

**COMMUNIQUÉ ON PRINCIPLES OF
INVESTMENT FUNDS
(III-52.1)**

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**FIRST CHAPTER
Purpose, Scope, Basis, Definitions and Abbreviations**

Purpose and Scope:

ARTICLE 1 – (1) The purpose of this Communiqué is to set down principles with regard to foundation of investment funds, principles and rules of their activities, fund units and their issue and principles of public disclosure.

(2) Exchange traded funds, real estate investment funds and venture capital investment funds are out of the scope of this Communiqué.

Basis:

ARTICLE 2 – (1) This Communiqué is prepared and issued in reliance upon Articles 52 and 54 of the Capital Markets Law no. 6362 dated 6/12/2012.

Definitions and Abbreviations:

ARTICLE 3 – (1) For the purposes and in the context of this Communiqué:

- a) **“Bank”** refers to banks defined in Article 3 of the Banking Law no. 5411 dated 19/10/2005;
- b) **“BIAS”** refers to Borsa İstanbul A.Ş.;
- c) **“Information documents”** refers to fund rules of the umbrella fund, fund prospectus and key investor information document;
- ç) **“Exchange”** refers to the systems, marketplaces and foreign exchanges as defined in sub-paragraph (ç) of first paragraph of Article 3 of the Law no. 6362;
- d) **“Exchange traded fund”** refers to the investment fund defined in the regulations of the Board pertaining to exchange traded funds;

- e) **“Fund”** refers to the investment fund the units of which are issued under an umbrella fund ;
- f) **“Fund prospectus / Prospectus”** refers to the public disclosure document containing all information regarding the features of the Fund and the associated rights and risks, so as to enable the investors to make an informed assessment;
- g) **“Net Assets Value”** refers to the value calculated on the basis of fund portfolio value obtained as the result of valuation of all assets in fund portfolio under the applicable regulations of the Board, and by addition, if any, of other assets and receivables thereto and deducting any liabilities therefrom;
- ğ) **“Guarantor”** refers to banks, and without prejudice to the provisions of applicable laws pertaining thereto, banks and insurance companies resident abroad, meeting the qualifications set forth in this Communiqué, which guarantee to the Fund the repayment to investors of the portion not met by the Fund of the investment amount committed to be repaid to investors by capital guaranteed funds within the frame of principles specified in the information documents;
- h) **“Undersecretariat of Treasury”** refers to the Republic of Turkey Prime Ministry, Undersecretariat of Treasury;
- ı) **“Fund rules”** refers to the fund rules of the umbrella fund;
- i) **“Issuer”** refers to a joint-stock company;
- j) **“Law”** refers to the Capital Markets Law no. 6362;
- k) **“PDP”** refers to the Public Disclosure Platform;
- l) **“Fund unit”** refers to a type of dematerialized capital market instrument which carries the rights of investors and proves participation in the Fund;
- m) **“Founder”** refers to a portfolio management company founded in the form of a joint-stock company, the main field of business of which are establishment and management of investment funds, pursuant to Article 55 of the Law;
- n) **“Board”** refers to the Capital Markets Board;
- o) **“Qualified investor”** refers to a qualified investor defined in the relevant regulations of the Board;
- ö) **“Portfolio custodian”** refers to the entity offering the portfolio depository services authorized within the frame of Article 56 of the Law;
- p) **“Takasbank”** refers to Istanbul Settlement and Custody Bank Incorporation;

- r) “**CBRT**” refers to Central Bank of the Republic of Turkey;
- s) “**TTRG**” refers to the Turkish Trade Registry Gazette;
- ş) “**Derivative instruments**” refers to futures and option contracts deemed appropriate to be included in the fund portfolio by the Board;
- t) “**Investment fund**” refers to the asset which is established by portfolio management companies under the fund rules in conformity with the fiduciary ownership principles on the account of the savers, with money or other assets gathered from savers pursuant to the provisions of the Law in return for fund units in order to operate the portfolio or portfolios consisting of assets and transactions specified in this Communiqué and which does not have a legal entity.
- u) “**Key investor information document**” refers to a summary form indicating the structure, investment strategy and risks of the fund;
- ü) “**Manager**” refers to a portfolio management company deemed appropriate by the Board;
- v) “**Management control**” refers to management control as defined in the regulations of the Board pertaining to take-over bids.

SECOND CHAPTER

General Principles

Umbrella Fund:

ARTICLE 4 – (1) Umbrella fund is the investment fund covering all funds the units of which are issued under a single fund rules.

- (2)** Umbrella fund is established to operate portfolio or portfolios consisting of the following assets and transactions, and cannot be engaged in any other business:
- a) Shares of issuers founded in Turkey, also including those covered by privatization, and private and public sectors debt instruments;
 - b) Foreign private and public sectors debt instruments and issuer shares tradable pursuant to the provisions of the Governmental Decree no. 32 on Protection of Value of Turkish Currency;
 - c) Time deposit and participation accounts and deposit certificates up to a maturity of 12 months;
 - ç) Gold and other precious metals and capital market instruments issued on the basis of such metals, providing that they are traded in exchange;
 - d) Fund units;

- e) Repo and reverse repo transactions;
- f) Lease certificates;
- g) Real estate certificates;
- ğ) Warrants and certificates;
- h) Takasbank money market transactions;
- ı) Cash collaterals and premiums of derivative instrument transactions;
- İ) Structured foreign investment products and loan participation notes deemed appropriate by the Board;
- j) Other investment instruments deemed appropriate by the Board.

(3) Sub-funds are formed, providing that separate prospectus and key investor information document are prepared for each issue of fund units, in accordance with the following principles and those included in the fund rules of the umbrella fund:

- a) All assets and liabilities of each fund are segregated from those of other funds.
- b) Except for umbrella fund establishment expenses and expenses of issue of fund units, all expenses incurred for an umbrella fund are paid proportionally from portfolios of the sub-funds by taking net asset values of these funds into consideration.
- c) In cases where an umbrella fund is liquidated or transferred pursuant to Articles 28 and 29 of this Communiqué, the sub-funds are also required to be liquidated or transferred.
- ç) Unless otherwise stated, the provisions of this Communiqué are applied separately for each fund.

Principles on Assets of Fund:

ARTICLE 5 – (1) Assets of the fund are segregated from the assets of its founder and portfolio custodian.

(2) It is obligatory that assets of the fund are managed in conformity with the fund management strategy and in favor of investors and by protecting interests of investors and within the framework of regulations of the Board pertaining to portfolio management services, by portfolio managers who have adequate knowledge about assets investable by the fund and have at least five years' experience in capital markets field.

(3) Assets in fund portfolio are required to be kept in custody in portfolio custodians within the framework of regulations of the Board pertaining to portfolio depositary services.

(4) The fund assets cannot be used as collateral or be pledged, other than being used for taking credits, derivative instrument transactions, short selling transactions, or similar transactions realised as a party in the name of the fund, provided that these transactions are on the account of the fund and that a provision exists in the fund rules and the prospectus. The fund assets cannot be disposed of for any other purpose, even when the management or supervision of the portfolio management company or of the portfolio custodian is transferred to public

institutions, cannot be attached including the purpose of collecting public receivables, cannot be included in the bankrupt's estate and cannot be subject to cautionary injunction.

(5) Debts and liabilities of founder to third parties and the receivables of the funds from the same third persons cannot be set off against each other.

Types of Umbrella Fund:

ARTICLE 6 – (1) Umbrella funds may be founded in the following types:

- a) Umbrella funds composed of funds of which at least 80% of the fund net asset value is permanently invested in;
 - 1) Public and/or private sector debt instruments are named as “DEBT INSTRUMENTS UMBRELLA FUND”;
 - 2) Shares of local and/or foreign issuers are named as “SHARE UMBRELLA FUND”;
 - 3) Gold and other precious metals and in capital market instruments based on precious metals are named as “PRECIOUS METALS UMBRELLA FUND”;
 - 4) Units of other funds and exchange traded funds are named as “FUND OF FUNDS UMBRELLA FUND”;
- b) Umbrella funds composed of funds the portfolio of which is wholly and permanently invested in highly liquid money and capital market instruments with maximum 184 days to the end of maturity, and the daily calculated weighted average maturity of portfolio of which is maximum 45 days are named as “MONEY MARKET UMBRELLA FUND”;
- c) Umbrella funds composed of funds the portfolio of which is wholly and permanently invested in lease certificates, participation accounts, corporate shares, gold and other precious metals and other non-interest-based money and capital market instruments deemed appropriate by the Board are named as “PARTICIPATION UMBRELLA FUND”;
- ç) Umbrella funds composed of funds which are not covered by any one of the types described in the preceding paragraphs in terms of portfolio limitations are named as “VARIABLE UMBRELLA FUND”;
- d) Umbrella funds composed of funds which are founded for sale of fund units only to qualified investors are named as “HEDGE UMBRELLA FUND”;
- e)

- 1) Umbrella funds composed of funds for which it is committed in reliance upon an appropriate investment strategy and upon a guarantee given by the guarantor that a particular part or full amount of initial investment of the investor or a particular yield above the initial investment level shall be repaid to investor at particular maturity or maturities within the frame of principles set forth in information documents are named as “CAPITAL GUARANTEED UMBRELLA FUND”;
- 2) Umbrella funds composed of funds which aim and intend with the framework of best effort basis in reliance upon an appropriate investment strategy to repay a particular part or full amount of initial investment of the investor or a particular yield above the initial investment level to investor at particular maturity or maturities within the frame of principles set forth in information documents are named as “CAPITAL PROTECTED UMBRELLA FUND”.

(2) Funds at least 80% of fund net asset value of which is permanently invested in issuer’s shares traded in BIAS, except for shares of securities investment companies, and units of which are issued under an umbrella fund as defined in subclause (2) of subparagraph (a) of the first paragraph of this Article are considered as “Share Intensive Funds”. Cash collaterals of futures contracts based on issuer’s shares and issuer’s share indices included in portfolios of share intensive funds, and premiums of option contracts based on issuer’s share , and covered warrants based on issuer’s shares traded in exchange are taken into account in calculation of 80%. Without prejudice to provisions of fifth paragraph of Article 24 of this Communiqué, in cases where a fund fails to meet the required conditions on daily basis for classification as a share intensive fund, for the relevant days, founder and portfolio custodian shall be jointly liable also for performance of all obligations of the fund, investors and/or institutions trading investment fund units.

(3) In the case of inclusion of derivative instruments in fund portfolio, principles relating to calculation of 80% ratio referred to in subparagraph (a) of the first paragraph of this Article are determined by the Board.

(4) New umbrella fund types, in addition to those enumerated above, may be determined, on condition that it is acceptable by the Board.

Name of the Fund:

ARTICLE 7 – (1) Name of the Fund:

- a) is required to be in compliance with the investment strategy of the fund;
 - b) may not have excessive similarity to the name of another fund, and may not be reminiscent of a person/entity unrelated to the fund, and may not refer to non-provable qualities and features of the founder or manager, or may not contain similar subjective words or phrases implying a superiority of the fund from other funds, or may not otherwise mislead the investors.
- (2) If the fund’s maturity structure is referred to in the fund’s name, the principles set forth in first paragraph of Article 20 of this Communiqué shall be complied with.

- (3) Funds composed of all the assets covered by an index deemed appropriate by the Board or of a part thereof selected by sampling are required to use the word “Index” in their name.
- (4) The following principles shall be applicable to capital protected and capital guaranteed funds:
- a) It is sufficient to use “capital protected” and “capital guaranteed” phrases in name of capital protected and capital guaranteed umbrella funds, and the ratio of guarantee or protection to the initial investment, or capital in guaranteed funds, the rate of return under guarantee provided by the guarantor are stated in names and fund prospectuses and key investor information documents of sub-funds.
 - b) Capital protected and capital guaranteed funds making investments in lease certificates and debt instruments issued by private sector are required to include in their names a phrase referring to the investment made in the said capital market instruments.
- (5) Funds making investment in foreign money and capital market instruments in an amount equal to at least 80% of fund net asset value are required to use the word “Foreign” in their names. In share and debt instruments funds which do not use this word in their names, foreign money and capital market instruments may be included in fund portfolio in an amount equal to not more than 20% of fund net asset value.
- (6) Funds composed of money and capital market instruments of subsidiaries covered by regulations of the Board pertaining to financial reporting standards are required to use the expression of “Subsidiary” in their names.

Fund Rules of the Umbrella Fund:

ARTICLE 8 – (1) Fund rules of the umbrella fund is an adhesion contract, entered into between fund unit holders on one side and founder, portfolio custodian and if any, portfolio manager on the other side, containing general terms and conditions of operation of fund portfolio according to fiduciary ownership principles, and custody of fund portfolio pursuant to Article 56 of the Law, and management thereof in accordance with an attorney agreement, and in guaranteed funds, principles relating to guarantee.

- (2) Standards of fund rules for umbrella funds are determined by the Board. Minimum contents of the fund rules are given in Annex-2.
- (3) Units of each sub-fund are issued in reliance upon the fund rules of the umbrella fund.

Powers and Responsibilities of Founder:

ARTICLE 9 – (1) Founder is responsible for representation, management and supervision of management of the fund in such manner to protect rights of fund unit holders, and for conduct of its activities in accordance with provisions of fund rules and prospectus. Founder is authorized to dispose of the fund assets in its own name and in the account of the fund and to use the rights arising therefrom in accordance with the applicable laws and the fund rules.

(2) Use of outsourced services, also including portfolio management services, during conduct of activities of the fund, does not relieve the founder from its liabilities.

(3) Provisions of Articles 502 to 514 of the Turkish Code of Obligations no. 6098 dated 11/1/2011 are applied by analogy on relations between founder and fund unit holders in cases where the relevant applicable laws and fund rules remain silent.

THIRD CHAPTER

Principles on Foundation of Umbrella Fund and on Issue of Fund Units

Foundation of Umbrella Fund:

ARTICLE 10 – (1) Investment funds are required to be founded in the form of an umbrella fund.

(2) Founder shall apply to the Board with the draft fund rules, and application form, the principles of which are determined by the Board, and other information and documents requested by the Board. In order for the umbrella funds to get permission for foundation , the custody service agreement signed between the founder and portfolio custodian must cover the to-be-founded umbrella fund, and its fund rules must be approved by the Board.

(3) At the stage of foundation application, information given in the fund rules must be consistent and understandable and complete according to the standard of fund rules determined by the Board.

(4) Foundation applications are decided by the Board within two months following the date of submission of all required documents to the Board completely.

(5) Fund rules approved by the Board is registered in trade registry of the place of head offices of the founder and is announced in TTRG and PDP within six business days following the date of receipt of the Board's decision by the company.

(6) If an application is not approved as a result of inspection made within the framework of this Article, it shall be notified to the applicant, together with reasons thereof.

(7) Information and documents required for an umbrella fund foundation application are determined and announced by the Board.

