e- 2.71828, base of the natural logarithm function

r – risk-free interest rate

T – Period until option maturity in years

$Xe^{-rT}$  = PV (X) – current strike price of the option

ln - the function natural logarithm

$\sigma$  - the standard deviation of the annual return rate (constantly capitalized) of the underlying asset (volatility).

The conventional deviation of the return rate for n-number of observations is calculated under the following formula:

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

Where  $\bar{r}$  is the average return for the relevant period. The return rate on the t day is determined in accordance with the consistent capitalization whereby  $r_t = \ln(S_t/S_{t-1})$ .

12a. If application of p. 11 and 11a is impossible upon forming a price for subsequent valuation of warrants admitted to trading on a regulated market or other trading venues, or traded over-the-counter, the subsequent valuation is carried out by applying the formula under p. 12 for calculating the price of the call-option.

13. If application of p. 11 is impossible upon forming a price for subsequent valuation of futures' price admitted to trading on a regulated market or other trading venues, the subsequent valuation is made in the following manner:

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

Where:

F – futures contract price;

S – spot price of underlying asset;

PV(D,0,T) – current value of an expected dividend payment;

Rf – risk free interest rate;

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

13a. The fair value of **derivative financial instruments traded over-the-counter is determined pursuant to the market maker's purchase** price upon close of market on the business day preceding the valuation day. If application of the rule is impossible:

13a.1. The fair value of options traded over-the-counter is determined by using the formula under p. 12.

13a.2. The fair value of the foreign exchange forward contracts is determined by using the below formula. When the term to maturity of the exchange forward contracts is less than a month and in case there are minor differences in relation to the interest rates due to the short term and marginal impact of discounting factors it is assumed that the forward exchange rate as of the date of determination of the fair value (t) equals the current spot exchange rate.

$$V_t = N \left( \frac{C}{1 + i_A} + \frac{P}{1 + i_B} \right)$$

Where:

$V_t$  – forward contract value;

$N$  – forward contract amount;

$C$  – current spot rate between two currencies;

$P$  – forward exchange rate, agreed upon conclusion of the forward contract;

Both currency exchange rates are defined as currency units B for a currency unit A

$i_A$  – risk free interest rate for currency A;

$i_B$  – risk free interest rate for currency B;

$T$  – maturity date of the forward contract;

$t$  – current date

13a.3. The **forwards** fair value, as distinct from the specified under p.13a.2. shall be determined by using the formula under p. 13.

13b. (Amended by resolution of the Board of Directors of 20.09.2018) The fair value of financial instruments admitted to trading on more than one regulated market shall be determined by the closing price or other similar indicator publicly disclosed on the valuation day of the trading venue from which the largest volume of transferable securities and money market instruments was traded on that day.

14. (Amended by resolution of the Board of Directors of 12.09.2016, 20.09.2018 and 23.11.2022) The fair value of transferable securities and money market instruments admitted to or traded on trading venues, if they are not traded on the day on which the valuation is made, shall be determined by the closing price or other similar item publicly disclosed by trading venues on the nearest day of the 30-day period, preceding the day on which the valuation is carried out.

The fair value of transferable securities and money market instruments admitted to or traded on trading venues, in cases where no trading is conducted on trading venues on business days for the country, shall be the closing price for the day of the last trading session preceding the day on which the valuation is carried out.

In the event that no transactions are concluded on the day of the last trading session preceding the day on which the valuation is made, the fair value of those instruments shall be determined at the closing price or other similar item publicly disclosed by trading venues for the nearest day of the 30-day period preceding the day on which the valuation is made. In the valuation of bonds and other forms of securitised debt (debt securities), the accrued interest for the respective days shall also be taken into account. The rule also applies when taking into account the volumes under p.13b.

14a. (Amended by resolution of the Board of Directors of 23.11.2022) The fair value of financial instruments of companies that have been declared insolvency is used a factor of zero, respectively, their fair value is assumed to be zero.

15. (Amended by resolution of the Board of Directors of 25.04.2012) The fair value of **the bank deposits, the cash on counter and the short-term receivables** is valued on valuation day in the following manner:

1. the term deposits and the deposits for an indefinite period of time, the cash on counter – according to their face value;

2. the short-term receivables without certain interest rate or income – according to their cost price;

3. the short-term receivables with fixed interest rate or return – according to their cost price.

16. **The financial assets, denominated in foreign currency** are recalculated in BGN equivalence, as determined in accordance with the central rate of the Bulgarian National Bank valid for the day of valuation.

