

RULES FOR MAINTENANCE AND MANAGEMENT OF THE LIQUIDITY OF MUTUAL FUND "UBB PREMIUM EQUITY"

Art. 1 (1) These Rules for maintenance and management of the liquidity ("Rules") of "UBB PREMIUM EQUITY" (called hereinafter the Fund) are adopted and amended by the Board of Directors of "UBB Asset Management" JSC (called hereinafter the "Management Company") in accordance with the Act on collective investment schemes and other collective investment undertakings (CISOUCI ACT) acts on its implementation and the Rules of the Fund.

(2) The management company shall submit these Rules to the Financial Supervision Commission within 7 days of their adoption, or their change.

(3) The management company is obliged to constantly monitor the liquidity of the Fund. When it finds that it does not meet the legal requirements, the management company immediately takes measures for its alignment.

Art. 2 (1) The cash management of the Fund and the adherence to legal requirements for liquidity is performed by the management company at the expense of the Fund.

(2) *(Am. by order from 19.11.2018)* Persons who manage, keep records and supervise the liquidity of the Fund are employees in the Department "Accountancy", Department "Investments and Analyses" and Department "Regulatory Compliance" of the Management Company and the Custodian of the Fund.

(3) The management company must comply with the requirements for structure of the assets and liabilities and do not expose the Fund to risks not complying with its risk profile.

Art. 3 (1) The present rules aim to ensure the availability the Management Company to perform arisen on account of the fund obligations and prevent the occurrence of a liquidity crisis in the case of submitted orders for redemption of the Fund of significant value.

(2) The management company shall comply with the following principles in maintaining and managing the liquidity of the Fund:

a) compliance with the liquidity requirements laid down in these Rules and in accordance with the ACISOIU Act, Ordinance № 44 on the requirements to collective investment schemes, investment companies and management companies (Ordinance № 44);

b) the execution of preliminary, current and subsequent control over the management and disposition of the Fund's liquidity and ongoing assessment of its liquidity and cash flows;

c) the necessary measures to prevent liquidity crises;

d) diversification of investments.

(3) Compliance with the above mentioned principles aimed at ensuring protection of rights and interests of the unitholders of the Fund, implementation and compliance with the liquidity requirements under the laws and internal regulations, and ensuring avoidance of potential liquidity crises.

Methods and principles to maintain liquidity

Art. 4 (1) A basic principle followed by the Management Company in managing the liquidity of the Fund is to maintain a structure of assets and liabilities, which allows:

a) the smooth carrying out the activity of fund management, promptly paying its debts at a reasonable price, without hasty sale of profitable assets. The management company shall ensure compliance with this requirement by not exposing the Fund to excessive market and credit risks;

b) exposing the Fund to liquidity risk;

c) compliance with legal requirements for liquidity.

(2) A liquidity risk is the risk arising from that position of the portfolio can not be sold, liquidated or closed at limited cost in an appropriate short term and to compromise the ability of the Fund to redeem its units at the request of their holders.

Conditions to be met by financial instruments in which the Fund may invest

Art. 5 The management company at the expense of the Fund invests mainly in liquid transferable securities and other liquid financial assets under Art. 38 of ACISOIU Act.

Art. 6 (1) The transferable securities in which the Fund invests comply with the following conditions:

1. The potential loss which the Fund may incur by holding them shall be limited to the amount paid for them;

2. their liquidity should not be compromising the ability of the Fund to redeem its units at the request of their holders;

3. a reliable estimate, which is defined as follows:

a) securities admitted to or traded on a regulated market under Art. 38, para. 1, p. 1-4 of ACISOIU Act have accurate, reliable and regular market prices or prices provided by independent issuer evaluation systems;

b) securities under Art. 38, para. 2 of ACISOIU Act have periodic evaluation conducted on the basis of information derived from the issuer, or on the basis of a competent investment research;

4. for them there is information that is considered appropriate if:

a) Securities admitted to or traded on a regulated market under Art. 38, para. 1, p. 1-4 of ACISOIU Act is provided to the market regularly with accurate and detailed information on the security or, where applicable, for the security portfolio;

b) securities under Art. 38, para. 2 of ACISOIU Act regular supply of accurate information to the Fund on the security or, where applicable, for the security portfolio;

5. are freely transferable;

6. their acquisition corresponds to the investment objectives and / or investment policy of the Fund;

7. the risks associated with them are described in the rules for risk management of the Fund.