Issue of Fund Units:

ARTICLE 11 – (1) Fund units are required to be offered to public or to be sold by private placement to particular persons and/or entities or to be sold to qualified investors.

(2) For issue of units of each fund, prospectus and key investor information document are prepared in accordance with the standards determined by the Board, and the founder shall apply to the Board with prospectus, key investor information document and other information and documents requested by the Board. However, it is obligatory that application for issue of units of the first fund to be created under an umbrella fund is filed within no later than three months following the date of registration of fund rules. If no application is filed to the Board within this period of time, fund rules shall be cancelled by the founder from trade registry. The documents relating thereto shall be submitted to the Board within six business days. In case of reasonable causes deemed appropriate by the Board, the period of three months mentioned in this paragraph may be extended by three months more for only once.

(3) Fund units may be issued only if the fund prospectus is approved by the Board. Minimum contents of the fund prospectus are given in Annex-2.

(4) The following principles shall be applied at the stage of approval of prospectus:

a) Prospectus is examined and reviewed within 20 business days in the light of information and documents presented to the Board; and if it is determined that the information given in prospectus is consistent and understandable and complete according to prospectus standards determined by the Board, then the prospectus is approved, and the state of affairs is reported to the relevant parties.

b) If the presented information and documents are incomplete or additional information and documents are needed, the applicant is informed thereabout within 10 business days following the date of application. Missing information and documents are required to be completed within a period of time to be determined by the Board. In this case, the period of 20 business days specified in subparagraph (a) of this paragraph starts to count as of the date of submission of missing information and documents to the Board. If, as a result of examination and review made as per subparagraph (a) of this paragraph, the prospectus is not approved, it is reported to the applicant, together with reasons thereof.

(5) Approval of prospectus does not ever construe as a guarantee given by the Board as to accuracy of information contained in this document, nor may it be considered and treated as a recommendation relating to the relevant fund units.

(6) Prospectus and key investor information document are published in PDP and in the founder's official internet website within 10 business days following the date of receipt of the letter of permission by the company, and are not separately registered in trade registry and announced in TTRG. However, the place of publishing of prospectus is registered in trade registry and announced in TTRG. Said date of registration is mentioned in key investor information document.

(7) Fund units are offered to investors through distribution channels designated in key investor information document after publishing of key investor information document in PDP,

with effect from the date of starting of sales referred to in the document, and within the framework of principles set forth in that document.

(8) Money and other assets collected from investors in return of fund units are required to be invested in assets and transactions determined in prospectus on the following business day. In case of book-building for capital guaranteed and capital protected funds, the period mentioned in the first sentence hereof is applied as two business days, and the last day of book-building is taken into consideration in calculation of said period.

Key Investor Information Document:

ARTICLE 12 – (1) Key investor information document is prepared in order to enable investors to reasonably understand the fund’s structure, investment strategy and risks and to take information-based investment decisions. This form contains basic information, the minimum contents and standards of which are determined by the Board, and which may be effective on investment decisions. The founder is responsible for consistency of this form with fund rules and prospectus, and for accuracy of its content, and for up-to-dateness thereof, and for damages that may arise out of wrong, misleading or missing information therein.

(2) Key investor information document is required to contain at least the following information about basic characteristics of fund:

- a) Introductory information about fund;
- b) Brief description of investment purposes and investment policy, and portfolio composition;
- c) Past performance, if any, of fund or performance scenario analyses according to fund types;
- c) Fund’s management fee, commissions and other expenses and total expense ratio;
- d) Risk and yield profile containing appropriate explanations and warnings related to risks exposed to by the fund;
- e) Purchase and redeem principles of fund units.

(3) The document states from where and how the investors may obtain and receive fund rules, prospectus, financial reports and other additional information.

(4) The document should be short, brief and understandable and be prepared with 12 font size in maximum two pages. Information given in the document should be clear and adequate, and be consistent with fund rules and prospectus, and not be misleading for investors.

Changes in Information Documents:

ARTICLE 13 – (1) Changes and amendments in fund rules:

- a) are examined and approved pursuant to third paragraph of Article 10 of this Communiqué. If the application is not approved as a result of examination, it is reported to the applicant together with reasons thereof;

- b) are registered and announced within the frame of the fifth paragraph of Article 10 of this Communiqué;
 - c) If they may affect investment decisions of investors and are required to be informed in advance, they are additionally announced in PDP and in the founder's official internet website, together with a text of announcement, on the business day following the receipt of the letter of permission by the company, and effective date of such new provisions is stated in the text of announcement within a period not being less than 10 business days;
 - ç) If they require amendments in prospectus, the provisions of the second paragraph of this Article is also applied.
- (2) If changes and amendments in prospectus;
- a) may affect investment decisions of investors and are required to be informed in advance, they are examined and approved by the Board pursuant to the fourth paragraph of Article 11 of this Communiqué and are announced pursuant to the sixth paragraph of the same Article. Text of announcement with respect to changes and amendments in prospectus are announced in PDP and in the founder's official internet website, in the business day following the receipt of the letter of permission by the company. Effective date of such new provisions is stated in the text of announcement within a period not being less than 10 business days.
 - b) are outside the scope of subparagraph (a) of this paragraph, they are made by the founder without the approval of the Board, and are announced in PDP and in the founder's official internet website, and are reported to the Board collectively within six business days following the end of each calendar year.
- (3) Approval of the Board is not sought for changes and amendments in key investor information document. However, such changes are required to be reported to the Board six business days in advance, and to be in compliance with fund rules and prospectus, and to be announced in PDP and in the founder's official internet website in the following business day.
- (4) If a change made in investor information form requires a revision in prospectus as well, the provisions of the second paragraph of this Article are additionally applied, and if it requires a revision in fund rules as well, the provisions of the first paragraph of this Article are additionally applied.
- (5) Statements in information documents cannot contain any explicit or implicit expression which may lead to interpretation of the Board's approval as a guarantee of the Board or the public.

Value of Fund Units:

ARTICLE 14 – (1) Fund units do not have any nominal value.

- (2) Fund unit price is calculated by dividing fund net asset value by number of units.
- (3) Fund unit price is the basis price for purchase and redeem of fund units.
- (4) Fund unit price is essentially calculated and announced on daily basis. Two prices may be announced in the same day, provided that it is so permitted in information documents. Also, exceptions other than those specified in the relevant provisions of this Communiqué may be granted to the principle of daily calculation and announcement of price of fund units, by the Board.
- (5) In funds other than money market funds and short-term debt instruments funds, orders for purchase and redeem of fund units are fulfilled over the unit price to be found in the first calculation following the order time. As for money market funds and short-term debt instruments funds, trading orders are fulfilled over the last announced unit price. However, fund unit prices of money market funds and short-term debt instruments funds for purchase and redemption may be different, if it is permitted so in information documents.
- (6) Unit price calculated in accordance with principles set forth in information documents is announced at places of trading of fund units.
- (7) In cases stated in the third paragraph of Article 31 of this Communiqué, if it is deemed appropriate by the Board, prices of fund units may not be calculated, and purchase and redemption of fund units may be halted.
- (8) Dividend may be distributed to fund unit holders.

Purchase and Redemption of Fund Units:

ARTICLE 15 – (1) Fund units may be purchased through payment of the unit price in full and in cash, while fund units may be redeemed through realization of fund units by being refunded to the fund in accordance with principles set down in information documents. For funds investing at least 80% of fund net asset value in gold, gold may also be used in trading of fund units by taking the prior consent of the Board.

- (2) Purchase and redemption of fund units are essentially on daily basis. The Board may, however, grant exceptions to the principle of daily purchase and redemption of fund units considering the type and features of the fund. An entry – exit commission may be applied for purchase and redemption of fund units by investors, provided that its conditions are determined in prospectus and key investor information document. However, if the fund portfolio contains

units of funds established or managed by founder or manager or other persons who are directly or indirectly related to them in terms of capital or management, no entry or exit commission is payable for such funds. The resulting amount of commissions may be shared among fund, founder, manager, institutions that carry out purchase and redemption of fund units, or portfolio custodian. Commissions applied in this context are announced not only in information documents, but also on the founder's official internet website and through PDP. The announcement should describe in details under which conditions the commissions shall be charged on and collected from investors.

(3) Fund units may be traded in exchange, provided that it is specified so in the prospectus, and is deemed appropriate by the exchange.

(4) Purchase and redemption of fund units may be carried out within the framework of regulations of the Board pertaining to intermediation and portfolio management services.

(5) Purchase and redemption of unlisted fund units may be traded in the over-the-counter market, provided that it is specified so in information documents. In this case, institutions that can carry out purchase and redemption, other than the founder, must be announced through PDP.

(6) Purchase and redemption of fund units are essentially carried out by the founder and/or manager in the name of the fund. Founder and/or manager may include fund units into their own portfolio up to maximum 20% of total number of fund units. However, fund units included in the portfolio against the money allocated by founder to the fund as an advance before starting the sale of fund units shall not be taken into account in calculation of this percentage for a period of one year following foundation of the fund.

(7) In order to ensure that fund units may be traded also through a central fund distribution platform, deemed appropriate by the Board, founded in exchanges and/or clearing institutions, the Board may issue regulations pertaining to inclusion of all funds deemed appropriate by the Board into this platform, and intermediation of investment firms and portfolio management companies in trading of fund units listed in the said platform.

(8) Regarding funds investing at least 80% of fund total value in foreign money and capital market instruments, fund units may, be purchased and redeemed in foreign currencies, the daily buying and selling exchange rates of which are announced by the CBRT, by taking the opinion of the CBRT and Undersecretariat of Treasury and with the approval of the Board.

Creation of Share Classes:

ARTICLE 16 – (1) Different share classes may be created under the same fund by dividing the management fee collected from fund as portfolio management fee and marketing, sales and distribution fee and/or by applying a fund entry-exit commission. These fees and commissions

may be shared among the fund, founder, manager, institutions trading fund units, and portfolio custodian.

(2) Principles and standards as to public disclosure by funds creating share classes are determined by the Board.

FOURTH CHAPTER

Principles on Portfolio Limitations

Limitations on Assets to Be Included in Fund Portfolio, and on Their Issuers:

ARTICLE 17 – (1) a) More than 10% of fund net asset value cannot be invested in money and capital market instruments of a single issuer and in derivatives based on such instruments. In calculation of this percentage, mortgage- and asset-covered securities are not taken into consideration, and the percentage mentioned in the first sentence is applied as 25% for investments in these assets, while the limitation set forth in subparagraph (b) of this paragraph is not applied.

- b)** Total value of money and capital market instruments of issuers in which an investment is made in excess of 5% of fund net asset value cannot exceed 40% of fund net asset value.
- c)** More than 20% of fund net asset value cannot be invested in money and capital market instruments of the same group defined in the regulations of the Board pertaining to financial reporting standards.
- ç)** More than 10% of total issue of debt instruments of an issuer in circulation cannot be included in the fund portfolio. In calculation of this percentage, market value of total issue of all debt instruments of the issuer valid as of the date of inclusion of debt instruments into fund portfolio is taken as basis.
- d)** Limitations described in this paragraph are not applicable for money and capital market instruments issued by CBRT, Undersecretariat of Treasury and mortgage finance institutions. Investment made in one single asset as per this subparagraph may not exceed 35% of fund net asset value.
- e)** For capital market instruments issued by asset lease companies, the limitation of 10% included in subparagraph (a) of this paragraph is applied as 25%, whereas the limitation mentioned in subparagraph (b) is not applicable. On the other hand, limitations specified in this paragraph are not applied for capital market instruments issued by asset lease companies founded within the framework of the Law on Public Finance and Debt Management no. 4749 dated 28/3/2002.

(2) The fund cannot alone own more than 10% of capital or all voting rights of any issuer, and funds belonging to one single founder under management of the same manager cannot collectively own more than 20% of capital or all voting rights of any issuer.

(3) Net asset value of money and capital market instruments issued by issuers:

- a) holding the management control of manager;
- b) the management control of which is held by legal entities mentioned in subparagraph (a) and their duly authorized officers ;
- c) the management control of which is held by natural persons holding management control of the manager

cannot exceed 20% of fund net asset value.

(4) Total sum of investments made in covered and corporate warrants and certificates cannot exceed 10% of fund net asset value. Total sum of warrants and certificates issued by one single issuer and held by the fund cannot exceed 5% of fund net asset value.

(5) Maximum 10% of fund net asset value may be invested in deposit/participation accounts opened and in deposit certificates held by banks, provided that their maturity is no longer than 12 months. However, amount to be invested in one single bank cannot exceed 3% of fund net asset value. For participation funds, the percentage mentioned in the first sentence of this paragraph is applied as 25%, and the percentage mentioned in second sentence is applied as 10%.

(6) Maximum 10% of total issue and maximum 5% of fund net asset value may be invested in corporate shares which are offered to public in over-the-counter market under brokerage of group companies of the founder within the frame of regulations of the Board pertaining to financial reporting standards, provided that the shares are traded in exchange.

Limitations on Shares of Collective Investment Schemes to be Included in the Fund Portfolio:

ARTICLE 18 – (1) Total value of units of funds and exchange traded funds and shares of securities investment companies cannot exceed 20% of fund net asset value.

(2) It is essential that fund units are included in the fund portfolio, of which the prospectus relating to their sales is approved by the Board. However, this condition is not sought for units of exchange traded funds traded in foreign exchanges, provided that the limitation described in the first paragraph of this Article is abided by.

Principles of Trading of Fund Portfolio Assets in Exchange, and Limitations on Over-the-Counter Agreements:

ARTICLE 19 – (1) a) It is obligatory to include only assets traded in exchange to the fund portfolio, and to trade these assets only via exchange. In the case of initial issues, capital market instruments deemed appropriate for trading in exchange may be included in the fund portfolio.

b) The conditions set down in subparagraph (a) of this paragraph are not sought for the fund units included in the fund portfolio.

c) If it is required to purchase to fund portfolio or sell therefrom in the relevant market of BIAS with the same value date outside the same value date trading hours, due to trading of fund units in the name of the fund, then, the trading rules imposed by BIAS are to be complied with.

(2) Public sector foreign borrowing instruments traded in exchange may be included in or excluded from the fund portfolio by transactions in over-the-counter market.

(3) Regarding agreements entered into by the founder in over-the-counter market in the name and account of the fund:

a) They should be in compliance with fund investment strategy;

b) Their counterparties should have the rating specified in Article 32 of this Communiqué;

c) They should have objective conditions and be based on a fair price so as not to be affected from any relations;

ç) They should be realizable over fair value at price disclosure periods of the fund.

(4) General principles relating to agreements and reliable methods to be applied for compliance of over-the-counter agreements with principles set forth in subparagraph (c) of third paragraph of this Article are determined and described in prospectuses and fund rules and disclosed in PDP.