17. **The subsequent valuation of the money market instruments, admitted to trading on a regulated market or other trading venue** is determined pursuant to p. 10.1. If p. 10.1 could not be applied, as well as in relation to the money market instruments, which are not traded on a regulated market or other trading venue, the following formula is used:

The value of the deposit certificate is determined under 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 deposit certificate value;

MV – deposit certificate value on maturity date;

N – deposit certificate's nominal value;

d – number of days from revaluation date to maturity;

i – discount rate;

c – interest payable on the amount of the deposit, indicated on the certificate.

The short-term government securities (treasury bonds) are evaluated under the following formula:

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

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

N – nominal value;

i – discount rate;

d – number of days from revaluation date to maturity

The discounting norm in the formulas above is determined pursuant to p. 9 a) and 9 b) of the present Regulations.

### **B. Fund liabilities valuation**

The Fund liabilities value equals the sum of the balance values of short-term and long-term liabilities on the balance. The liabilities denominated in foreign currency are calculated in BGN as per the central rate of the Bulgarian National Bank on the

valuation date. The liabilities are calculated pursuant to the accounting practices at the moment of valuation.

### **C. Determination of Net Asset Value**

The Net Asset Value (NAV) is calculated as a difference between the value of all assets, calculated evaluated pursuant to the current Regulations, and the value of all liabilities on the balance sheet, evaluated pursuant to the current Regulations.

### **D. The role of the Fund's auditors for the portfolios evaluation and determination of NAV**

The auditors carry out their operations relating to the portfolios' evaluation and determination of NAV by providing an auditor's opinion in compliance with the Independent financial audit act and the professional requirements of the International auditor standards in the sense that the financial reports prepared by the Management Company of the Fund do not contain substantial inaccuracies, deviations and discrepancies. The audit includes verification based on testing evidence on the sums and announcements, provided in the Fund's financial reports and assessment of the applied accounting principles and the essential assessments made by the management, as well the whole performance in the financial reports.

## **II. (Amended by resolution of the Board of Directors of 13.08.2019) Procedure of determination of the net asset value, net asset value per unit, issue value and redemption price of units of Mutual fund "Strategy"**

This procedure is based on the statutory requirements and the Fund's Regulations. The Fund's Depository Bank performs the general compliance supervision, the Fund's Regulations and the present Rules upon determining the net asset value, net asset value per unit, issue value and redemption price of Fund's units. The Management Company collects and analyses all documents and information, which shall be used to determine the net asset value, net asset value per unit, issue value and redemption price of Fund's units, as well to implement all necessary accounting operations in relation to such activity.

### **1. Persons in charge of determining and of supervising the determination process of the NAV, NAV per share, issue value and redemption price**

The Net Asset Value, the Net Asset Value per unit, the issue value and the redemption price of Fund's units are determined by the Management Company under the supervision of the Fund's Depository bank and in compliance with the present Rules.

It is an obligation of the Management Company to publish information on the issue value and the redemption price.

## **2. Technology of determination of the NAV, NAV per share, issue value and redemption price**

**2.1.** (Amended by resolution of the Board of Directors of 12.09.2016) The net asset value of the Mutual fund and the net asset value per unit are determined every Wednesday and Friday not later than 14:30, under the terms and in accordance with the present Rules, pursuant to the current legislation, the Fund's Regulations and the Prospectus for public offering of Fund's units. The valuation is performed on the basis of the Fund's assets as available on the previous business day and taking into account the relevant financial instruments' prices for that day. The Management Company evaluates the Fund's portfolio, determines the Fund's net asset value, the net asset value per unit, the issue value and the redemption price under the supervision of the Depository Bank.

**2.2.** (Amended by resolution of the Board of Directors of 30.11.2012, 12.09.2016, 20.09.2018, 05.09.2019, 17.01.2022) Procedure of determination of the fund's net asset value, net asset value per unit, issue value and redemption price:

The following procedure is being observed each Wednesday and Friday between 09:00 and 12:30:

- determination of the assets and their price under the present Rules;
- 
- the accounting for all operations of the Fund and the revaluation of cash and liabilities denominated in currency shall be carried out;
  - The net asset value and the net asset value per unit are determined and a resolution on the issue value and the redemption price for Fund's units is adopted. The net asset value per unit is determined by dividing the Fund's net asset value by the number of units in circulation at the determination moment.
  - The issue value equals the net asset value per unit, increased by the costs of issuance, if such are provided for in the Rules and Prospectus of the Fund
  - The redemption price of one unit is equal to the net asset value of one unit, less redemption costs, if such are provided for in the Fund's Rules and Prospectus.
  - Each Wednesday and Friday until 12:30 the determined net asset value, net asset value per unit, issue value and redemption price of Fund's units is submitted to the Fund's Depository Bank, as well the whole information on the process of determination, including on the number of sold and redeemed Fund's units with

completed settlement;

- Each Wednesday and Friday until 14:30 a confirmation by the Depository bank of the Fund is awaited relating to the accuracy of the calculations of the net asset value, net asset value per unit, issue value and the redemption price of the Fund's units (upon ascertainment of breaches the discrepancies are corrected);
- By 14,30 on Wednesdays and Fridays, the net asset value determination process is completed.

(Amended by resolution of the Board of Directors of 20.12.2016) By the end of the working day in which the calculation of the issue value and the redemption price of the shares of the Fund, the Management Company announces this data:

- ❖ (Amended by resolution of the Board of Directors of 20.12.2016) in the office of the management company, where orders for the sale and redemption of shares are accepted and contacts are made with investors and shareholders in the Fund;
- ❖ on the web site of the Management Company.
- ❖ (Amended by resolution of the Board of Directors of 20.12.2016 and 23.11.2022) the issue value and redemption value of the shares of the mutual Fund may be disclosed at each settlement, but not necessarily, and on the BAUD website or through the financial media or the Agency.

The Management Company maintains records of the discussions, resolutions and sources of information related to determining the Fund's net asset value. Protocols include information and documentation that are used to make decisions. Records are kept for at least five years. The whole information and documentation related to the Fund's NSA and the net value per unit is recorded on paper and on magnetic storage. (2 copies)

The head of "Regulatory Compliance" Department of the Management Company is responsible for storing documents related to the calculation of the NSA Fund and determining the net asset value of one share.

The supervision on the process of storing the documents, related to the Fund's NSA valuation and the determination of the net asset value per unit is carried out by the executive member (the executive director) of the Board of directors of the Management Company.

The sources of information used in determination of the NSA are the official bulletin of the Bulgarian Stock Exchange – Sofia AD, the primary dealers of government securities, Reuters, Bloomberg, CEDEL, EUROCLEAR etc.

The Management Company systematizes, classifies and indicates the used sources of information.



(Amended by resolution of the Board of Directors of 18.09.2019) The Management Company uses a software to calculate the net asset value, the issue value and the redemption price. The software is connected with the Fund's accounting system, which allows models for accounting the different operations and subsequent automatic generation of the accounting records, which are booked in the accounting system. This type of connection eliminates double entry of information, and helps to avoid errors reintroduction. The software reads the daily files of the Bulgarian Stock Exchange – Sofia and other trading venues, and includes them in the information database of the system. Based on such data, calculated every Wednesday and Friday, the market price of the positions traded on the BFB and other venues and in compliance owned volume of the respective positions in the Mutual fund's portfolio and subject areas covered by these rules criteria for the existence of market price and included in the net asset value. The market prices of the other assets shall be imported in electronic way. The software has different levels of access, which guarantees the data protection upon calculation of the NAV. The program stores the data, related to NAV determination, issue value and redemption price and enables searching data for previous periods.

The whole documentation and information, used in determination of the net asset value, issue value and redemption price is recorded on paper and magnet storage by the Management Company for a minimum of 5 years. In order to avoid the risk of loss for technical reasons, the documentation is also stored on a second magnet storage.

### **III. Organization of the portfolio valuation activity and determination of the Fund's net asset value**

1. The Management Company is responsible for the adoption, amendment and supplementation of the present Rules. The Management Company carries out supervision on the compliance and the application of the Rules by any individual, who is involved in the net asset value determination, including the Depository Bank.

The Management Company has the following authorities and responsibilities in controlling the activity of the assets' valuation in the Fund's portfolio, and the determination of the net asset value:

- The Management Company examines the Depository Bank's accounts and reports at least once a month, and all other documents and pieces of information connected to the accomplishment of the contracts with the Depository Bank. The Management Company may as a matter of fact demand additional documents, information and explanations. If it comes to a situation whereby the Depository Bank isn't capable of showing the

demanded documents, information and particular explanations, the Management Company will immediately inform Financial Supervision Commission (FSC).

- The Management Company inspects the procedure of the Fund's asset value determination once a year or in case of particular circumstances, connected to the securities' market, which demand the following.

2. The Management Company makes decisions, related to the determination of the NAV, NAV per unit, issue value and redemption price according to the current legislation, the Fund's Regulations and Prospectus and the present Rules. The Management Company determines the asset value and collects and analyzes the data, necessary to carry out this activity. It is also responsible for obtaining market quotes and the currency rate for the purposes of calculating the net asset value. The Management Company performs all accounting operations relating to the revaluation of assets.

3. (Amended by resolution of the Board of Directors of 12.09.2016) The Depository Bank supervises the calculation of the issue value and the redemption price of Fund's units in accordance with the CISOU CIA, the acts on its implementation, the Fund's Regulations and Prospectus as well as the present Rules. The Fund's Depository Bank verifies the valuation and the determined net value and notifies the Management Company in writing as to the outcome of the verification process until 14.30 on the valuation day. In case of an established violation, the Fund's Depository Bank notifies the Management Company until 14.00 on the valuation day and requires the removal of the discrepancies. In case of established infringements or mistakes which occur during the calculation of the issue value and the units' redemption price, the Depository Bank informs the Management Company and makes the adjustments to the issue value and redemption price.

#### **IV. Fundamental rules on avoidance of conflict of interests and securing protection against disclosure of inside information**

- The Management Company has approved and applies Policy of avoidance of conflict of interests which may arise during the Fund's asset evaluation process. The Policy entails rules and actions to ensure protection against disclosure or use of inside information related to the valuation of assets, before its publishing.
- (Amended by resolution of the Board of Directors of 12.09.2016,03.10.2016) Requirements for persons employed by the Management Company:

-They can't invest the funds of the collective investment scheme in financial instruments, which have been issued by themselves or by connected to them issuers;

- They can't be part of a deal with the collective investment scheme, except in their capacity as shareholders;

-Disclose information about personal transactions in financial instruments until the end of the business day, following the day of receiving the confirmation for the transaction.

- - They cannot publicize, unless explicitly authorized, and use for benefit personally or in favor of other persons facts and circumstances concerning the available funds and operations under the Fund's bank accounts as well as any other facts and circumstances representing trade secret which they may have become aware of in the course of implementation of their official and professional obligations.

- Purchase and redemption orders relating to the Fund's units shall be executed following the publishing of the issue and redemption price per unit.

- The Management Company shall provide fair treatment of the unitholders by applying the principles of protection of their interests, for avoidance of benefit of one person on the account of another, for equal treatment under equal conditions, as well as for complete disclosure of the necessary information for making an investment decision.

- Department "Compliance" in the Management Company, within the limits of the powers granted by law and internal rules, supervises the lawful and correct implementation of the Management Company's activity as in the case of a risk of Endangering the interests of the unitholders, the head of department shall immediately inform the senior management, who shall convene a meeting of the Board of Directors within a reasonable time to examine the matter and take specific measure.

**(Amended by resolution of the Board of Directors of 08.10.2018 and 28.01.2022)** These present Regulations may be amended, expanded or replaced by decision of the Board of Directors of the Management Company which shall enter into force following approval by the Deputy Chairman of the FSC, managing Investment Activity Supervision Division.

These present Regulations were adopted by the Board of directors of the Management Company “Compass Invest” JSC pursuant to resolution dated 24 October 2008 with the Management Company acting on behalf of Mutual fund “Strategy”, and were later amended pursuant to resolutions of the Board of directors dated 30. August 2008, 6. April 2012, 25 April 2012, 21. May 2012, 30. November 2012, 12. September 2016, 03. October 2016, 20. December 2016, 20. December 2016, 20. September 2018, 08. October 2018, 13. August 2019, 05. September 2019, 11. November 2019, 17. January 2022, 28. January 2022 and 23. November 2022, for Management Company acting on behalf of the Mutual Fund “Strategy”.

(Amended by resolution of the Board of Directors of 08.10.2018) By the decision of the Board of Directors, taken place on the 30. November 2012, the accepted changes shall enter into force beginning on the 1. January 2013, following approval by the Deputy-Chairman of FSC, head of “Investment Supervision” of the Financial Supervision Commission.

**For Management Company “Compass Invest” JSC,  
acting on behalf of Mutual fund “STRATEGY”:**

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Milena Aleksandrova,

Chairperson of the Board of directors

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Ivaylo Angarski,

Executive director