

## **Investor Information in respect of the Domestic Merger of the Sub-funds of the Investment Fund “CBL Strategic Allocation Funds” proposed by “CBL Asset Management” IPAS**

Riga, August 24, 2018

**“CBL Asset Management” IPAS** (referred to hereinafter as **the Management Company**) has reviewed the current framework of the sub-funds of the investment fund **“CBL Strategic Allocation Funds”** (referred to hereinafter as **the sub-funds**) and has examined the possibilities for structural change in order to optimize the management and administration processes of the sub-funds as well as to reduce their total costs.

Analysis of the future development was performed by evaluating such criteria as the investor profile, target market, investment region, investment policy and volume of each sub-fund, as well as costs and expenses related to the management, investor structure, etc. As a result in order to optimise the results of operation of the sub-funds the fund managers have come forward with a proposal to reorganise investment fund “CBL Strategic Allocation Funds” by means of a domestic merger of its sub-funds.

The Management Company hereby informs that as a result of the above analysis and with investor interest protection in mind the Management Company has decided to propose to change the name of Investment Fund “CBL Strategic Allocation Funds” to “CBL Opportunities Funds”, to carry out a domestic merger of the investment fund “CBL Strategic Allocation Funds” by merging its sub-fund “CBL Active Strategy Fund – EUR” into the sub-fund “CBL Balanced Strategy Fund – EUR”, renaming it “CBL Optimal Opportunities Fund – EUR” and retaining its balanced investment strategy. As well the decision is made to merge all USD denominated sub-funds (that is “CBL Universal Strategy Fund – USD”, “CBL Balanced Strategy Fund – USD” un “CBL Active Strategy Fund – USD”) of the investment fund “CBL Strategic Allocation Funds” in to the one new-established “CBL Optimal CBL Opportunities Fund – USD”. In addition to above merger the name of the sub-fund „CBL Universal Strategy Fund – EUR” will be replaced with „CBL Prudent Opportunities Fund – EUR”. Therefore the above-mentioned fund reorganization covers mergers of two differing EUR and USD currency groups’ sub-funds:

- domestic merger of the EUR denominated sub-fund **“CBL Active Strategy Fund – EUR”** (ISIN LV0000400414) (referred to hereinafter as **the Providing sub-fund (EUR)**) with the sub-fund “CBL Balanced Strategy Fund – EUR” (ISIN LV0000400398) (referred to hereinafter as **the Receiving sub-fund (EUR)**) and renaming it “CBL Optimal Opportunities Fund – EUR”;
- domestic merger of the USD denominated sub-funds **“CBL Universal Strategy Fund – USD”** (ISIN LV0000400364), **“CBL Balanced Strategy Fund – USD”** (ISIN LV0000400380) and **“CBL Active Strategy Fund – USD”** (ISIN LV0000400406) (referred to hereinafter as **the Providing sub-funds (USD)**) with new-established **“CBL Optimal Opportunities Fund – USD”** (ISIN LV0000400984) (referred to hereinafter as **the Receiving sub-fund (USD)**).

The Finance and Capital Market Commission of the Republic of Latvia has notified its decision to authorise the merger of the above mentioned providing and receiving sub-funds on August 21 of this year.

### **As a result of the merger of the EUR denominated sub-funds:**

- (a) all assets and liabilities of the Providing sub-fund (EUR) will be transferred to the Receiving sub-fund (EUR);
- (b) the share-holders of the Providing sub-fund (EUR) are going to become the investors of the Receiving sub-fund (EUR) and in return for their shares of the Providing sub-fund (EUR) will receive the shares of the Receiving sub-fund (EUR), taking into consideration the exchange ratio

- applicable to the exchange of shares of the Providing sub-fund (EUR) and shares of the Receiving sub-fund (EUR) at the time of the merger;
- (c) the name of the Receiving sub-fund (EUR) will be changed to “CBL Optimal Opportunities Fund – EUR”;
  - (d) the Providing sub-fund (EUR) will cease to exist.

**As a result of the merger of the USD denominated sub-funds:**

- (a) all assets and liabilities of the Providing sub-funds (USD) will be transferred to the newly established Receiving sub-fund (USD);
- (b) the share-holders of the Providing sub-funds (USD) are going to become the investors of the Receiving sub-fund (USD) and in return for their shares of the Providing sub-funds (USD) will receive the shares of the Receiving sub-fund (USD), taking into consideration the exchange ratio applicable to the exchange of shares of the Providing sub-funds (USD) and shares of the Receiving sub-fund (USD) at the time of the merger;
- (c) the Providing sub-funds (USD) will cease to exist.

**I. EFFECT OF THE MERGER TO THE INVESTORS AND INVESTOR RIGHTS**

Considering that the sub-funds to be merged operate pursuant to the Investment Management Companies Act (*Ieguldījumu pārvaldes sabiedrību likums*) and other legal enactments of the Republic of Latvia, and considering that all the receiving and providing sub-funds are sub-funds of a single investment fund, the merger will not have essential material effect on the share-holders of the providing and receiving sub-funds.