(2) It is considered that the securities under Art. 38, para. 1, p. 1-3 of ACISOIU Act comply with the requirements under par. 1 pt. 2 and 5, if the Management Company has no information that would lead to a different conclusion.

(3) transferable securities under Art. 38 of ACISOIU Act are considered and the shares / units of an investment company, mutual fund or unit trust gated if:

1. fulfill the conditions under par. 1 and 2;

2. investment companies and unit trusts apply corporate governance rules, applicable to companies and mutual funds, are subject to the corporate governance rules equivalent to those applied to companies;

3. the company that manages the fund, respectively, the company that manages the assets of the firm and unit trust, if any, is subject to national regulation to protect investors.

(4) (*Am. by decision from 16.01.2014*) Of transferable securities under Art. 38 of ACISOIU Act are considered and the financial instruments that fulfill the conditions under par. 1 and 2 and are guaranteed by or linked to yields on other assets, which may be different from those under Art. 38, para. 1 of ACISOIU Act.

(5) Money market instruments in which the Fund invests are liquid money market instruments, if they can be sold at limited cost and adequate short period of time, given the obligation of the Fund to redeem its shares at the request of any of the unitholders.

(6) Money market instruments in which the Fund invests are instruments whose value can be accurately determined at any time, if to their name are present accurate and reliable assessment systems that meet the following requirements:

1. allow the Fund to calculate the net value of its assets based on the value of the instrument included in its portfolio could be exchanged between knowledgeable willing independent parties under fair contract;

2. based on market data or on valuation models including systems based on amortized costs / expenses.

(7) It is believed that the money market instruments under Art. 38, para. 1, p. 1-3 of ACISOIU Act comply with the requirements under par. 1 and 2, if the fund has no information that would lead to a different conclusion.

(8) In case of pledging of assets or if any other restriction over their use by the Fund, shall be excluded in the calculation of liquidity.

Art. 7 (1) Money market instruments under Art. 38, para. 1, p. 9 of ACISOIU Act, other than those traded on a regulated market, but whose issue or the issuer is regulated for the purpose of protecting investors and savings, fulfill the following conditions:

1. meet at least one of the following requirements:

- are financial instruments admitted to trading or traded on a regulated market within the meaning of Art. 38, para. 1, p. 1-3 of ACISOIU Act;

- are financial instruments that are admitted to trading and all the requirements of Art. 6 para. 5-7;

2. and freely transferable and for them is available relevant information, including information necessary to carry out an appropriate assessment of the credit risks associated with investing in them, taking into account the requirements under par. 2-4.

(2) For money market instruments under Art. 38, para. 1, p. 9 of ACISOIU Act letters "b" and "d" for money market instruments under Art. 38, para. 1, p. 9 of ACISOIU Act letter "a", which are issued by regional or local authorities in the Republic of Bulgaria or another Member State or of a public international organization in which at least one Member State but are not guaranteed by a Member State and in the case of a federal state which Member State - by a member of the federation, appropriate under par. 1 pt. 2 shall be considered if there are:

1. information on the issue or issuance program and the legal and financial position of the issuer prior to the issue of the money market instrument;

2. Update the information under p. 1, which is performed at least annually and whenever a significant event;

3. verify the information under p. 1, which is carried out by appropriately qualified third parties that are independent of the issuer;

4. reliable statistics on the issue or the issuance program.

(3) For money market instruments under Art. 38, para. 1, p. 9 letter "c" of ACISOIU Act is considered that there is sufficient under par. 1 pt. 2 information if there are:

(2) information on the issue or issuance program or on the legal and financial position of the issuer prior to the issue of the money market instrument;

(3) Update the information under p. 1, which is performed at least annually and whenever a significant event;

(4) reliable statistics on the issue or issuance program or other data enabling the appropriate assessment of the credit risks associated with investing in such instruments.

(4) For money market instruments under Art. 38, para. 1, p. 9 letter "a" of ACISOIU Act other than those listed in par. 2 and issued by the European Central Bank, the Bulgarian National Bank or the central bank of another Member State, as appropriate under par. 1 pt. 2 information is deemed information on the issue or issuance program or on the legal and financial position of the issuer prior to the issuance of the instrument.

Art. 8 (1) The Fund may hold ancillary liquid assets.

(2) The additional liquid assets under par. 1 include cash at the cashiers of the Fund.