Limitations on Maturity of Assets to be Included in Fund Portfolio:

ARTICLE 20 – (1) If it is intended to refer to maturity in the name of debt instruments funds, and if the monthly weighted average maturity of fund portfolio is:

a) 25 to 90 days, the fund name contains the expression of “short-term”;

b) 91 to 730 days, the fund name contains the expression of “medium-term”;

c) more than 730 days, the fund name contains the expression of “long-term”.

(2) In money market funds and short-term debt instruments funds, the assets the number of days to maturity of which cannot be calculated cannot be included in the fund portfolio.

(3) In medium-term and long-term debt instruments funds, the assets the number of days to maturity of which cannot be calculated may be included in the fund portfolio up to maximum 20% of fund net asset value.

(4) Weighted average maturity of portfolio is calculated by separately considering the maturities of capital market instruments. In medium-term and long-term debt instruments funds, the assets the number of days to maturity of which cannot be calculated are not taken into consideration in this calculation.

Limitations on Loan Transactions and Repo and Reverse Repo Transactions of the Fund:

ARTICLE 21 – (1) Repo transactions can be made in exchange or in over-the-counter market up to 10% of current market value of assets included in fund portfolio and usable for repo, and loans may be raised in the account of the fund and/or Takasbank Money Market transactions may be executed for borrowing purposes up to 10% of fund net asset value. In case of borrowing, the amount, rate of interest, date of borrowing, name of lender, and date of repayment of loans are disclosed in PDP and reported to the Board.

(2) With respect to reverse repo contracts:

- a) Reverse repo contracts may be included in fund portfolio in exchange or in over-the-counter market.
- b) Maximum 10% of fund net asset value may be invested in reverse repo contracts entered into in over-the-counter market.

(3) Maturity and interest rate of repo – reverse repo contracts entered into in over-the-counter market are determined pursuant to relevant regulations of the Board. It is the responsibility of founder and manager to determine the rate of interest by taking into consideration the rates of interest applicable on contracts having a similar maturity a traded in exchange. If any such contract is entered into, in no later than the first business day following the date of contract, the maturity, interest rate, counterparty and rating of counterparty of the contract are disclosed in PDP, and the information and documents relating thereto are kept in the head offices of founder or manager for a period of five years following the date of contract.

Limitations on Lending Transactions of Fund:

ARTICLE 22 – (1) Funds may, at any time and through a contract to be signed according to the relevant regulations of the Board, lend capital market instruments of their portfolio in an amount equal to maximum 50% of the then-current market value of capital market instruments.

(2) Lending from fund portfolio may be effected through blocking, in Takasbank in the name of the fund, of assets accepted and described as equity in the relevant regulations of the Board against at least 100% of the lent capital market instruments. Principles relating to valuation and non-completion of equity are governed by the relevant regulations of the Board.

(3) Funds may, at any time and through a contract to be signed according to the relevant regulations of the Board, lend precious metals up to maximum 75% of the then-current market value of precious metals in their portfolio, only in the exchanges in Turkey. Furthermore, certificates issued to represent the lending receivables against lending transactions effected in the market may also be included in the fund portfolio at the same rate. Precious metals lending transactions and precious metals lending certificate trading transactions are executed within the frame of principles of transactions and margin system in the relevant market.

(4) The capital market instruments lending agreements entered into by the fund are required to contain a clause verifying that the agreement may be unilaterally terminated in favor of the fund.

Limitations on Funds Allocated to Particular Investors and on Funds Investing in a Particular Asset or Group of Assets:

ARTICLE 23 – (1) In funds the units of which are allocated to predetermined persons or entities:

- a) Net asset value of money and capital market instruments issued by companies defined as a fund unit investor cannot exceed 25% of fund net asset value, and maximum 5% for a single company.
- b) The provision as to disclosure in PDP of announcements relating to amendments to fund rules and prospectus is not applied.

(2) In funds having the expression of “Index” in their name, the manager is under obligation to manage the fund so as to ensure that the fund’s return does not materially deviate from the return of the index taken as a base. In these funds, according to calculation made according to the formula given in Annex-3, the correlation coefficient between value of the based index and unit price of the fund must be at least 90%. If an adverse situation is determine, the Board may request the liquidation of the fund or its transformation into another fund. As of the last day of each month, if the correlation coefficient calculated as of the recent quarterly periods falls below the specified rate, the founder is under obligation to inform the Board thereabout, together with a decision of the board of directors relating to actions and measures to be taken therefor, within the first six business days of the following month. For the purposes of this clause, the Board may disregard the periods of extraordinary events enumerated in the third paragraph of Article 31 of this Communiqué.

(3) In funds having the expression of “Index” in their name, the limitations referred to in the first and third paragraphs of Article 17 of this Communiqué and the limitation of 10% set forth in the second paragraph of the same Article are not applicable if the said assets are

included in the base index. In calculation of the limitation of 20% mentioned in the second paragraph of the same Article, shares included in the portfolios of funds are not taken into consideration on the condition that they are already included in the base index.

(4) In funds investing in money and capital market instruments of issuers from a particular market segment, the limitation of 10% referred to in subparagraph (a) of the first paragraph of Article 17 of this Communiqué is applied as 20% for issuers operating in that market segment, and the limitations set forth in subparagraphs (b) and (c) of the same paragraph are not applied.

(5) Funds investing at least 80% of fund net asset value in foreign money and capital market instruments may enter into over-the-counter repo contracts abroad for meeting their cash requirements, provided that the contract assets are kept in custody in the central settlement and custody institution of the relevant jurisdiction.

(6) In funds having the expression “Subsidiary” in their name, subparagraph (c) of the first paragraph of Article 17 of this Communiqué and third paragraph of the same Article are not applicable.

Other Limitations:

ARTICLE 24 – (1) (a) Derivative instruments may be included in the fund portfolio for the purpose of hedging and/or investment in accordance with the fund’s type and investment strategy and within the framework of principles to be determined by the Board. In this case, all of the fund’s portfolio managers are required to hold a capital market activities advanced level license certificate and a derivative instruments license certificate.

b) Amount of short positions exposed to due to derivative instruments cannot exceed fund net asset value.

(2) In money market funds and short-term debt instruments funds and capital protected and capital guaranteed funds investing in private sector debt instruments, the issuer of private sector debt instruments, other than bank debt instruments, included in the fund portfolio is required to hold the rating referred to in Article 32 of this Communiqué.

(3) Maximum 20% of fund portfolio is composed of Takasbank Money Market transactions.

(4) Fund cannot engage in short selling and margin trading transactions.

(5) If the limits specified in the information documents and this Communiqué are breached due to rights of option on newly issued shares or reasons beyond control of portfolio manager such as dividend distribution or price movements in value of portfolio assets, then it is required to re-establish compliance with the said limits within no later than 30 days. If it is impossible to re-establish compliance with the said limits within said period of time or it is determined that the re-establishment of compliance with the said limits shall lead to major losses, then this period may be extended by the Board. The Board may request liquidation or transformation of

the funds which fail to apply to the Board by the end of this period of time or the funds which are not deemed appropriate by the Board for granting a time extension.

FIFTH CHAPTER

Special Principles on Types of Funds

Hedge Funds:

ARTICLE 25 – (1) Hedge funds may make investments pursuant to their investment strategies and limits specified in the information documents without being subject to the portfolio and transaction limitations mentioned in Articles 17 to 24 of this Communiqué.

