

## PROPOSAL

### SIF MUNTENIA SA Shareholders General Ordinary Meeting of 23/24 April 2020

#### ITEM 11 OF THE AGENDA

#### Approval of the total annual remuneration due to the administrator of SAI Muntenia Invest SA, for the period of the mandate granted.

The total annual remuneration due to the administrator SAI Muntenia Invest SA is equal to the sum of the monthly fixed remuneration (the monthly administration fee) to which is added, if applicable, an annual performance commission. The amounts are determined and paid under the conditions specified below and in accordance with the provisions of the Articles of Incorporation of SIF Muntenia and of the Administration Contract, contract subject to the approval of the SGOM at item 10 on the agenda.

Thus, SIF Muntenia SA will pay monthly to SAI Muntenia Invest SA a monthly administration fee which is determined according to the following formula

$$\text{monthly management } F = TAc \times C$$

Where:

*monthly management F – represents the value of the monthly management fee, calculated on a monthly basis*

*TAc – represents the value of the total asset of SIF Muntenia certified by the depositary for the last business day of the month*

*C – represents a percentage coefficient. Starting with the enforcement date of this contract, the value of this coefficient is 0.125%.*

Payment of the monthly management fee will be made within a maximum of three business days from the certification by the depositary of the net asset value of SIF Muntenia SA.

Depending on how SAI Muntenia Invest SA achieves the performance criteria and objectives set annually by SIF Muntenia's Shareholders General Meeting through the Management Program and the Revenues and Expenses Budget, SIF Muntenia SA will pay SAI Muntenia Invest SA a performance fee, calculated as follows:

$$\text{Performance fee} = (\text{Achieved Gross Profit} - \text{Budgeted Gross Profit}) \times 10\%$$

The performance fee is an expense of the year for which it is calculated and influences the final gross profit of the financial reporting.

The value of the coefficients used for the calculation of the performance fees is valid throughout the entire duration of the the mandate granted to the administrator SAI Muntenia Invest SA.

The value of the performance fee will be calculated annually, within a maximum of 15 days from the closing date of SIF Muntenia's annual financial reporting.

The payment of the performance fee will be made within three business days from the registration of the annual financial statements of the SIF Muntenia SA to the competent authority.

In substantiating this level of the fee, we have taken into account the good practices existing at the level of the industry in Romania and in the countries of the European Union, by taking into account the manifested tendencies and the new initiatives at the level of the community space.

***As a result, it can be observed, from the following data, that the level of the commission proposed by SAI Muntenia Invest SA is within the range of the specific values of the sample of analyzed countries and the Romanian industry.***

Thus, considering the way of setting up the fee charged for the activities carried out as administrator of SIF MUNTENIA SA, SAI MUNTENIA INVEST SA pays greater attention to the good practices existing in the field of reference, as listed in the August 2016 report of IOSCO - *Good Practices for Fees and Expenses of Collective Investment Schemes*, but also those of the April 2018 report of the European Commission - *Distribution systems of retail investment products across the European Union*<sup>1</sup>. The methodology used by the European Commission to carry out this study concerns data collected since mid-2017 for a number of 175 financial institutions from 15 Member States of the European Union (Belgium, Czech Republic, Denmark, Estonia, France, Germany, Italy, Luxembourg, Netherlands, Poland, Portugal, Romania, Spain, Sweden and the United Kingdom).

In Table no. 1, the conclusions of the Report *Distribution systems of retail investment products across the European Union* are presented, regarding the stock funds, with a median of 1.89% for the selected sample. In the case of Romania, a number of 34 stock funds were analyzed, the value of the management fee being between a minimum of 1.20% and a maximum of 4.16%, with a median of 2.01%.

Equity funds							
Member State	Number of share classes analysed	Entry fees <sup>37</sup>		Exit fees <sup>38</sup>		Ongoing charges <sup>39</sup>	
		Median	Max Min	Median	Max Min	Median	Max Min
Belgium	139	2.50%	5.75% 2.00%	Not applicable		1.96%	3.09% 1.00%
Czech Republic	176	3.00%	6.00% 2.00%	5.00%	6.00% 5.00%	1.86%	2.80% 0.95%
Denmark	40	0.30%	3.00% 0.10%	0.31%	2.00% 0.10%	1.54%	2.80% 0.55%
Estonia	99	3.00%	5.75% 1.00%	1.00%	5.00% 0.50%	1.86%	2.85% 1.26%
France	193	2.50%	6.00% 1.00%	0.75%	1.00% 0.50%	1.80%	3.40% 0.75%
Germany	100	5.00%	6.00% 3.00%	2.00%	5.00% 1.00%	1.80%	2.80% 0.94%
Italy	105	4.00%	5.00% 1.50%	0.40%	0.40% 0.40%	2.07%	2.86% 1.03%
Luxembourg	145	2.00%	3.00% 2.00%	0.50%	1.00% 0.50%	1.98%	3.61% 1.23%
Netherlands	86	5.00%	6.38% 0.10%	1.00%	3.00% 0.10%	1.10%	2.72% 0.45%
Poland	90	4.50%	5.50% 2.00%	4.00%	5.00% 2.00%	4.03%	4.66% 1.72%
Portugal	38	3.00%	5.00% 2.00%	1.00%	5.00% 0.91%	2.17%	3.82% 0.50%
Romania	34	5.00%	5.00% 2.00%	2.00%	5.00% 2.00%	2.01%	4.16% 1.20%
Spain	181	5.00%	10.00% 1.00%	2.00%	4.00% 0.50%	2.12%	3.67% 0.14%
Sweden	191	5.00%	5.75% 0.25%	1.00%	2.50% 0.25%	1.66%	3.30% 0.20%
UK	141	4.00%	5.25% 1.00%	5.00%	5.00% 5.00%	0.94%	1.87% 0.48%
Average	-	3.65%		2.01%		1.89%	

**Table no.1** The level of fees received from stock funds, according to the Report *Distribution systems of retail investment products across the European Union*

<sup>1</sup> [https://ec.europa.eu/info/sites/info/files/180425-retail-investment-products-distribution-systems\\_en.pdf](https://ec.europa.eu/info/sites/info/files/180425-retail-investment-products-distribution-systems_en.pdf) (accessed in April 3,2020)

Also, in Table no.2 are presented the conclusions of the study carried out by the European Commission on the segment of investment funds with a mixed asset structure, according to which the average value of the median for the chosen sample is equal to 1.51%. In the case of the 20 mixed investment funds analyzed in Romania, the fee was between a minimum of 0.62% and a maximum of 5.20%, the value of the median being 1.76%.

Mixed funds							
Member State	Number of share classes analysed	Entry fees <sup>40</sup>		Exit fees <sup>41</sup>		Ongoing charges <sup>42</sup>	
		Median	Max Min	Median	Max Min	Median	Max Min
Belgium	37	3.00%	5.50% 1.50%	Not applicable		1.57%	2.00% 0.87%
Czech Republic	72	3.00%	5.00% 1.00%	5.00%	5.00% 2.00%	1.76%	2.84% 0.50%
Denmark	17	0.33%	1.00% 0.15%	0.32%	1.00% 0.05%	1.36%	1.97% 0.62%
Estonia	27	1.03%	5.75% 0.53%	1.00%	1.03% 0.53%	1.59%	2.20% 0.70%
France	106	2.00%	6.00% 0.50%	Not applicable		1.49%	3.23% 0.03%
Germany	98	5.00%	8.00% 1.50%	2.00%	3.00% 0.50%	1.70%	3.57% 0.45%
Italy	48	3.50%	4.00% 1.50%	2.13%	2.90% 1.75%	1.87%	2.65% 1.29%
Luxembourg	71	2.00%	3.00% 2.00%	0.50%	1.00% 0.50%	1.78%	2.93% 0.63%
Netherlands	20	0.18%	5.00% 0.08%	0.11%	1.00% 0.05%	0.82%	1.33% 0.29%
Poland	42	4.00%	5.00% 1.63%	3.25%	5.00% 1.63%	3.26%	4.26% 0.20%
Portugal	23	2.00%	5.00% 1.05%	1.00%	5.00% 1.00%	1.60%	3.30% 0.73%
Romania	20	5.00%	5.00% 2.00%	4.00%	5.00% 2.00%	1.76%	5.20% 0.62%
Spain	248	5.00%	6.38% 1.00%	3.00%	5.00% 0.10%	1.21%	4.00% 0.19%
Sweden	50	5.00%	5.75% 1.00%	1.00%	2.00% 1.00%	1.36%	2.30% 0.20%
UK	110	5.00%	5.25% 1.00%	5.00%	5.00% 5.00%	1.02%	1.91% 0.44%
Average	-	3.77%		2.73%		1.51%	

**Table no.2** The level of fees charged to diversified funds, according to the Report *Distribution systems of retail investment products across the European Union*

Starting from these principles and, taking into account the adequate protection of the interests of the shareholders of SIF Muntenia SA, we present to you the analysis carried out at the level of SAI Muntenia Invest SA on the absolute maximum annual value of the fee estimated to be received during the mandate subject to the approval of the shareholders of SIF Muntenia SA with occasion of the general meeting of shareholders on April 23/24, 2020.

To substantiate this level, we considered the level of the annual fee received by SAI Muntenia Invest SA during the last 4 years, according to Table 3, as well as the theoretical equivalent value for this fee, using the formula proposed to the shareholders at the general meeting of the shareholders on 23/24 April 2020.

Year	2016	2017	2018	2019
Annual fee value (presented in note 25 of the Notes annexed to the financial statements)	17,858,250	18,707,525	17,400,000	26,141,496
Total fee level, relative to the value of the net asset at the end of the reporting period	1.52%	1.36%	1.38%	1.64%
Annual fee value, recalculated *	18,944,364	22,140,903	22,524,465	32,010,654
Total recalculated fee level*, based on the net asset value at the end of the reporting period	1.61%	1.62%	1.79%	2.01%

*\*this is a theoretical value, which aims to convert the fee collected by SAI Muntenia Invest SA, using the new calculation formula (which is proposed to be debated by the shareholders at the general meeting), in order to substantiate the absolute maximum value of the commission.*

**Table no.3** The level of fees received by SAI Muntenia Invest(in absolute amount and as a percentage in net asset)

Starting from the data presented in Table no.3 and, considering an optimistic scenario for the evolution of the stock market in the next 4 years (the period of the proposed mandate to be approved by the shareholders of SIF Muntenia SA on the occasion of the general meeting of the shareholders on April 23/24 2020), at the time of writing this document, we consider that the absolute maximum value of the annual fee collected by SAI Muntenia Invest SA can be estimated using the maximum of the last line value of Table no.3 and an estimated fruiting factor, equal to 2.

We inform the shareholders that we calculated this amount at the express request of the Financial Supervisory Authority, and the value presented in this document is for informational purpose only, is a theoretical value and does not incur payment obligations from SIF Muntenia SA, other than those arising from the contract proposed for the approval of the general meeting of the shareholders of SIF Muntenia SA.

Therefore, at the time of writing this document, we estimate that the absolute maximum value of the annual commission, for the duration of the next mandate, is equal to 64,021,307 lei, calculated on the basis of theoretical assumptions, respectively doubling the value of the total assets of SIF Muntenia SA in 2020 -2024 and the impact of a fruiting factor equal to 2.

However, given the limitations inherent in each valuation (especially in the face of a period of significant turbulence and volatility in the financial markets), in case of estimating the occurrence of the situation of exceeding this maximum level of the fee, SAI Muntenia Invest SA considers the fulfillment all the legal formalities necessary to obtain the necessary approvals from the shareholders of SIF Muntenia SA (within a general meeting of the shareholders).

Taking into account the ones presented above and the request of the Financial Supervisory Authority, the administrator SAI Muntenia Invest SA proposes to adopt the following Resolution:

***"Is approved the total annual remuneration due to the administrator SAI Muntenia Invest SA, for the period of the mandate granted, remuneration calculated in compliance with the provisions of the Administration Contract specified in the decision no. 10 namely: a monthly fixed remuneration equal to 0.125% of the total monthly assets of SIF Muntenia (certified by the Depositary of the Fund) to which is added, if applicable, a variable annual remuneration equal to 10% of the value calculated as the difference between gross profit realized and the gross profit specified in the REB approved by the SGOM for the current year. "***

**SIF MUNTENIA  
through Administrator  
SAI MUNTENIA INVEST SA**

**General Director,  
Nicușor Marian Buică**