Exchange Traded Funds

1. ETF Main Characteristics

Mutual Funds which reproduce a stock index (henceforth Exchange Traded Funds-ETFs) are Unions of Collective Investments in Transferable Securities (UCITS) of the EC Directive 611/1985, as currently in force, which have as main investment purpose to reproduce the performance of a stock exchange index. The assets of an ETF consist of a total estate with no legal entity, which is managed by the management company (Mutual Fund Management Company-AEDAK) in the name and on behalf of the mutual fund shareholders, to whom the other parts of assets belong indiviso.

Their main characteristics are the following:

1. **ETFs are on the exchange transferable titles, while in ordinary Mutual Funds the transfer of their units is not permitted.**
2. **ETFs will be traded under the new trading segment titled "Exchange Traded Funds" using as trading model the one followed in the "Big Cap" segment.**
3. **The stock exchange indices which ETFs are allowed to reproduce may only include shares or bonds and in addition, must fulfil the following prerequisites:**
    - **The index's composition should be diversified adequately,**
    - **The index should be a representative benchmark index of the respective market, and**
    - **The index should be published properly.**
4. **ETFs are traded and cleared on a Stock Exchange just like shares (same trading methods, type of orders, units' settlement time at T+3). Also, short selling and stock lending of ETF units is permitted.**
5. **The Net Asset Value (NAV) of each ETF unit which is determined from the current value of the portfolio minus liabilities over the total number of ETF units is published at the end of each trading session. The Indicative Net Asset Value is calculated throughout trading, according to the unit's net asset value of the previous day.**
6. **The appointment of at least one (1) Market Maker is mandatory both for the initial admission and the ongoing requirements of an ETF in the stock exchange.**
7. **ETFs are a transparent investment tool as their composition is available to the public at any time.**
8. **With respect to the investment restrictions stipulated in the EC Directive 85/611 and L.3283/2004, which incorporates it, ETFs limitations are more flexible. Specifically, an ETF may not hold more than 20% of the securities of the same issuer (and up to 35% in certain cases), while the limit for the ordinary Mutual Funds is at 10%.**
9. **At the start of trading of an ETF unit, the market price represents a fraction (usually 1/100) of the index which the said ETF tracks.**
10. **The management company distributes the dividends of the underlying titles.**

11. ETF units do not grant voting rights to its shareholders during the General Meetings of companies which have issued the underlying shares, as the said right is exercised by the management company.

1.1 Basic Operations

1.1.1 Creation – Redemption of Units

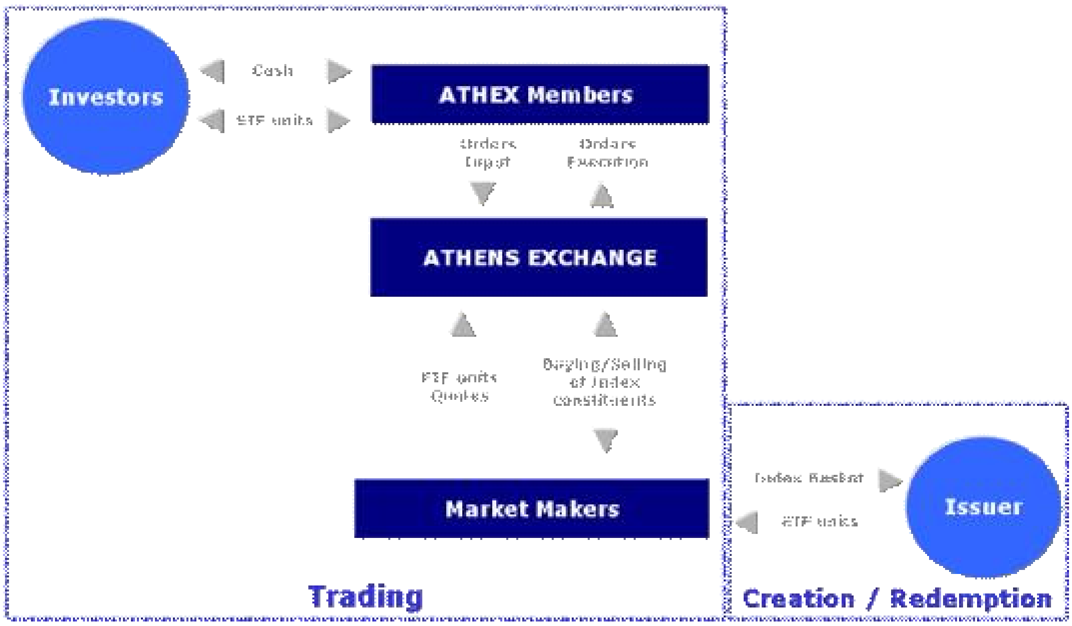
ETF units are created (redeemed) by the issuer who in exchange receives the 'basket' of shares which compose the underlying index (ETF units) or cash. The creation/redemption of ETF units is carried out in block trades and their multiples known as 'Creation Units' (usually 1 Creation Unit=50,000 ETF units), while the frequency of the specific process depends on the ETFs demand in the market. The participants involved in the procedure are Market Makers of the ETF, Institutional Investors and the ETF Issuer.

The following schema depicts the creation – redemption procedure:

1.1.2 Trading in ATHEX

All trades in ETF units are concluded via the electronic trading system of ATHEX, whilst continuous liquidity is achieved via the presence of at least one (1) Market Maker.

The following schema depicts the ETFs' trading model as well as their creation – redemption procedure.



1.1.3 The Role of the Market Maker

The ETFs Market Maker, apart from his classic role of providing liquidity on the units, will be the key participant in formulating prices in the market, in order to

squander any variances between the market price of the ETF unit and the indicative net asset value (iNAV), via arbitrage mechanisms: by way of indication, if an ETF unit is traded at a price higher than the iNAV price (premium), the Market Maker will buy the underlying titles of the index at the price which corresponds to the Indicative NAV of the ETF and then, will exchange these titles for the new overvalued ETFs (via the creation of new units). On the contrary, if an ETF is traded at a price that is lower than the iNAV (discount), then the Market Maker will buy the "undervalued" ETF units and will exchange them with the corresponding shares (via redemption).

The following schema depicts the arbitrage activity: