

Investment Fund
CBL Russian Equity Fund
PROSPECTUS

The Fund is registered in the Republic of Latvia

Registered with the Financial and Capital Market Commission:

Registration date of the Fund: 05.03.2004

Registration number of the Fund: F41

Amendments to the Prospectus of the Fund:

Registered on 18.10.2004, in effect from 18.11.2004.
Registered on 21.12.2004, in effect from 21.01.2005.
Registered on 17.02.2005, in effect from 17.02.2005.
Registered on 14.07.2005, in effect from 01.09.2005.
Registered on 10.10.2005, in effect from 11.10.2005.
Registered on 08.12.2005, in effect from 09.12.2005.
Registered on 02.08.2007, in effect from 03.09.2007.
Registered on 27.02.2008, in effect from 22.02.2008.
Registered on 08.09.2008, in effect from 09.10.2008.
Registered on 14.10.2008, in effect from 14.10.2008.
Registered on 25.03.2009, in effect from 25.03.2009.
Registered on 05.10.2009, in effect from 05.10.2009.
Registered on 09.10.2009, in effect from 10.11.2009.
Registered on 29.01.2010, in effect from 29.01.2010.
Registered on 27.07.2010, in effect from 02.08.2010.
Registered on 10.08.2010, in effect from 10.08.2010.
Registered on 10.08.2010, in effect from 10.09.2010. (Paragraph 7.1.7)
Registered on 09.12.2010, in effect from 09.12.2010.
Registered on 26.01.2011, in effect from 26.01.2011.
Registered on 29.06.2011, in effect from 29.06.2011.
Registered on 14.09.2011, in effect from 25.09.2011.
Registered on 17.10.2011, in effect from 17.10.2011.
Registered on 31.10.2012, in effect from 10.11.2012.
Registered on 30.11.2012, in effect from 30.11.2012.
Registered on 11.04.2013, in effect from 11.04.2013.
Registered on 04.07.2013, in effect from 04.07.2013.
Registered on 14.12.2013, in effect from 16.12.2013.
Registered on 21.07.2014, in effect from 21.07.2014.
Registered on 19.03.2015, in effect from 30.03.2015.
Registered on 19.05.2015, in effect from 19.05.2015.
Registered on 12.10.2015, in effect from 12.10.2015.
Registered on 19.08.2016, in effect from 19.08.2016.
Registered on 16.09.2016, in effect from 16.09.2016.
Registered on 30.05.2017, in effect from 10.07.2017.
Registered on 11.09.2017, in effect from 11.09.2017.
Registered on 29.08.2019, in effect from 29.08.2019.

Custodian: Citadele Banka AS

Auditor: KPMG Baltics SIA

The Prospectus of the Fund, Rules of the Fund, Key Investor Information, annual and semi-annual reports of the Fund as well as other information on the Fund and the Company is available free of charge at the office of the CBL Asset Management IPAS at the following address:

Republikas laukums 2A,
Rīga, LV-1010, Latvia,
on business days from 08:30 to 17:30,
as well as on the homepage: www.cblam.lv

Custodian and distributor of the Share Certificates:

In Latvia: Citadele Banka AS
Republikas laukums 2A,
Rīga, LV-1010, Latvia
as well as branches and customer service
centers of Citadele Banka AS www.citadele.lv

IMPORTANT INFORMATION

CBL Russian Equity Fund is established as an investment fund under the Law on Investment Management Companies of the Republic of Latvia and operates in accordance with Directive 2009/65/EC as well as other applicable European Union law. CBL Asset Management IPAS that manages assets of this Fund operates in accordance with the laws and regulations of the Republic of Latvia.

The Share Certificates of the Fund are distributed in accordance with this Prospectus.

Prevention of Money Laundering. According to the laws and regulations of the Republic of Latvia, the Company or the Distributor has the right to request the Investors to submit documents confirming the identity of the Investor or copies of such documents duly certified by a notary.

Where the Investor refuses to submit to the Company the required documents, the Company has the right to reject the application for the Share Certificates without explanation. Further information about such requirements is available at the Company.

Unfair Trade Practice. The Company does not allow unfair transactions and market manipulation with financial instruments, as a result of which the Investors' rights or legitimate interests are affected.

Market Timing. The Company deliberately prevents performance of transactions with the Share Certificates which constitute market-timing practice as such practice is detrimental to the interests of other Investors. Market-timing practice takes advantage of the potential time difference between changes in the value of the financial instruments portfolio of the Fund and the reflection of such changes in the value of the Unit of the Fund. The Company uses various methods to reduce the risk of market-timing, e.g.:

- monitoring frequent purchase/sale transactions of the of the Share Certificates;
- detailed investigation of sampled cases involving active trade with the Share Certificates of the Fund.

By applying the above methods to reduce the risk caused by market timing, the Company strives to take into account the interests of the Investors. The Company cannot ensure that it has sufficient information to identify the market-timing practice. Notwithstanding that the Company strives to detect market-timing practices, it cannot guarantee that such practice is completely eliminated.

Data Protection. The investor is informed and agrees that the Company, the Custodian or the Distributor processes his/her data, including personal data, inter alia, requests, transfers and receives the Investor's personal data from any third party and/or databases established in accordance with the procedure stipulated in the laws and regulations of the Republic of Latvia and/or a country where the Share Certificates are distributed, or from its competent authorities, if the Company, the Custodian or the Distributor deems it necessary for ensuring compliance with the requirements stipulated by the laws and regulations of the Republic of Latvia, for establishing legal relationship between the Investor and the Company, the Custodian or the Distributor or for ensuring compliance fulfillment of obligations.

Distribution of the Share Certificates of the Fund. The Share Certificates will not be distributed in countries where the Fund is not registered or where the relevant state authorities have not been duly informed about the distribution. Thus, this Prospectus cannot be regarded as a public offer or an advertisement in the countries where the Fund is not registered or where the relevant state authorities have not been duly informed about the distribution.

Investor's identification, investigation, compliance, data exchange and any other procedures as specified in the legislation as regards:

- Prevention of money laundering and terrorism financing;
 - Investment services and non-core services, incl. assessment of suitability and appropriateness of the Fund for the interests of the Investor (incl. compliance with European Parliament and Council Directive 2004/39/EC (MIFID));
 - FATCA (U.S. Foreign Account Tax Compliance Act); and
 - CRS (OECD Standard for Automatic Exchange of Financial Account Information),
- are ensured by the Investor's account holder. The Company only follows the above requirements and procedures to the extent required by the directly applicable laws and regulations.

RISK NOTE

Notwithstanding the fact that the Company operates in accordance with the principle of diversification and other risk mitigation concepts, general risks related to the activities of investment companies and investments into financial instruments remain. The Investors should be aware that specific investment strategy aimed at investments in the countries of the Region of Russian Federation includes specific risks, especially significant liquidity, currency, counterparty, financial instrument custody and market concentration risks. The investors should carefully study the information on risks presented in this Prospectus and take it into account when purchasing the Share Certificates of the Fund. Prior to making investments, Investors without relevant experience should consult with an independent financial adviser to make an informed decision on the Fund's offered investment strategy and ensure that the Fund's strategy, including potential risk, is appropriate for the Investor's financial standing. The investments in the Fund are subject both to the risk of not earning any profit and of partial loss of the value of the initial investment. The Company does not guarantee any profit from the investments in the Fund. The historical performance does not guarantee the same performance in the future.

NOTIFICATION TO THE INVESTORS

The value of the Unit of the Fund is highly volatile.

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ABBREVIATIONS AND TERMS USED IN THE PROSPECTUS

Account holder

A financial institution which, according to the Financial Instrument Market Law and the CSD regulations, is entitled to open, hold and close financial instrument accounts; or a legal entity which can ensure custody of financial instruments in the CSD through interbank or central depository correspondent relationship.

AS abbreviation for “akciju sabiedrība”, which is a term used to describe a “Joint-Stock Company” established under the laws of the Republic of Latvia.

Auditor of the Fund

KPMG Baltics SIA

Base currency

The currency in which the Fund’s value and the value of the Unit of the Fund is expressed. The base currency of the IF “CBL Russian Equity Fund” is the US dollar.

Base currency of the Fund USD.

Central Securities Depository or CSD

A company which is responsible for booking of and accounting for financial instruments that are in public circulation in the Republic of Latvia and provides for financial instrument and cash settlements in transactions with financial instruments as well as financial instrument settlements among financial instrument account holders. CSD operates in accordance with the requirements of Regulation (EU) No 909/2014 of the European Parliament and of the Council of 23 July 2014 on improving securities settlement in the European Union and on central securities depositories and amending Directives 98/26/EC and 2014/65/EU and Regulation (EU) No 236/2012.

Company

“CBL Asset Management” IPAS

Custodian

AS Citadele Banka, registration No 40103303559, the custodian of the Investment Fund CBL Russian Equity Fund.

Custody Agreement

A written agreement concluded between the Company and the Custodian according to which the Custodian accounts for and holds the Fund’s assets, as well as performs other obligations specified in laws and regulations of the Republic of Latvia and the Custody Agreement.

Derivatives

Financial instruments the value of which changes depending on the stated interest rate, security price, currency exchange rate, price or interest rate index, credit rating or other variable; and by which one or several financial risks inherent to a derivative primarily underlying the financial instrument are transferred among individuals participating in the transaction. No or minor initial investment is required to purchase a derivative compared to other contracts that also depend on the changing market conditions. Moreover, the settlement according to the contract takes place in the future.

ETF

Share certificates (units) of a mutual investment company, which are traded on a regulated market, and the managing company of the fund takes the necessary steps to ensure that the market price of share certificates is not materially different from the value of the unit if the fund.

EU European Union.

Financial and Capital Market Commission of the Republic of Latvia and/or the Commission

An authorized autonomous public authority supervising the financial and capital market and activities of its participants. The Commission makes independent decisions within the limits of its authority, performs functions assigned to it by the laws and regulations of the Republic of Latvia and is responsible for their execution.

Financial instruments

An agreement, which concurrently creates financial assets for one person, but financial liabilities or equity interest for another person.

Foreign country – any country other than the Republic of Latvia.

Fund the investment fund “CBL Russian Equity Fund”, which is established and managed by “CBL Asset Management” IPAS

Fund's Ongoing Charge Figure

The Fund's Ongoing Charge Figure is defined as a ratio between the Fund's total ongoing charges and the Fund's average annual net asset value. It is expressed in percentage terms.

Fund Rules or Fund Management Rules

The Fund Management Rules, including its effective and applicable supplements and amendments, providing information on the Fund as required by the Law that should not be considered marketing material.

Fund's value

In the meaning of this Prospectus and the Fund Rules also referred to as the Fund's net asset value, the value of the assets of the Fund less the value of the Fund's liabilities.

Group of Ten

The group of countries which have agreed to participate in the General Arrangements to borrow with the International Monetary Fund.

Interested parties of the Company

The Members of the Council and officials of the Company, the Company's shareholders who own 10 and more percent of the voting shares of the Company, as well as spouses, parents or children of such persons.

Interested parties of the Custodian

The Members of the Management and Supervisory Boards of the Custodian, the shareholders who own 10 and more percent of the voting shares of the Custodian, as well as persons closely related to the individuals referred to hereof (e.g. their spouses, parents or children).

Intermediary

A legal entity such as a brokerage company, depository, bank or other person carrying out transactions with financial instruments and engaged by the Company to perform the management of the Fund or a Custodian holding the assets of the Fund and/or executing the Company's order to perform transactions with the Fund's assets. The issuer of the FI, its representative or agent shall not be regarded as an Intermediary.

Investment Fund or IF

An investment fund aimed at aggregating of publicly acquired money resources to invest in transferable securities and other liquid financial instruments in compliance with the risk mitigation principle and investment limitations. The respective investment management company is obliged to redeem the Share Certificates at the request of the Investors.

Investor

A private individual or a legal entity who/which owns one or several Share Certificates of the Investment Fund.

IPAS The abbreviation for “*ieguldījumu pārvaldes akciju sabiedrība*”, which is the term used to describe the “Investment Management Joint Stock Company” established under the laws of the Republic of Latvia.

Latvia The Republic of Latvia.

Law The Law on Investment Management Companies.

Main activity

The activity of the Company which generates the major part of the Company's revenue and other activity which is not related to investments and financing.

Member State

A member state of the European Union or the European Economic Area.

Money market instruments

Liquid short-term debt securities the value of which can be determined at any time (e.g. promissory notes, certificates of deposit, commercial papers, etc.) and that are usually traded on the money market.

MTF Multilateral Trading Facility.

Nominal Account

Financial instrument account opened by the Company in a credit institution, in which the Fund's share certificates held by the Company are accounted for and maintained. Shall such a nominal account be opened, the identification data of the account must show that this is a nominal account and financial instruments therein are not owned by the Company.

OECD Organization for Economic Cooperation and Development.

Prospectus / Prospectus of the Fund

The Prospectus of the Fund, including the effective and applicable additions and amendments, that provide information on the Fund required by laws and regulations of the Republic of Latvia and that should not be considered marketing material.

Publicly Available Information

Information on the Fund, the Company and the Custodian available to all the Investors according to the effective laws and regulations of the Republic of Latvia. Publicly Available Information includes the Prospectus and Key Investor Information Document, Fund Rules, annual and semi-annual reports of the Fund, time and places of distribution of the Share Certificates, the total value of the Fund and the Unit of the Fund, sales and redemption prices of the Share Certificates.

Redemption

Redemption of the Share Certificates on the request of the Investors at the price determined in accordance with Paragraph 11.2 of the Prospectus.

Regular Fee

Fee covered from the assets of the Fund, disregarding whether it entails obligatory payments to ensure the Fund's operation or a fee payable to a third party related to the Fund's operation or providing services to the Fund.

Regulated market

A set of organizational, legal and technical measures, which makes entering into open and regular transactions with financial instruments possible.

Repurchase

Taking over of the Share Certificates ensured by the Company along with compensation for damages incurred by an Investor in the cases and according to the procedure specified in the Law.

RUR Russian ruble.

Sales price of the Share Certificates

The Sales Price of the Share Certificates consists of the value of the Share Certificates of the Fund to be purchased by the Investor and the entry charge for the Share Certificate issuance.

Share Certificate

A transferable security that confirms the Investor's participation in the Fund and the rights arising from such participation.

Trading venue

A regulated market, MTF or a Systematic Internalizer that in such status or system functions similarly to a regulated market or MTF outside the EU. A Systematic Internalizer is an investment brokerage company or a credit institution that, on its account and in an organized way, frequently and systematically performs transactions for the execution of customers' orders outside a regulated market or a multilateral trading facility.

Transferable securities

Securities the alienation rights of which are not restricted, including debt securities, equity securities and share certificates of investment funds.

Unit of the Fund

A unit of the Fund representing the right of claim attributed to one Share Certificate in proportion to the Fund's net asset value. The value of the unit of the Fund equals the value of the Fund divided by the number of the share certificates of the Fund in circulation.