(2) Foreign investment funds the units of which shall be included in portfolio of hedge funds, should be registered by the relevant authority. Accordingly, information on funds established in which countries may be included in the portfolio shall be given in prospectus and key investor information document. The Board may impose restrictions on units of foreign investment funds to be incorporated in portfolio of hedge funds.

(3) Third paragraph of Article 15 of this Communiqué is not applicable on hedge funds.

(4) Institutions assigned for sales of units of hedge funds shall ensure that fund units are sold by sales personnel having adequate knowledge and experience thereon. Said institutions are under obligation to obtain and regularly keep all information and documents demonstrating that the investors to whom fund units are sold are qualified investors.

(5) All of portfolio managers of hedge funds are required to hold a capital market activities advanced level license certificate and a derivative instruments license certificate and to have the required knowledge and experience on hedge funds.

(6) Article 33 of this Communiqué is not applicable for hedge funds.

(7) Beside derivative instruments defined in subparagraph (§) of the first paragraph of Article 3 of this Communiqué, swap contracts may also be included in the portfolio of hedge funds. Limits on risks exposed to due to futures and option contracts and swap contracts included in the portfolio of hedge funds are specified in prospectus and key investor information document. If the limits are exceeded, the founder's board of directors takes the required measures for re-establishment of compliance with limits, which are then notified to unit holders via the most appropriate means of communication.

(8) Changes in prospectus to be made pursuant to the second paragraph of Article 13 of this Communiqué are notified to unit holders via the most appropriate means of communication no later than 30 days prior to effective date thereof. The clause requiring announcement in PDP of

the announcements relating to changes in fund rules and prospectus is not applicable for hedge funds.

(9) Unit prices of hedge funds are required to be calculated and notified to investors at least once a month. The provisions of the fourth paragraph of Article 14 of this Communiqué are not applicable with respect to calculation and announcement of unit price.

(10) The limitation of 20% mentioned in the sixth paragraph of Article 15 of this Communiqué is not applicable to hedge funds.

(11) In prospectus and key investor information document of hedge funds, periods different from and longer than the period of announcement of unit prices may be determined for return of fund units to the fund.

(12) Hedge funds may be founded in the form of funds of funds. In this case, provisions of Article 20 of this Communiqué are not applied.

Funds of Funds:

ARTICLE 26 – (1) The following principles and rules shall be applied in funds of funds:

- a) Total value of units of a single fund or a single exchange traded fund cannot exceed 20% of net asset value of funds of funds.
 - b) Investments cannot be made in other funds of funds.
 - c) Total number of fund units or exchange traded fund units included in portfolio of a funds of funds cannot exceed 25% of total number of units of the investment fund included in the portfolio. In calculation of this ratio, the number of units valid as of the date of inclusion in the fund portfolio is taken into account.
 - ç) Portfolio of a funds of funds essentially contains units of funds the prospectus relating to sales of units of which is approved by the Board. Said condition is not sought for units of exchange traded funds traded in foreign exchanges.
- (2) Value of units of hedge funds included in the portfolio of funds of funds cannot exceed 10% of fund net asset value.
- (3) Management, entry and exit fees paid for fund units to be included in portfolio of funds of funds are also taken into account as an expense item of funds of funds in calculation of the total expense ratio pursuant to Article 33 of this Communiqué.
- (4) Third paragraph of Article 17 of this Communiqué and first and second paragraphs of Article 18 hereof are not applicable for funds of funds.

Capital Guaranteed and Capital Protected Funds:

ARTICLE 27 – (1) Maturity of sub-funds of capital guaranteed and capital protected umbrella fund is required to be determined as minimum six months.

(2) With respect to guarantee and protection:

- a) The investment strategy to be established by capital protected funds for protection of a certain part or full amount of initial investment of investor is required to cover investments made in public debt instruments, reverse repo, lease certificates, bank debt instruments, mortgage-backed and mortgage-covered securities and other private sector debt instruments the issuer of which holds the rating specified in Article 32 of this Communiqué or other capital market instruments eligible for protection and deemed appropriate by the Board.
- b) Conditions of eligibility of unit holders for guarantee or protection, and principles to be applied in the case of return of fund units to the fund before the end of maturity are regulated by information documents of funds.
- c) Costs directly incurred by investors, except for tax, cannot reduce the guaranteed or protected investment amount.
- ç) Guarantee or protection should be same for all unit holders. Portfolio management strategy and type of funds cannot be changed during maturity of the fund.
- d) It is not obligatory to apply subparagraph (a) of this paragraph in creation of portfolio management strategies of guaranteed funds. Portfolio management strategies are included in prospectus and key investor information document.
- e) Limitations set forth in the first paragraph of Article 17 of this Communiqué are not applicable on investments made by capital guaranteed and capital protected funds in public and private sector debt instruments, lease certificates, and mortgage-backed and mortgage-covered securities.

(3) With respect to guarantor and guarantee agreement:

- a) Guarantor is required to hold the rating referred to in Article 32 of this Communiqué.
- b) Founder and guarantor of capital guaranteed fund are required to enter into a guarantee agreement in favor of unit holders covering a guarantee of payment to the fund upon the first demand of the founder or if the founder does not demand, upon the first demand of any one of unit holders, at the maturity of the guarantee agreement.
- c) Minimum contents required to be included in guarantee agreement and in the fund's information documents with regard to guarantee are determined by the Board, and these

contents should be kept throughout the maturity of capital guaranteed fund. It is required to obtain a prior consent of the Board for guarantee agreement and for all amendments in the agreement.

- c) Guarantee belongs to and is an integral part of fund. Payment of guaranteed amount cannot be subjected to any condition, and guarantee cannot be withdrawn.

(4) With respect to capital guaranteed and capital protected funds investing in private sector debt instruments:

- a) Institutions assigned for sales of units shall ensure that fund units are sold by sales personnel having adequate knowledge and experience in this regard. Said institution engaged in sales of fund units and the founder are jointly liable for losses that may arise out of breach of this matter.
- b) In sales of fund units, written purchase orders are taken from investors, including information that key investor information document is read and understood and all risks are perceived..

(5) All portfolio managers of capital guaranteed and capital protected funds are required to hold a capital market activities advanced level license certificate and a derivative instruments license certificate and to have the required knowledge and experience about these funds.

(6) Unit price of capital guaranteed and capital protected funds are required to be calculated and announced at least twice a month. The provisions of the fourth paragraph of Article 14 of this Communiqué are not applicable with respect to calculation and announcement of unit price.

(7) With respect to portfolio limitations of capital guaranteed and capital protected funds:

- a) Provisions of subparagraphs (a) and (b) of the first paragraph of Article 19 of this Communiqué are not applied for reverse repo contracts, private sector debt instruments and lease certificates, and futures and option contracts and other capital market instruments deemed appropriate by the Board, included by funds into their portfolio.
- b) Funds may enter into over-the-counter reverse repo contracts and invest in other capital market instruments deemed appropriate by the Board, if their equivalents in terms of maturity and other contract conditions, traded in exchange, are not available. With respect to reverse repo contracts entered into in the over-the-counter market, the limitation of 10% set forth in subparagraph (b) of the second paragraph of Article 21 of this Communiqué is not applicable for capital guaranteed and capital protected funds.
- c) Except for purchase of option contracts, derivative instruments may be incorporated in portfolio of capital protected funds only for hedging purposes.

- c) Information and documents proving the compliance of contracts included in portfolio of funds from over-the-counter market with attributes listed in subparagraphs (b) and (c) of the third paragraph of Article 19 of this Communiqué are sent to the Board within 10 business days following incorporation of contracts into the portfolio. Contracts not compliant with the required attributes, as determined by the Board, are excluded from the fund portfolio, and contracts in compliance with the relevant Board regulations are included in fund portfolio instead, and the costs and losses incurred therefor cannot be reflected onto the fund assets. Signatures of derivative instrument contracts are required to be completed within no later than one month following inclusion of contracts in the portfolio, and contracts are required to be kept by the founder and manager for a period of five years following the date of signature.
- d) Counterparty risk exposed to due to derivative instruments included in portfolio of funds from over-the-counter market cannot exceed 20% of fund net asset value. It is adequate that compliance with this limitation is established only at the stage of inclusion of these assets into portfolio.

SIXTH CHAPTER

Principles on Termination, Transfer and Structuring of the Umbrella Fund and Fund

Termination of the Umbrella Fund and Fund:

ARTICLE 28 – (1) The fund shall terminate for the following reasons:

- a) If a term is stipulated in information documents, expiration of this term;
 - b) If the fund is founded for an indefinite term, delivery of a notice of dissolution by the founder after receipt of a prior consent of the Board with effect from six months thereafter;
 - c) Loss of operation conditions by the founder;
 - c) Weakening of the financial situation of the founder to such extent that it cannot meet its obligations, or founder's going bankrupt or being liquidated;
 - d) If the Board determines that continuation of the fund shall not be in the interest of investors because of the fund's inability to meet its own financial liabilities or due to similar other reasons.
- (2)** Assets of the fund are liquidated in accordance with principles set down in fund rules and prospectus, and balance of liquidation account is distributed proportionately to unit holders. In case of liquidation, payments may be done only to unit holders. New fund units cannot be

issued after a notice of termination. As from the moment of liquidation, no fund unit may be issued and bought back.

(3) In case of liquidation proceedings, if there are fund units that are still not returned to the fund as of the end of the period of six months referred to in subparagraph (b) of first paragraph hereof, the fund units are sold without a sales instruction of unit holders, and the proceeds of sales are invested in reverse repo or other capital market instruments deemed appropriate by the Board in the name of investors in accounts to be opened in founder and the institution engaged in trading of fund units.

(4) The provisions of this Article are applicable also in liquidation of umbrella funds.

Transfer of Umbrella Fund and Fund:

ARTICLE 29 – (1) In case of bankruptcy or liquidation of the founder, the Board transfers the fund for liquidation purposes to another portfolio management company deemed appropriate. In cases where the portfolio custodian's financial situation weakens to such extent that it cannot meet its debts and obligations, or it goes bankrupt or is liquidated, the founder transfers the fund assets to another portfolio custodian deemed appropriate by the Board.

(2) Except for bankruptcy or liquidation, a fund may be transferred to another founder only with the prior consent of the Board.

(3) Change of the founder is subject to the provisions of Article 30 of this Communiqué.

(4) Costs to be incurred as per this Article cannot be reflected to the fund.

(5) Both founders are jointly liable for all obligations arising out of the applicable laws and regulations before the date of change of the founder.

(6) The provisions of this Article are applicable also in transfer of the umbrella fund.

Transformation and Merger of Funds and Change of the Founder:

ARTICLE 30 – (1) Funds may be merged or transferred, and the founder of umbrella funds may be changed, upon demand of their founders and with the prior consent of the Board, or if and when deemed necessary by the Board.

(2) An application is filed to the Board for approval of prospectus relating to changes to be made in case of transformation and merger of funds.

(3) For information of unit holders, the text of announcement approved by the Board, containing the said changes and the reasons of changes, is published in PDP and in the founder's

official internet website within six business days following the date of the letter of permission of the Board. In the text of announcement the effective date of changes must be stated provided that it is not less than 30 days following the date of publishing.

(4) In order to continue the sale of units of the fund which is the subject matter of change, during the period between the date of publishing of the text of announcement and the effective date of changes, at the time of application a statement indicating the principles of information of investors buying new fund units on the basis of different distribution channels and certifying that the founder shall be liable for all kinds of disputes arising out of sales of new fund units is submitted to the Board. Sales may be continued only if this demand is deemed appropriate by the Board, otherwise, sales of new fund units are halted during the aforementioned period.

(5) On the effective date of changes, the place of publishing of prospectus is registered in trade registry. Changes made in prospectus text and key investor information document, and updated prospectus and key investor information document, are published in PDP.

(6) All costs incurred for transformation and merger of funds are borne and paid by founders and are not paid out of the fund portfolio.

(7) Additionally with respect to merger:

- a)** In case of merger of funds, an application is filed to the Board for approval of prospectus relating to changes in dates of termination of funds except the fund under which the other funds shall be merged. Text of prospectus is published in PDP. Place of publishing of prospectus is separately registered in trade registry. Starting from the date of registration in trade registry of the place of publishing of changes relating to funds except the fund under which the other funds are merged, the sales of fund units of said funds are stopped.
- b)** Additionally, in the text of announcement relating to merger, the merger date, the method of calculation of ratio of exchange, the probable effects of merger on financial structure and performance of the fund under which the other funds are merged, shall be stated.
- c)** At the date of merger, the founder determines the ratio of exchange by dividing the unit price of the fund under which the other funds are merged, by the unit price of the fund to be terminated. Number of units of the terminated fund is divided by the ratio of exchange, and the resulting number of fund units is added to the number of units of the fund under which the other funds are merged.
- ç)** All assets of terminated funds are transferred to the fund under which the other funds are merged, at the date of merger.

d) At the announced date of merger, units of the fund under which the other funds are merged equal to the number found by dividing the total number of fund units owned by investors as of that date by the ratio of exchange are transferred to the investor's account being dematerialised. In the case of return of fund units, the amount corresponding thereto is paid to the investor. In the case of fractions, the fraction is also paid to the investor's account. Amount of fractions is calculated over the unit price valid as of the date of exchange.

(8) In the case of change of the founder of umbrella funds, an application is filed to the Board for approval of fund rules. Text of fund rules approved by the Board is registered in trade registry of city of headquarters of the founder and announced in TTRG and PDP as of the effective date of changes mentioned in the text of announcement. Provisions of second, third, fourth, fifth and sixth paragraphs of this Article are applicable on other issues relating to change of the founder.

(9) Both founders are jointly liable for all obligations arising out of the applicable legislation before the date of change of founder.

(10) By considering the fund type and properties, the Board may grant exceptions to the principles of registration and announcement of transformation and merger or change of founders pursuant to this Article.

SEVENTH CHAPTER

Other Principles

Information Obligation:

ARTICLE 31 – (1) Founder and manager notify to portfolio custodian in writing both the names, addresses and rates of participation of issuers and persons listed in the third paragraph of Article 17 of this Communiqué and other information required for performance by portfolio custodian of its obligations arising out of the Law, in January every year and in case of changes therein, within six business days following the date of change.

(2) The Board may, if deemed necessary, ask for information about funds, without being bound by the periods set forth in this Communiqué.

(3) Upon occurrence of extraordinary events such as war, natural disasters, economic crisis, collapse of communication systems, or closure of market, marketplace and platform of portfolio assets, failures in computer systems, or emergence of a significant information that may affect the company's financial situation, the founder's board of directors may take a decision about determination of valuation principles. In this case, valuation principles are required to be inserted in the decisions book including their justifications and notified to the Board and the portfolio custodian. Furthermore, public is also informed about these events.

(4) It is in the responsibility of the founder to completely publish all information and documents required to be announced in PDP, and to ensure accuracy of them, and to keep them updated.

(5) Regarding advertisements and announcements of the fund, the relevant regulations of the Board shall be obeyed.