No rebalancing of the investment portfolio of the merging sub-funds will be undertaken before the merger. The Management Company is going to oversee, that at the moment of the merger the investment limits are met, non-finished transactions are completed and required currency exchange into freely convertible currencies are executed.

After the merger the following will be provided:

- a. the amounts paid for the management of the sub-funds will be reduced;
- b. the current depositary arrangements for share certificates are maintained and it is scheduled, that the AS Citadele banka will reduce the costs of holding the share certificates in accounts of the financial instruments;
- c. equivalent procedures for applications to subscription and redemption will be provided for investors, as well as maximum amount of the entry charge for subscription will be reduced;
- d. all current synthetic indicators are maintained, except the synthetic indicator of the providing sub-fund “CBL Universal Strategy Fund – USD” is going to be different from the newly established receiving sub-fund “CBL Optimal Opportunities Fund – USD” as due to increase of the investment limit from 40% to 70% in investments related to equities the respective synthetic indicator will increase from 3 to 4;
- e. all investors of the providing sub-funds will be provided with information and documents to the same extent as the investors of the receiving sub-funds;
- f. the same extent of the information and documents will be provided to all investors involved to the merger, as well as procedure for submitting and reviewing complaints under the requirements provided by the legislative enactments of the Republic of Latvia.

More detailed information on the impact of the merger to the investors of the all sub-funds involved in the merger, including the assessment of criteria (for example the costs, types of investments and their limits for each sub-fund), is provided by the general rules of the domestic merger of the sub-funds of the investment fund “CBL Strategic Allocation Funds”. Those rules and their copy free of charge are available at the head office of the Management Company (Republikas

laukums 2A, Rīga, LATVIA). Considering that all the merging sub-funds are established and operate pursuant to legislative enactments of the Republic of Latvia, there exist no circumstances at the time of the merger that would cause any changes in the taxes or duties applicable to the shareholders.

In respect of the proposed merger, the share-holders of the merging sub-funds will be entitled:

- to request the Management Company the redemption of their shares of the sub-funds free of charge until September 24 of this year;
- the redemption of the shares will be performed in accordance with the procedure established by the fund prospectus;
- to obtain additional information from the Management Company about the proposed merger of the sub-funds;
- to obtain a copy of the opinion of AS Citadele banka, custodian of the merging sub-funds (the opinion will be available on the premises of the custodian at the following address: Republikas laukums 2A, Riga, LV-1010, LATVIA) concerning:
  - (a) the criteria adopted for the valuation of the assets and the liabilities of the respective sub-fund on the date of calculating the exchange ratio of the shares of the merging sub-funds;
  - (b) the amount of cash payment per share of the providing sub-fund;
  - (c) the calculation method of the exchange ratio of the shares.

## II. MATERIAL ASPECTS OF THE MERGER OF THE SUB-FUNDS

According to legislative enactments of the Republic of Latvia, the decision by the Finance and Capital Market Commission to authorise the domestic merger of the sub-funds shall become effective on the fortieth calendar day from the date of notification of the decision to the Management Company. Thus the merger of the respective sub-funds is scheduled to take place on October 1 of this year, and the providing sub-funds will cease to exist after this date.

The following activities will be carried out in order to ensure the merger of the sub-funds:

- (a) an assessment of the assets of the providing and the receiving sub-funds shall be made;
- (b) the Management Company shall give instructions to the custodian to transfer the assets of the respective providing sub-funds to the respective receiving sub-funds;
- (c) the Management Company shall perform a calculation of the exchange ratio of shares of the respective merging sub-funds and send the figures to the fund custodian for approval and to the central securities depository Nasdaq CSD SE for co-ordination;
- (d) upon completion of the transfer of the assets the Management Company shall give instructions to the Nasdaq CSD SE to change the characteristics of the sub-funds involved in the merger:
  - to change the name of Sub-fund "CBL Balanced Strategy Fund – EUR" to CBL Optimal Opportunities Fund – EUR";
  - to change the name of Sub-fund „CBL Universal Strategy Fund – EUR" to CBL Prudent Opportunities Fund – EUR".

In order to ensure a successful merger, the redemption of shares of the merging sub-funds will be suspended as of September 25 of this year, and no transactions with the shares will be possible.

Unit-holders of the receiving sub-funds will be free to use their shares starting from October 4 of this year.

Key investor information for share-holders of the receiving sub-funds which helps understand the characteristics of investing in this sub-fund and make oneself aware of the risks associated with it is available at the website of "CBL Asset Management" IPAS: [www.cblam.lv](http://www.cblam.lv), or at the head office of "CBL Asset Management" IPAS at Republikas laukums 2A, Riga, LATVIA during its business hours. Introducing oneself with the fund prospectus is also necessary in order to take an informed decision about making an investment.

Respectfully,

**"CBL Asset Management" IPAS**

Management Company of the sub-funds involved in the merger