USD US dollar.

Value of the Unit of the Fund

The value of the Unit of the Fund is the Fund's net asset value divided by the number of the Share Certificates of the Fund in circulation.

1 INVESTMENT POLICY AND INVESTMENT LIMITATIONS

1.1 The Fund's Activity and Investment Objective

The objective of the investments of the IF "CBL Russian Equity Fund" is long-term capital appreciation by primarily investing in equity securities, equity investment funds as well as ETFs traded in regulated markets of the Member States or OECD countries, of the issuers registered or carrying out their main activity in Russian Federation without any industry limitations. The Fund's revenues are composed of equity appreciation and distribution of dividends.

1.2 The investment policy of the Fund implies the following allocation of the investment portfolio:

- Up to 100% of the Fund's assets may be invested in equity securities issued by commercial companies. No less than two thirds of the Fund's assets will be invested in equity securities issued by the commercial companies registered or carrying out their main activity in Russia;
- Up to 25% of the Fund's assets may be invested into term deposits with credit institutions.
- Up to 25% of the Fund's assets may be invested in debt securities issued or guaranteed by the central and local authorities or credit institutions, as well as those issued by commercial companies;
- Up to 25% of the Fund's assets may be invested in money market instruments issued or guaranteed by the central and local authorities or credit institutions, as well as those issued by commercial companies;
- Up to 10% of the Fund's assets may be invested in Share Certificates of investment funds or equivalent collective investment undertakings or in equivalent securities (hereinafter – IF Share Certificates), incl. ETFs, which mainly invest in financial instruments issued in Russia.

Fund's assets may include financial instruments, which are not referred to in Paragraph 1.2 hereof if they have become a part of the Fund's assets as a result of restructuring of a security already included in the Fund's assets. The total investments of the Fund in such securities may not exceed 10% of the Fund's assets.

1.3 Investment Targets and Types

The Fund's assets may be invested into the following financial instruments:

- 1) Debt securities and money market instruments issued or guaranteed by central banks, central or local governments of Member States or OECD Member States;
- 2) Debt securities and money market instruments issued or guaranteed by central and local governments of Russia;
- 3) Debt securities and money market instruments issued or guaranteed by credit institutions of Russia, Member States, or OECD Member States as well as debt securities and money market instruments issued by commercial companies;
- 4) Equity securities issued by commercial companies registered in Russia or OECD Member States;
- 5) Deposits with credit institutions licensed in a Member State or in an OECD Member State included in the Group of Ten;

- 6) Share Certificates (units) of investment funds or similar or equivalent collective investment undertakings and ETFs registered in the Member States and other countries on condition that their investment policy provides for investments in equity securities issued by commercial companies which are registered or whose Main activity is carried out in Russia or in debt securities and money market instruments issued or guaranteed by central and local authorities, central banks, credit institutions, and commercial companies of Russia;
- 7) For hedging against the risk of fluctuations in the market value of the Fund's assets that may arise due to changes in the respective asset price or currency exchange rates, the Company has the right to invest in derivatives at the expense of the Fund. The Company has the right to carry out transactions with derivatives at the expense of the Fund with an aim to generate profit. For information on additional risks arising from transactions in derivatives, see Chapter 2 "RISK PROFILE OF THE FUND AND RISKS RELATED TO THE INVESTMENTS";
- 8) The Company has the right to hold part of the Fund's assets in liquid assets, including cash, if necessary for the operations of the Fund.

1.3.1 Investments in transferable securities and money market instruments

1. Investments of the Fund may be made in freely transferable securities and money market instruments that meet at least one of the following criteria:
 - 1) They are traded on a regulated market of a Member State or on another trading venue of a Member State;
 - 2) They are admitted to official stock-exchange listing of the OECD, Russia, Ukraine, Kazakhstan or China (Hong Kong) or are traded on the trading venue of these countries, MTF or by a Systematic Internalizer, or traded in a system functioning similarly to a regulated market or MTF outside the EU;
 - 3) They are neither admitted to official stock-exchange listing nor traded on the regulated markets; however, the rules governing the issue of such securities and money market instruments provide that they will be admitted to official stock-exchange listing or traded on regulated markets referred to in Paragraph 1.3.1, Sub-paragraph 1, Clauses 1) and 2) hereof and that these securities or money market instruments will be admitted or traded there within one year from the start of the subscription to these securities or money market instruments.
2. The Fund's assets may be invested in money market instruments that are not traded on Regulated markets, if these are freely transferable (there are no conditions restricting such transactions) and one of the following conditions is met:
 - 1) They are issued or guaranteed by a Member State or a local authority of a Member State, another country (in a federal country – one of the regional authorities of such federation) or an international financial institution if one or several Member States are its members;
 - 2) They are issued or guaranteed by the Central Bank of a Member State, the European Central Bank or the European Investment Bank;
 - 3) They are issued or guaranteed by a commercial company whose securities are traded in accordance with the procedure specified in Paragraph 1.3.1, Sub-paragraph 2, Clauses 1) and 2) hereof;
 - 4) They are issued or guaranteed by a credit institution that is registered in a Member State and whose operations are monitored by a competent financial supervisory authority in accordance with the EU requirements; or an issuer, whose operations are governed by the regulatory requirements that are at least as strict as those determined by the EU and which also meets at least one of the following requirements:
 - a) It is registered in an OECD Member State belonging to the Group of Ten;
 - b) It has an investment-grade credit rating;
 - c) An in-depth analysis of the legal framework of the issuer's operations confirms that the regulative requirements governing its activity are at least as strict as those determined by the European Union;
 - 5) They are issued by a commercial company whose capital and reserves are equal to or exceed EUR 10 million and which prepares and publishes an audited annual report in conformity with financial reporting requirements that are equal to the ones

adopted in the EU. Such commercial company is in the same group with one or several commercial companies whose shares are traded on a Regulated market and which is established to attract funding to the group or such commercial company is a special purpose entity specialized in securitization operations, and which has signed an agreement on ensuring liquidity with such bank that meets the requirements for a credit institution specified in Paragraph 1.3.1, Sub-paragraph 2, Clause 4) hereof. The investments in such money market instruments are subject to the investor protection equivalent to the protection referred to Paragraph 1.3.1, Sub-paragraph 2, Clauses 1), 2), 3) and 4) hereof.

3. If the invested amount does not exceed 10% of the Fund's assets, the Fund's investments may be made in transferable securities and money market instruments other than those referred to in Paragraph 1.3.1.

1.3.2 Deposits with Credit Institutions

1. The Fund's assets may be deposited with a credit institution that has obtained a license for credit institution operations in a Member State or an OECD Member State belonging to the Group of Ten.
2. The Fund's assets may be deposited with credit institutions if such deposits are repayable on demand or have the right to be withdrawn prior to the expiry of the respective term and maturing in no more than 12 months.

1.3.3 Investments in Share Certificates of Funds

1. The Fund's assets may be invested in the Share Certificates or units of an investment fund or a similar or equivalent collective investment undertaking registered in a Member State, in an OECD country or in any other country whose operations are governed by regulatory requirements equivalent to the provisions of the Law.
2. The Fund's assets may be invested in the Share Certificates or units of an investment fund of a foreign country other than a Member State if such investment fund meets the following requirements:
 - 1) It is registered in a country whose laws and regulations provide for the supervision of such undertakings which is equivalent to the supervision specified in the Law, and the supervisory body of the respective country cooperates with the Commission;
 - 2) The regulatory requirements governing its operations, including investor protection, investment and transaction restrictions and limitations, are equivalent to the provisions of the Law regarding the operations of the investment funds;
 - 3) It prepares and publishes semi-annual and annual reports to allow the assessment of its assets, liabilities, income and operations over the reporting period.
3. The Fund's assets may be invested in the Share Certificates (units) of investment funds and collective investment undertakings referred to in Paragraph 1.3.3, Sub-paragraphs 1 and 2 hereof if the Prospectus, the Rules or equivalent documents of the respective investment fund or collective investment undertaking specify that investments in other investment funds or collective investment undertakings may not exceed 10 percent of the assets of such fund or collective investment undertaking.