(3) The Fund's assets are valued at the date of the reporting of liquidity as follows:

a) term and demand deposits, cash - at nominal value;

b) (*Am. by decision from 16.01.2014*) government securities and investment securities - at fair value determined under the rules for valuation and determining the net asset value;

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

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

Art. 9 Liquid financial assets under Art. 38, para. 1, p. 8 of ACISOIU Act do not include derivative financial instruments with base asset - goods.

Determining the structure of assets and liabilities

Art. 10 The management company at the expense of the Fund maintain a structure of assets and liabilities that can fulfill every moment obligations under redemption of units of the Fund.

Art. 11 (1) THE FUND may not invest more than 5 percent of its assets in transferable securities or money market instruments issued by one person.

(2) The Fund may not invest more than 20 percent of its assets in deposits with a person under Art. 38, para. 1, p. 6 of ACISOIU Act.

(3) The risk exposure of the fund to a counterparty in a transaction with OTC derivative financial instruments may not exceed any of the following thresholds:

1. ten percent of the assets when the counterparty is a credit institution under Art. 38, para. 1, p. 6 of ACISOIU Act or

2. Five percent of the assets - in other cases.

(4) The Fund may invest up to 10 per cent of its assets in transferable securities or money market instruments issued by one person only, provided that the total value of investment in people, in each of which it invests more than 5 percent of its assets must not exceed 40 percent of the assets of the collective investment scheme. The restriction under the first sentence does not apply to deposits with credit institutions that are implemented prudential supervision and to transactions with OTC derivative financial instruments with these institutions.

(5) In addition to restrictions under par. 1-3 total value of the fund's investments in transferable securities or money market instruments issued by a person deposits with this person, as well as exposure to the same body arising from transactions with OTC derivative financial instruments can more than 20 percent of its assets.

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

(7) The transferable securities and money market instruments under par. 6 shall be disregarded for purposes of limitation under par. 4.

(8) The investment restrictions under par. 1-6 can be combined. The total value of the fund's investments in transferable securities or money market instruments issued by a person deposits with this person, as well as exposure to the same body arising from transactions with derivative financial instruments under par. 1-6 may not exceed 35 per cent of its assets.

(9) The Fund may invest up to 25 per cent of its assets in bonds issued by a credit institution established in a Member State which is subject to special supervision designed to protect bond holders, including the requirement raised by the bond issue funds to be invested in assets that during the entire period of the issue provide coverage of claims in connection with bonds and in the event of insolvency of the issuer to be used in priority for payment of obligations to bondholders. The total investment in the first sentence beyond the limit under par. 4 of exposures to a single issuer may not exceed 80 percent of fund assets. The bonds issued by credit institutions domiciled in a Member State that qualify under the first sentence, shall be published on the European Commission.

(10) The companies included in the same group for the purposes of preparation of consolidated financial statements in accordance with recognized accounting standards are regarded as a person applying restrictions under par. 1-9.

(11) The total value of investments in transferable securities or money market instruments issued by companies in a group, can not exceed 20 percent of the value of fund assets.

Art. 12 (1) The Management Company on behalf of the Fund may not enter into bank deposits for a period longer than 12 months.

(2) The Fund supports the following currency structure of bank deposits:

- Bank deposits in lev - up to 100% of the Bank deposits;
- Bank deposits in euro - up to 50% of the Bank deposits;
- Bank deposits in other currencies - up to 35% of the Bank deposits;

(3) (*Am. by decision from 16.01.2014*) Not less than 5 percent of the fund's assets must be liquid assets, which include:

1. Cash in hand;
2. Cash balances and deposits with a remaining maturity of no longer than one year in banks that are not in bankruptcy proceedings;
3. вземанията с остатъчен срок до падежа не по-дълъг от 3 месеца;
4. securities issued or guaranteed by the state, which have a residual maturity not exceeding one year;
5. debt securities with a residual maturity not exceeding one year issued or guaranteed by:
 - a) states - states or their central banks;
 - b) the central banks of / or countries - members of the Organization for Economic Cooperation and Development, non - member countries of the European Union and countries of the Agreement on the European Economic Area, as well as Russia, Brazil, China, India, Indonesia and South Africa;
 - c) the European Central Bank or the European Investment Bank.

(4) The management company is obliged to pay the received cash funds for the issuance of shares of the Fund's bank account specifically opened for that purpose in the depository bank at the latest by the end of next business day.

Art. 13 (1) (*Am. by decision from 16.01.2014*) The total annual operating expenses of the Fund and in particular the cost of remuneration of the management company, remuneration of the Custodian, remuneration for audit services and other (excluding commissions to investment firms, fees for supervision by the regulator, fees and commissions charged by regulated markets in financial instruments, depository and other institutions in the capital market) may not exceed 5 percent of the average annual net asset value of the Fund.

(2) Cash of the Fund to cover the running costs can not exceed 1,000 Levs.

(3) It is permissible to maintain at the cashiers amounts above the par. 2 in respect of implementation of submitted orders for redemption of the Fund.

Rights and obligations of persons responsible for the management, accountability and control of liquidity

Art. 14 (1) (*Am. by order from 19.11.2018*) Managing and maintaining the liquidity of the Fund are performed by the Department "Accountancy", Department "Investments and Analyses", in cooperation with the Department "Regulatory Compliance" of the management company.

(2) (*Am. by order from 19.11.2018*) The Department "Accountancy" of the Management Company prepares:

- annual report within 90 days after the fiscal year;
- half-yearly report covering the first six months of the financial year, within 30 days from the end of the reporting period;
- to 10th day of the month following the reporting, monthly balance;
- requested by FSC additional information and clarifications regarding the liquidity of the Fund, including analytical reports for each position.

(3) (*Am. by order from 19.11.2018*) Department „Investments and Analyses” prepares to 10th day of the month following the reporting, information about:

- the volume and structure of investment portfolio by issuers and types of securities and other financial instruments;

- types of derivative instruments, the underlying risks associated with the underlying assets of derivative instruments, the quantitative limits and methods chosen to assess the risk associated with transactions in derivative instruments
- requested by FSC additional information and clarifications regarding the liquidity of the Fund, including analytical reports for each position.

(4) *(Am. by order from 19.11.2018)* Department "Regulatory Compliance" assists the people of Department "Accountancy" and Department "Investments and Analyses" for compliance with these Rules and legal requirements concerning the liquidity of the Fund, if necessary, consult them and give them instructions.

(5) *(Am. by order from 19.11.2018)* Head of department "Investments and Analyses" working under contract for the The Management Company:

- a) determine the amount of cash, and the terms and conditions under which contracts for deposit to the Fund, in compliance with legal requirements;
- b) ensure that deposits in b. a) have a maturity in short periods of time so that the risk of a liquidity crisis at the time of redemption of significant value to be minimized.
- c) responsible management of investments in financial instruments is carried out in a way that provides good liquidity of the fund assets.

(6) *(New with order from 19.11.2018)* Big redemption.

1. An employee from sector "Analyses" at the Department "Investments and Analyses" reviews daily the order book and, in the event that on a given day the amount of redemption orders submitted reduced by the volume of the unit subscription orders (calculated on a last reported net asset value per unit) exceeds 15% of the net asset value of the Fund (large redemption) by the end of the day informs in writing, including by electronic means of communication, the heads of Department "Investments and Analyses" and "Risk Management".

2. After receiving the information under item 1, the Department "Investments and Analyses" shall prepare a proposal for actions leading to the possibility of a large redemption within the statutory period, in accordance with the principle of action, in the best interests of the clients. The proposal should be prepared by 12.00 h. on the next business day and submitted to the senior management and/or ad hoc committee, for instance, including representatives of the senior management and Departments "Investments and Analyses", "Risk management", "Regulatory Compliance", "Legal" and others, if necessary.

3. The proposal, consistent to the particular circumstances of each case, may include an analysis of the prevailing common market liquidity conditions, an analysis of the trading conditions and the liquidity of each specific instrument held within the portfolio, an analysis of the volatility of the costs of processing orders and total costs, etc.

4. The Senior management, respectively the commission under item 2, approves or rejects the proposal of the Department "Investments and Analyses" by the end of the working day in which they were presented to them. In case of approval, the Department "Investments and Analyses" shall proceed to implement the plan. In the event of a rejection of the proposal, the Senior Management or the Committee respectively shall give advice and recommendations for amendment and the Department "Investments and Analyses" shall immediately prepare a new proposal taking into account the recommendations. The new proposal shall be considered without delay by the body which issued the recommendations after being drawn up in accordance with the first sentence.

These Rules were adopted by Decision of the Board of Directors of "UBB Asset Management" JSC, reflected in Minutes № 146 from 07.06.2010, Minutes № 200 from 02.02.2012, Minutes № 267 from 16.01.2014, Order № 214 from 19.11.2018.

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