Assessment of Rating Note:

ARTICLE 32 – (1) Where this Communiqué seeks for a rating, the fund is required to hold a rating equivalent to investable level given by rating agencies authorized for rating services within the framework of relevant regulations of the Board.

(2) In assessment of rating equivalent to investable level, it is required:

- a) to base the rating on national ratings for institutions resident in Turkey;
- b) to base the rating on issuer ratings for institutions resident abroad, or equivalent ratings of rating agencies resident in Turkey, by taking the long- or short-term ratings in accordance with maturity of the fund or the relevant contract, and if the rating system of rating agency contains a single rating irrespective of maturity thereof, to base the rating on such rating;
- c) for institutions the rating of which is at the lowest limit of investable level according to rating system of the relevant rating agency, to require that outlook of rating is at least steady;
- ç) to base the rating on current and updated rating;
- d) in the case of a change in rating, to announce and publish the new rating in PDP within two business days following the change in the relevant fund.

Determination and Public Disclosure of Upper Limit of Fund Total Expenses:

ARTICLE 33 – (1) Upper limit of total sum of all expenses referred to in the prospectus, also including management fee, paid out of the fund is determined in information documents so as not to exceed the maximum rates shown in Annex-4 by different types of funds. As of the last business day of quarterly, semi-annual, 9-months and annual periods, whether the portion of the determined annual fund total expense ratio corresponding to the relevant period is exceeded or not is checked by the founder on the basis of daily average fund net asset value calculated for the relevant period. If the control reveals an excess of the determined rates, then it is the responsibility of the founder and portfolio custodian to refund the amount in excess to the fund within five business days following the end of the relevant period. The refunded amount is

deducted from total expenses in calculation of total expense ratio of the following periods during the relevant year.

(2) Expenses, other than expenditures that may be paid out of the fund, may not be charged on the fund, even if they remain within the total expense ratio limit of fund.

(3) In the case of initial issue of fund units during the relevant accounting period or in the case of liquidation of the fund, the controls mentioned in the first paragraph hereof are carried out by considering the days of sales of fund units.

(4) Maximum fund total expense ratio set forth in information documents, and fund total expense ratios calculated as of the end of quarterly, semi-annual, 9-months and annual periods, and if any, amount of refund, and distribution of fund total expenses issued in the format determined by the Board are announced in PDP within six business days following the end of the relevant period.

(5) Management fee applicable on funds are required to be announced on the founder's official internet website and in PDP in such manner to be readily accessible by investors. The announcement should clearly describe under which conditions the daily and annual management fees shall be collected from investors.

Board's Fee:

ARTICLE 34 – (1) As of the last business day of each quarterly period on the basis of a calendar year and pursuant to the third paragraph of Article 130 of the Law, a fee equal to five per one hundred thousands of fund net asset value calculated by the founder and approved by the portfolio custodian shall be deposited by the founder in the Board's Account, and a copy of each of relevant advice notes and calculation matrix is sent to the Board, within the following 10 business days.

(2) The Board may determine different ratios by considering the features or maturity of the fund, provided that the ratio referred to in the first paragraph of this Article is not exceeded.

Principles on Valuation, Financial Reporting and Performance Presentation of Funds:

ARTICLE 35 – (1) Principles of valuation and financial reporting of funds are subject to the relevant regulations of the Board.

(2) Funds are required to prepare a performance presentation report within the frame of regulations of the Board pertaining to performance presentation, performance-based pricing and rating activities of institutional portfolios. Current year periods referred to in the relevant regulations with respect to performance presentation report are applied as January – June and January – December for funds. Performance presentation reports are required to be audited by an independent audit firm within one month following the end of the relevant period.

Audit by the Board:

ARTICLE 36 – (1) All accounts and transactions of the fund’s founder, manager and portfolio custodian relating to the fund are subject to audit by the Board.

**EIGHTH CHAPTER
Final Provisions**

Repealed Communiqué:

ARTICLE 37 – (1) The Communiqué on Principles of Investment Funds (Serial VII, No. 10) published in the Official Gazette edition 22852 dated 19/12/1996 is hereby repealed.

TEMPORARY ARTICLE 1 – (1) Investment funds that are founded or units of which are issued prior to the date of publishing of this Communiqué are required to adapt themselves to the provisions of this Communiqué within one year following the effective date hereof. Otherwise, the founder is required to apply to the Board for cancellation of fund rules or prospectus from trade registry.

TEMPORARY ARTICLE 2 – (1) Applications which have not yet been concluded and responded by the Board as of the effective date of this Communiqué are concluded in accordance with the provisions of this Communiqué.

Effective Date:

ARTICLE 38 – (1) This Communiqué becomes effective as of 1/7/2014.

Execution:

ARTICLE 39 – (1) The provisions of this Communiqué are executed by the Board.

ANNEX-1

Minimum contents of fund rules of an umbrella fund:

- a)** Name, type and term of umbrella fund;
- b)** Name and address of the founder, manager and portfolio custodian;
- c)** General principles relating to sub-funds ((Investment assets and portfolio management principles depending on fund types, procedures and principles of trading of fund units, principles on depositary and management services, principles on valuation of portfolio, principles on expenses that may be paid out of the fund assets, principles on transfer of the fund's net income to unit holders, and conditions of purchase and redeem of the fund units);
- ç)** Method of liquidation of the fund;
- d)** Other contents to be determined by the Board.

ANNEX-2

Minimum contents of fund prospectus:

- a)** Name, type and term of the fund;
- b)** Name and address of the founder, manager and portfolio custodian;
- c)** Information about fund's portfolio managers and members of the founder's board of directors;
- ç)** Principles on investment strategy, purpose, investment limitations and risks of fund;
- d)** Information on outsourced services;
- e)** Procedures and principles relating to purchase and redemption of fund units;
- f)** Principles on portfolio depository and management services;
- g)** Principles on valuation of the portfolio;
- ğ)** Principles on expenses that may be paid out of the fund assets;
- h)** Principles on transfer of the fund's net income to unit holders;
- ı)** Conditions of purchase and redemption of fund units;
- ı)** Method of liquidation of the fund;
- j)** From where the fund rules and financial reports can be received;
- k)** Information about the firm assigned to audit the fund;
- l)** Other contents that may be determined by the Board.

ANNEX-3

Calculation of Correlation Coefficient:

Correlation coefficient is a value between (+1) and (-1), expressing the relation between the value of index based in a particular period and the unit price of index fund, and is calculated according to the following formula:

$$r = \frac{\sum (X_t - X_{ort})X(Y_t - Y_{ort})}{\sqrt{\sum (X_t - X_{ort})^2 X} \sqrt{\sum (Y_t - Y_{ort})^2}}$$

Where:

- r = Correlation coefficient
- X_t = Unit price of fund in day t
- Y_t = Unit price of base index in day t
- X_{ort} = Average unit price in calculation period
(X_t / Number of days in calculation period)
- Y_{ort} = Average index value in calculation period
(Y_t / Number of days in calculation period)

ANNEX-4

**Applicable Maximum Fund Total Expense Ratios
By Types of Funds**

FUND TYPES	Applicable Maximum Fund Total Expense Ratios	
	Daily	Yearly
Money Market Funds	3.5 per one hundred thousands	1.28%
Short-term debt instruments funds, capital protected and capital guaranteed funds, precious metals funds and funds having the expression “index” in their name	6 per one hundred thousands	2.19%
Funds of Funds	12 per one hundred thousands	4.38%
Other funds	10 per one hundred thousands	3.65%