1.3.4 Transactions with Derivatives

1. The Fund's assets may be invested in futures, plain vanilla options and swaps which are traded on the markets referred to in Paragraph 1.3.1, Sub-paragraph 1 hereof nor are traded on a regulated market, if the following requirements are met:
 - 1) Their underlying asset is the financial instrument referred to in Paragraphs 1.3.1, 1.3.2 and 1.3.3 hereof, financial indices, interest rates, exchange rates or currencies in which it is intended to invest the Fund assets in accordance with the Prospectus or the Rules;
 - 2) The counterparty to the transaction with derivatives not traded on the regulated market is a credit institution that meets the requirements of Paragraph 1.3.2, Sub-paragraph 1 hereof or an investment brokerage company whose capital and reserves are equal to or exceed EUR 10 million and which is registered in a Member State or an OECD Member State belonging to the Group of Ten and whose operations are monitored by a competent financial supervisory authority;
 - 3) Reliable and verifiable valuation of the derivative not traded on the regulated market takes place on a daily basis; and the derivative can be sold or liquidated at its fair value at any time at the initiative of the Company or a transaction can be performed as a result

of which the respective position (receivables or liabilities in respect to the financial instrument) is closed.

1.3.5 Investments in a currency other than the Base currency of the Fund

In addition to the base currency of the Fund – the US dollars, investments may be made in RUR, EUR and currencies of the CIS countries and in some cases in other currencies observing the investment limitations stipulated in the Prospectus.

2 RISK PROFILE OF THE FUND AND RISKS RELATED TO INVESTMENTS

The Fund's net asset value is highly volatile.

2.1 Risk profile of the Fund

Investments in the Fund are related to a risk or a possibility that the Investor can suffer a loss. The performance of the Fund can be either positive or negative. Appreciation or preservation of the Fund's value is not guaranteed. The historical performance of the Fund does not guarantee that the Investor will achieve similar performance in the future.

When investing in the Fund, the Investor should take into account the risks involved in making such investments. The performance of the Fund can be affected by various risks. The Company advises that the risks listed in Paragraph 2.2 hereof cannot be considered as complete – only the most significant risks are described. The Investor assumes all the risks related to the investments in the Share Certificates of the Fund. Before taking any decision to invest in the Share Certificates of the Fund, the Investor should read this Prospectus and rely on the assessment of the investment and related risks carried out by himself/herself or by his/her external consultant.

The strategy of the Fund comprises significant specific issuer, liquidity, foreign investment risks (including increased political, economic, currency, information, legal risks, the financial instruments custody risk), intermediary and counterparty risks that can adversely affect the Units of the Fund or the value of the Share Certificate of the Fund.

2.2 Investment related Risks

Potential risks to which the investment in the Share Certificates of the Fund might be exposed can be grouped in several categories indicating potential sources of loss. The operations of the Fund involve risks that arise from various factors. Each type of risk can adversely affect the performance of the Fund and, thus, each of the Units of the Fund. In this context, the following risks must be distinguished to be considered and taken into account by the Investors when making a decision to invest in the Share Certificates of the Fund:

General market risk – a risk that the price of securities as well as their income may change due to the factors related to the interest rate changes (in case of debt securities) or extensive changes in the capital market (in case of equity securities) and these changes are not related to a particular issuer. Adverse changes in market conditions can reduce the value of the investments made by the Fund.

Issuer risk – a possibility to suffer loss if the price of a security changes due to the factors related to the issuer of securities or, in case of financial derivatives, to the person issuing the security underlying the respective derivative. The operations of the issuer of the securities or other financial instruments held in the Fund's portfolio can be affected by such factors as issuer's management expertise, economic situation and changes in the industry segment of the issuer, inter alia, the issuer can fail to fulfill its obligations specified in the terms and conditions of the respective issue. Such adverse events can have negative effect on the value of the Fund's investments.

Liquidity risk – a risk that it will not be possible to sell, liquidate, or deal with the financial instruments held in the Fund's investment portfolio within desired time and extent without substantial losses, as a result of which the respective position will be closed; and a risk that the fulfillment of the requirement of redemption of the Share Certificates will be suspended or otherwise restricted. It is possible that the Fund might not sell its assets for an acceptable and reasonable price.

Investments in Russian market are associated with an increased risk that various asset markets may temporarily become illiquid. This may result in an inability to sell financial instruments or other assets or otherwise selling them at reduced prices.

Counterparty risk – a risk that the recipients of management services can suffer loss if a counterparty defaults on its obligations before the payment of the transaction's final cash flow. In planning the investment policy of the Fund, the Company takes into account the safety of investments and holding thereof in each particular country and the safety of investing in specific financial instruments and/or term deposits, i.e. it analyses the credit ratings of each country, bank, commercial company or sub-depository. Materialization of counterparty risk may result in partial or full default on liabilities with respect to a particular financial instrument, cause full or partial loss and sustained unavailability of financial instruments, consequently making the execution of orders difficult or impossible and the impossibility of exercising the rights related to financial instruments (e.g. voting rights). The counterparty with whom an agreement on the transaction has been signed may default; the counterparty may also transfer the required funds or financial instruments in insufficient amounts or not transfer them at all notwithstanding the fact that the Fund has fulfilled all its contractual obligations towards the respective counterparty.

Market concentration risk - as up to 100% of the Fund's assets can be invested in a certain region, market concentration risk inherent to the Fund is higher than usual.

Financial risk - financial risk inherent to investment funds is primarily related to situations when, due to external factors (beyond the Company's control), the Investors simultaneously request redemption of their Share Certificates which results in decreased efficiency of the Fund's operations.

IPO (initial public offering) risk – a risk related to potential investments of the Fund in initial public offerings (IPOs). A risk that the IPO stock market value may be volatile due to such factors as lack of historical market, novel trading, limited number of shares available for sale and limited information on the issuer.

Derivative risk – Investors should be aware that investments in derivatives are subject to high risk. Liabilities or claims arising from such transactions may decrease or cease to exist. The risk of loss in certain situations cannot be determined and may exceed the value of the collateral. If the liabilities arising from derivatives are covered from loans or if liabilities or claims from such transactions are denominated in foreign currency, the risk of loss may increase.

Derivative transactions may result in insolvency and encumber the Fund's property without a possibility to determine the possible losses in advance.

Other risks – *Force Majeure*, incl. natural disasters, strikes, riots, criminal activities, disruptions in communication media and information systems, as well as other risks that cannot be predicted or controlled by the Company.

Main Foreign Investment Risks:

- **Political risk** – ever since 1990s, political situation in Russia has been highly unsettled with frequent conflicts between the president and the parliament having adverse impact on business and investment climate. Hence, investors considering investments in Russian market shall take into account the political risk, i.e. a risk related to changes in the government's course or its priorities (warfare, nationalization, confiscation, introduction of restrictions and embargo, in other words, consequences of unpredictable political course) which may cause losses or curtail profits. This risk is especially typical of the countries which still lack a stable regulatory and legal system, business traditions and culture, Russia being one of them.
- **Economic risk** - a risk related to changes in the economic situation of investment regions, such as economic recession, excessive inflation, banking crisis, etc.
- **Currency risk** - investors should pay attention to the currency risk as well. Such historical facts as the 1998 Russian crisis, which led to considerable devaluation of the Russian ruble or the events of 2003, whereby the ruble was rising against the dollar imply that the currency risk must be taken very seriously. This risk means that the holders of Share Certificates of the Fund may suffer loss from unfavorable fluctuations in the exchange rates. Account should be taken of the fact that even though the units of the Fund are denominated in one (so called "base") currency, the Fund's investments may comprise financial instruments of various countries denominated in other currencies.
- **Information availability risk** – a risk that there is a lack of true securities market information on the issuer's actual situation or such information is inaccessible.

Given that not everywhere in Russia there is a common standard for disclosure, there is an increased risk that despite prudent management, the Company may obtain incomplete information and as a result can make an unfavorable investment decision.

- **System risk** – a risk to suffer loss due to the impossibility to make settlements or transfers caused by the dysfunction of settlement institutions or systems.
- **Legal or regulatory risk** - a risk that may inflict additional expenses and/or loss related to amendments to foreign laws, in case of execution of any decisions/acts by the executive bodies, legislator or judicial power. This may result in imposition of seizure or other restrictions on the financial instruments and/or cash forming the Fund's assets (including those held by the Intermediary whereby free alienation thereof is prohibited).
- **Foreign law application risk** – transactions with the Fund's assets and financial instruments included in the Fund's assets, their custody and accounting thereof may be subject to foreign law or market practice (e.g. in case of a foreign issuer of financial instruments, depository, custodian or a counterparty), which may provide different (and less favorable) regulations with regard to investor protection, custody of financial instruments, execution of transactions, etc.; these regulations may lack clarity, be open to various interpretations, subject to frequent amendments or limitations.
- **Accounting and double taxation risk** – a risk related to the use of different accounting principles in securities accounting and registration systems in different countries which may cause additional burdens on investments, such as higher tax rates set for non-resident investments; thus, the Fund's assets may be burdened more than if investments were made in the local market.

2.3 The most significant risks associated with custody of financial instruments and Intermediaries

- **Custody Risk** - Custodian's default, erroneous or malicious activity may have adverse impact on the Fund, reduce the asset value of the Fund as well as cause full or partial loss of Fund's assets. Events of Custodian's default include but are not limited to insolvency, bankruptcy, negligence or intentional unlawful activity, as well as other activities without legal grounds.
- **Intermediary Risk** - losses caused as a result of an Intermediary's action or omission, including Intermediary's fraud, negligence, incorrect execution of orders or deficient accounting for financial instruments/cash held by the Intermediary, etc., as well as due to the fact that the Intermediary and/or a third party engaged by the Intermediary has been using the Fund's assets, *inter alia*, in transactions with third parties, e.g. pledging, offsetting or otherwise encumbering them as a result of which the Fund's assets (in full or in part) can be lost completely or the possibility to freely deal with them can be significantly encumbered.
- **The risk of Intermediary's insolvency or other special administration regime** - total or partial loss of the Fund's assets, their long-term inaccessibility, impossibility or difficulty of dealing with them, impossibility of exercising rights related to financial instruments or unavailability of information due to insolvency (bankruptcy) or other process that suspends operation of the Intermediary (or the sub-Intermediary) holding the financial instruments or being involved in execution of orders or settlements.

Foreign laws and regulations or market practice, which is substantially different from that existing in Latvia, may apply to the Intermediary's insolvency or other similar process. Right to financial instruments may be affected by unpredictable legislative, executive or judicial decisions of the respective country. Financial instruments comprised in the Fund's assets may not be recovered, yet, in the framework of the insolvency proceedings, their value can be fully or partially refunded in cash after the financial instruments are evaluated in accordance with the relevant foreign laws and regulations. In this case, the Custodian only distributes the funds actually received from the Intermediary proportionally to its customers that are entitled thereof. In case of Intermediary's insolvency or similar proceedings, there is a risk to recover neither the financial instruments, nor their value in cash.

- **Risk of holding financial instruments registered outside the European Union (EU)** - Acquisition and holding of financial instruments registered outside the EU is associated with exposure to additional risks arising from regulatory differences of the Foreign country. Some countries outside the EU (e.g. the Russian Federation) may have different or incomplete regulation with regard to holding financial instruments on behalf of third parties and the requirements on segregation of financial instruments owned by customers may differ from those applicable in Latvia or be non-existent.

Although the Custodian has informed the Intermediary that financial instruments owned by its customers, including the Fund, are being held at the Intermediary, the financial instruments can be considered the property of the Custodian, the Intermediary or a third party engaged by

the Intermediary (a sub-Intermediary) rather than that of the customer, and the financial instruments comprised in the Fund's assets may be encumbered or alienated, being considered the property of the party in whose name they are registered in the Foreign country. Even if the national legislation provides for the possibility of foreign professional market participants such as the Custodian to open nominal accounts for holding financial instruments of its customers, due to specific features of individual countries or issuers of financial instruments such accounts are not always opened, e.g. in the Russian Federation. Due to deficiencies in financial instrument custody system or actions of Intermediaries or issuers of financial instruments, transactions with the Fund's assets or the Fund's income from such transactions can also be subject to non-compliant tax rates.

For instance, laws and regulations of the Russian Federation recognize segregated holding of financial instruments of customers and in the Russian Federation the Custodian ensures that the financial instruments of the Fund are identified separately from the financial instruments owned by such an Intermediary, however, the Custodian believes that this does not always guarantee sufficient protection of these financial instruments. Shall such an Intermediary be subject to insolvency, liquidation or similar proceedings, there may be a case that the financial instruments held by the Intermediary are insufficient to satisfy all of its customers' claims in full. In this case, financial instruments are distributed in proportion to the submitted claims of the Intermediary's customers, and the Fund's financial instruments may not be recovered or can be recovered only in part.

- **The risk of the issuer's registrar** – the issuer may appoint a registrar to maintain the registry of its shareholders/members, *inter alia*, to account for their property rights (legal title). Such a registrar shall be considered neither an agent nor an intermediary engaged by the Custodian or the Intermediary, and neither the Custodian nor the Intermediary shall be responsible for any action/omission or performance of obligations by such a registrar. The conduct of such a registrar, including negligence, fraud, improper performance of obligations or the registration or transfer of legal title to financial instruments, as well as its bankruptcy or liquidation can result in losses incurred by the Fund, including the loss or impairment of the Fund's investments.

2.4 Possible Risk Mitigation Measures

The Company manages the Fund in the interests of the Investors and will make every effort, to the extent possible, to avoid potential risks or mitigate them; however, the Company does not guarantee that it will be possible to completely avoid such risks. In order to decrease investment risks, the Fund is managed in compliance with the principles of diversification and risk reduction.

When making investments on the Fund's account, the Company obtains sufficient information on potential or acquired investment targets, as well as monitors the financial and economic situation of the persons having issued the financial instruments in which the Fund's assets are or will be invested.

When developing Fund's investment strategy and determining investment limitations within Fund's investment policy framework as specified in this Prospectus, the Company analyses the Fund's investments by maturity, geographical spread, currencies, etc. assessing the risk level of each of these factors. The Company strictly observes the standards and restrictions specified in the Prospectus, the Fund Rules, and the laws and regulations of the Republic of Latvia.

For risk mitigation purposes the Company carries out the following:

- Country assessment according to the ratings assigned by international credit rating agencies;
- Overview of the current political situation of the country;
- Overview of the current economic situation of the country.

If damages are incurred due to negligence or deliberate breach of duties by an Intermediary, the Company shall defend its rights by taking action against the issuer directly and/or against the Intermediary. The Company and the Custodian, within the framework of their competence and in accordance with the requirements prescribed in effective laws and regulations of the Republic of Latvia, will apply all the necessary skills and prudence in selecting, appointing and monitoring their local Intermediaries. Notwithstanding the measures taken by the Company and the Custodian, it is not possible to fully avoid the risk related to action, omission or default by the Intermediary.

The risks referred to in the Prospectus are mitigated, *inter alia*, by the activities of the Financial and Capital Markets Commission of the Republic of Latvia which monitors and inspects the Company and the circulation of Share Certificates in the Republic of Latvia and in other countries on a regular basis, thus protecting Investor interests.

The investment strategy of the Fund is developed to minimize, as far as possible, the risks referred to in Paragraph 2 hereof; however, the Company does not guarantee that it will be possible to fully avoid these risks in the future.

3 INVESTMENT LIMITATIONS AND DESCRIPTION OF THE INVESTING PRACTICE OR METHOD USED IN THE FUND MANAGEMENT

3.1 General Investment Limitations

1. The Fund's investments, excluding the Fund's investments referred to in Paragraph 3.1, sub-paragraph 2, in transferable securities or money market instruments of a single issuer may not exceed 5 percent of the Fund's assets. The above limit may be raised to 10 percent of the Fund's assets; however, in such case, the total value of the investments exceeding five percent may not exceed 40 percent of the Fund's assets.
2. The Fund's investments in transferable securities of a single issuer can be increased up to 25 percent of the Fund's assets if they are debt securities issued by a credit institution registered in a Member State and if the terms of such debt securities provide that the acquired funds will be invested in assets that during the entire duration of the debt security fully secure the liabilities arising out of such a debt security, and such liabilities must be settled on a priority basis if the issuer becomes insolvent.
3. If the value of debt securities of a single issuer mentioned in Paragraph 3.1 exceeds 5 percent of the Fund's assets, the total value of the Fund's investments that exceeds five percent may not exceed 80 percent of the Fund's assets.
4. The Fund's investments in a single credit institution may not exceed 20 percent of the assets of the Fund. Such limitation does not apply to claims on-demand against the Custodian.
5. Investments of the Fund's assets in Share Certificates of a single investment fund may not exceed 10 percent of the Fund's assets. The Fund's total investment in certificates (units) of the collective investment undertakings referred to in Paragraph 1.3.3 sub-paragraph 2 of the Prospectus, may not exceed 30 percent of the Fund's assets.
6. The total risk arising from transactions in derivatives, inter alia, in the derivatives included in transferable securities or money market instruments may not exceed the Fund's net asset value. In calculating the total risk, the value of the underlying assets of the derivative, counterparty risk, future changes in the market and the time required for closing the relevant position must be taken into account. In assessing the total risk of the Fund, the Company applies the commitment approach.
7. Risk position in transactions with over-the-counter derivatives with each counterparty may not exceed:
 - 1) Ten percent of the Fund's assets if the counterparty is a credit institution that has obtained a license for credit institution operations in a Member State or OECD member state that is included in the Group of Ten;
 - 2) Five percent of the Fund's assets if the counterparty is an investment brokerage company whose capital and reserves amount to at least EUR 10 million or an equivalent amount in other currency given the exchange rate published by the European Central Bank and which is registered in a Member State or OECD member state that is included in the Group of Ten and the operation of which is monitored by a competent financial supervisory authority.
8. Considering that derivative transactions with an aim of generating profit may be carried out at the expense of the Fund, the base asset of the derivative shall be subject to limitations set forth in Paragraph 3.1 hereto.
9. Disregarding the investment limitations separately specified in Paragraph 3.1, Sub-paragraphs 1, 4, 6 and 7 of the Prospectus, the total Fund's investments in transferable securities and money market instruments, the Fund's deposits and transactions with derivatives, the issuer or guarantor, investment attractor or transaction counterparty of which is one and the same person may not exceed 20 percent of the Fund's assets. In applying the investment restriction specified in this Paragraph, commercial companies belonging to one group must be considered as a single person.
10. The investment limitations separately specified in Sub-paragraphs 1, 2, 3, 4, 6 and 7 of this Paragraph may not be combined and thus the total investments of the Fund in

transferable securities and money market instruments, the Fund's deposits and transactions with derivative financial instruments the issuer or guarantor, investment attractor or transaction counterparty of which is one and the same person may not exceed 35 percent of the Fund's assets.

3.2 Investment restrictions with regards to the Single Issuer

1. The investments of the Fund in separate assets may not exceed the following criteria:
 - 1) 10% of the par value of the shares (without voting rights) of a single issuer;
 - 2) 10% of the total amount of debt securities issued by one issuer;
 - 3) 10% of the total value of the money market instruments issued by a single issuer;
 - 4) 25% of the value of a single investment fund or similar or equivalent investment undertaking.
2. Neither the total of all the investments of the funds managed by the Company, nor investments of each of the funds separately may directly or indirectly exceed 10 percent of either of the following indicators:
 - 1) share capital of one issuer;
 - 2) total voting rights of one issuer.
3. The Fund's assets may not be disbursed in loans or invested in real estate, precious metals and derivatives, the underlying asset of which are precious metals or commodities.

3.3 Loans at the expense of the Fund

To accommodate requests to redeem Share Certificates or to meet other liabilities of the Fund, covering such expenses of the Fund that, if not paid on time, may cause losses to the Fund, the Company may borrow on the Fund's account in total up to 10 percent of the Fund's net asset value, but only for a short-term up to three months.

The Company is entitled to adopt decisions regarding the borrowing on the Fund's account in accordance with the Prospectus, the Fund Rules and the Articles of Association of the Company.

3.4 General Provisions for Transactions

The Company carries out transactions with the Fund's assets in accordance with the Law, this Prospectus, Fund Rules, and other applicable laws and regulations of the Republic of Latvia

The Company has no right to assume liabilities at the expense of the Fund's assets, if these liabilities are not directly attributable to the Fund. The Company may not carry out transactions with the Fund's assets without consideration. The balances due from the Company may not be offset by the receivables of the Fund.

The Fund's assets may not be pledged or otherwise encumbered except in the cases specified in the Law and herein.

The Company is not allowed to sell securities or assume commitments regarding the sale of the securities on the Fund's account if, at the time of the transaction, these securities do not constitute the Fund's assets.

In assessing the compliance of the Fund's investment portfolio with the investment limitations, the investment value determined under the procedure described in Chapter 12 "METHODS AND PROCEDURES FOR DETERMINING THE FUND'S VALUE" is used.

3.5 Selection of Investment Targets

1. Investment targets are chosen in accordance with the principles of the investment policy of the Fund and investment limitations stipulated herein as well as in accordance with the procedure stipulated by the Fund Rules and in compliance with the principles of diversification and risk reduction.
2. In making investments on the Fund's account, the Company is obliged to invest only in the investment targets specified herein, comply with the investment limitations stipulated herein, obtain sufficient information on potential or existing investment targets as well as constantly monitor and analyze the financial and economic standing of the entities in whose securities or money market instruments the Fund's assets have been or will be invested.
3. In managing the Fund and receiving collateral according to the signed financial collateral agreements, receiving guarantees, carrying out repo transactions as well as borrowing or lending securities or performing other transactions with transferable securities and money

market instruments of the Fund, the Company ascertains that the above transactions ensure efficient management of the Fund's investment portfolio.

4. In carrying out the transactions referred to in Paragraph 3.5, Sub-paragraph 3 of this Chapter, the Company ensures efficient management of the Fund's portfolio satisfying the following transaction criteria:
 - 1) Their use is economically reasonable and cost-effective;
 - 2) Their use is intended for at least one of the following purposes:
 - Risk mitigation;
 - Cost reduction;
 - Increase in the Fund's net value or income in accordance with the investment risk profile of the Fund and the investment limitations set;
 - 3) The related risks are duly included in the risk management process of the Fund.
5. The decisions on dealing with the Fund's assets are made and the instructions to the Custodian are given by the Fund Managers appointed by the Management Board of the Company in compliance with the provisions of the Prospectus, the investment policy of the Fund and the procedure stipulated by the applicable laws and regulations of the Republic of Latvia. The procedure for decision-making and giving instructions is laid down in the Fund Rules.

3.6 Exceeding of Investment Limitations

Investment limits may be exceeded due to exercising subscription rights pertinent in transferable securities or money market instruments comprised in the Fund or to other circumstances the Company was unable to foresee. In order to counteract exceeding the limitations, the Company must perform sales transactions in accordance with the risk mitigation principle and in the best interest of the Investors.

4 RIGHTS AND LIABILITIES OF INVESTORS

4.1 Rights of Investors

1. Without any limitation, through an exchange or over-the-counter market, to alienate their Share Certificates.
2. To participate in the distribution of income derived from the transactions with the Fund's assets in proportion to the number of the Share Certificates.
3. To participate in the distribution of income derived from the liquidation of the Fund in proportion to the number of the Share Certificates.
4. To request the redemption of their Share Certificates by the Company.
5. To request the Company to repurchase the Share Certificates issued by the Company, if due to the Company's fault the information presented in the Prospectus, which is essential for the evaluation of the Share Certificates, is incorrect.
6. To request and receive free of charge annual and semi-annual reports of the Fund, to have access to all publicly available information about the parties related to the activities of CBL Asset Management IPAS and the Fund. The scope of this information and the procedure for obtaining it is provided in the Rules.
7. The Investor is not entitled to request unbundling of the Fund. This also applies to the holder of the Investor's pledge, creditors or administrator in case of the Investor's insolvency.

Rights and obligations of the owners of the publicly issued Share Certificates are specified according to the Financial Instrument Market Law, the Law, and other laws and regulations of the Republic of Latvia.

4.1 Limitations of the Investors' liabilities

1. The Investor is not responsible for the liabilities of the Company. The liability of the Investor regarding the claims in respect to the Fund's assets is limited only to the Share Certificates owned.
2. Any arrangement which contravenes the provisions of the above paragraph is not valid as of the date of its signing.
3. Any claim against the Investor concerning his/her liabilities may be directed against his/her Share Certificates, but in no case against the Fund's assets.

Terms and conditions of this Prospectus become binding to the Investor as soon as the Investor files an application to acquire Share Certificates under the procedure specified in this Prospectus and Fund Rules.

5 TYPICAL INVESTOR'S PROFILE

The Fund was set up for professional and experienced Investors as well as for those Investors who are not familiar with the capital market opportunities and whose aim is to generate profit on capital markets. According to the Fund's long-term strategy, the Fund is more suitable for the Investors who intend to invest for at least 5 years.

6 TAXES AND DUTIES APPLICABLE TO THE INVESTORS OF THE FUND

The Investor pays the applicable personal/corporate income tax or any other applicable taxes, duties or similar charges himself/herself. The Company does not assume any responsibility for the payment of taxes, duties and similar charges applicable to the particular Investor unless it is required by the laws and regulations of the Republic of Latvia or foreign law or international agreements applicable to it.

According to the applicable laws and regulations of the Republic of Latvia, the Investment Fund does not have to pay corporate income tax; therefore, the capital accumulated by the Fund and the Fund's assets are not subject to corporate income tax. If, according to the laws and regulations of the Republic of Latvia, investment targets and transactions with the Fund's assets are subject to taxation, the Company pays such taxes from the Fund's assets. The above does not constitute the Company's commitment to pay taxes, duties or similar charges in place of the Investor unless it is required by the laws and regulations of the Republic of Latvia or foreign law or international agreements applicable to it.

As prescribed by the Law on Personal Income Tax and the Law on Corporate Income Tax of the Republic of Latvia or any other laws and regulations that may in the future replace the above laws and related regulations, the Investors pay personal income tax or corporate income tax by themselves.

The information provided in this paragraph gives a general overview of current Latvian tax laws and regulations effective at the time of registering the most recent amendments to this Prospectus. The Company bears no responsibility for tax treatment of each particular Investor. In case of uncertainties, the Investor must contact his/her tax advisor.

The Investor must take into account that taxes, duties or similar charges can significantly differ depending on the following:

- The place/country of residence of the Investor – namely, the fact that the income derived from the sale of the Share Certificates is not/is subject to taxation in the Republic of Latvia does not mean that such an income would not/would be subject to taxation in the country of residence of the Investor who is not a resident of the Republic of Latvia according to the law of the relevant country;
- The legal status of the Investor – the application of taxes/duties to private individuals and legal entities may differ; it also depends on the type of activity (whether the Investor is a foundation, association, religious organization, trade union, political party, state/self-government authority or authority financed by the state/self-government, etc.);
- Additions and amendments to the tax law of the particular country, namely, the provisions specified in the tax laws, regulations and international agreements can change from time to time.

7 SUMMARY OF TRANSACTIONS WITH SHARE CERTIFICATES AND FUND MANAGEMENT FEE

The purpose of this information is to give the Investor a general overview of the collective costs he/she will have to incur directly or indirectly, when acquiring the Share Certificates. More detailed information on determining these costs and the payment procedure is provided further in the Prospectus.

7.1 Charges for Transactions with Share Certificates

The entry charge for the Share Certificates is calculated as a percentage of the value of the Unit of the Fund. The entry charge for the CBL Russian Equity Fund is determined up to 3.0% of the value of the Unit of the Fund.

There is no exit charge for the Share Certificates.

The charge specified in Paragraph 7.1 hereof is not applied when the Investor purchases or sells the Share Certificates on a secondary market.

7.2 Management fee

The management fee is determined as a percentage of the Fund's average net asset value per annum.

Name of the person	Fee amount
Company	2.00 %
Custodian	0.18%*
Auditor of the Fund	0.10%
Maximum expense ratio	4.00%

* The total Custodian fee may not exceed 0.50% of the Fund's average net asset value per annum.

7.3 Other Payments Covered from the Fund's Assets

Other expenses are covered from the Fund's assets if substantiated by source documents and if such payments are stipulated in the laws and regulations of the Republic of Latvia governing the activities of investment management companies and investment funds as well as the accounting procedure of such entities.

Other payments include such expenses as transaction fees, brokerage fees, interest on loans; the fee for registration of amendments to the Prospectus and/or the Fund Rules, the fee for the supervision of the Fund and similar payments, the fee for holding financial instruments (incl. the fee for holding the Fund's assets by Intermediaries), tax certification, the fee for admittance to official stock-exchange listing, the fee for legal and other professional consultations; the costs related to distribution of the Share Certificates of the Fund of the Sub-fund as well as other similar costs.

The transaction processing fee is determined according to Custodian's valid pricelist.

7.4 Other Payments Covered at the Investor's Expense

According to the provisions laid down in Chapter 10 hereof, the Investor must cover all expenses related to the purchase of the Share Certificates (bank charges for operations with financial instruments/settlement accounts, transactions, holding, etc.); in case the Investor fails to pay for the Share Certificates in full according to the procedure and within the term stipulated in this Prospectus, the Investor must cover all Fund's expenses and losses related to non-execution of the submitted application for the purchase of the Share Certificates.

According to the provisions laid down in Chapter 11 hereof, the Investor must cover all expenses related to the redemption of the Share Certificates (bank charges for operations with financial instruments/settlement accounts, transactions, holding, etc.).

The charges specified in this chapter are incurred and paid by the Investor personally; and the amount of the respective fee is determined by the credit institution or financial institution at which the Investor has opened a financial instrument account and holds the Share Certificates.

8 INFORMATION ON THE AUDITOR OF THE FUND

Name of the Auditor: KPMG Baltics SIA
Registration number: 40003235171
Legal address: 7 Vesetas iela, Riga, LV-1013, Latvia

The location of the executive body of KPMG Baltics SIA is the same as its legal address.

Licenses: License No 55 for auditing services issued by the Latvian Association of Certified Auditors.

KPMG Baltics SIA is one of the largest audit, management, and tax consulting companies in Latvia.

Procedure for Calculation and Payment of the Fee to the Auditor of the Fund

The expected annual fee payable to the Auditor of the Fund is gradually included in the valuation of the Fund's asset value on a daily basis – in equal parts every day. In calculating the fee payable to the Auditor of the Fund for the current day, the Company assumes that the reporting year of the Fund is 365 days.

The audit fee is accrued and paid to the Auditor of the Fund once a year.

9 GENERAL INFORMATION ON THE INVESTMENT FUND

This investment fund is an aggregate of assets formed by investments made in return for Share Certificates, as well as assets obtained in transactions with investment fund property.

The Fund does not have any sub-funds, nor does it have Share Certificates of different categories – all owners of the Share Certificates of the Fund have equal rights arising from each Share Certificate.

The **base currency** of the CBL Russian Equity Fund is the US dollar (hereinafter – USD).

According to the Law, the CBL Russian Equity Fund is an investment fund and operates according to European Union law. The Company that manages the Fund is obliged to redeem the Share Certificates upon the request of the Investors.

The Fund's assets are a joint property of the Investors and must be held, booked and managed separately from the property of the Company, other Funds under its management and the Custodian.

If the Custodian uses Intermediaries for holding the financial instruments, then taking into account the specifics of the law of the particular foreign country governing property rights and related accounting, the ownership of the financial instruments may be registered in the name of the Custodian, the Intermediary, the Company or a third party, inter alia, in the name of a third party engaged by the Intermediary. The Custodian accounts for the ownership of such financial instruments belonging to the Company/Fund according to the laws and regulations of the Republic of Latvia.

The Fund's assets may not be included in the property of the Company or the Custodian if the Company or the Custodian is declared insolvent or is liquidated.

10 SALE OF SHARE CERTIFICATES

The number of Share Certificates of "CBL Russian Equity Fund" and the issuance period are not limited.

In certain countries and jurisdictions, the distribution of the Share Certificates is restricted by the law. Therefore, the person who has acquired the Share Certificates in accordance with the Prospectus is responsible for the compliance with the requirements and/or prohibitions valid in the particular jurisdiction. The Prospectus should not be considered to be a proposal or proposition to purchase the Share Certificates in the country and jurisdiction where such proposal or proposition as well as purchase of the Share Certificates are unlawful. We recommend that, before making investments in the Fund, the Investors acquaint themselves with the legislative requirements effective in their country of residence and the potential consequences of purchasing the Share Certificates of this Fund (incl. prevention of money laundering and terrorism financing, investment services and non-core services, incl. assessment of suitability and appropriateness of the Fund for the interests of the Investor, as well as the requirements of the FATCA (U.S. Foreign Account Tax Compliance Act) and the CRS (OECD Standard for Automatic Exchange of Financial Account Information)), as well as with all the effective currency exchange provisions and applicable taxation.

Share Certificates, representing a whole Unit of the Fund, can be fractioned up to a maximum of four decimal points. The rounding off of the Unit of the Fund is carried out as follows:

- If the fifth decimal is 4 or less – the fourth decimal stays the same;
- If the fifth decimal is 5 or more – the fourth decimal is rounded up by one unit.

10.1 Place and Procedure of Application for the Share Certificate Acquisition

Each Investor may apply for an unlimited number of the Share Certificates. The Investors can apply for purchasing Share Certificates of the Fund at the Company's office at Republikas laukums 2A, Riga, LV-1010, Phone: (+371) 67010810, Fax: (+371) 67778622 or at the Distributors.

The Distributor of the Share Certificates of the Fund in Latvia is:

- AS Citadele Banka address: Republikas laukums 2A, Riga, LV-1010, Phone: (+371)67010000, Fax: (+371)67010001;

as well as

- the branches and customer service centers of AS Citadele Banka in Latvia. Addresses of the branches and customer service centers are available at the office of the Company or by calling AS Citadele Banka or on the website of AS Citadele Banka: www.citadele.lv.

Applications for the purchase of the Share Certificates may be submitted to the Company, the Distributors or the Account holders ensuring custody of Share Certificates, on each business day during their working hours.

In making investments in the Fund, in addition to the application for the acquisition of the Share Certificates, the Investor, at the request of the Company, must submit to the Company, the Distributor or the Account Holder all the requested identification documents.

If the Company has received and accepted an application before 17:30 Latvian time (the Cut-Off Time), it is processed for the price of the Share Certificates of the Fund stated for the day of the receipt of the application and which is determined after 17:30.

If the Company has received and accepted the application after 17:30 (Latvian time), such application, at the Company's discretion, may be considered submitted on the next business day.

The Distributors are entitled to engage third parties to organize the distribution of the Share Certificates of the Fund, including intermediaries, dealers, information agents and other persons authorized to provide this type of services. The Distributor organizes and monitors the sale and redemption of the Share Certificates to ensure that they are carried out according to the provisions of the laws and regulations of the Republic of Latvia and/or the country in which the Share Certificates are sold and according to the Prospectus and the Rules. In order to apply for the Share Certificates, the Investor must open a financial instrument account with an account holder who is a member of the CSD or with an account holder who can ensure, through an interbank or central depository correspondent relationships, that the financial instruments are held with the CSD.

The Investor must complete and submit to the Company, the Distributor or the Account holder an application for the acquisition of the Share Certificates of the Fund. By signing the application, the Investor certifies that he/she has read the Prospectus and the Rules and agrees with their provisions and acknowledges their binding nature.

The receiver of the application must ensure that the application for the acquisition of the Share Certificates includes at least the information specified in Paragraph 11.1 of the Fund Rules.

In the application for the acquisition of the Share Certificates, the Investor at his/her discretion indicates the preferred acquisition option: a fixed number of the Share Certificates or a specific amount of money for the acquisition of the Share Certificates.

The applications for purchase of the Share Certificates of the Investment Fund are accepted and registered according to the provisions of the Rules.

The Company is obliged to execute only the applications for purchase of the Share Certificates that have been properly completed. The Investor is responsible for the accuracy and completeness of the stated information.

If the Investor submits the application for the acquisition of the Share Certificates through the Account holder acting in its own name but on behalf of the Investor (but which is not a Distributor within the meaning of this Prospectus), the Account holder must ensure and is responsible for the identification of the Investor according to its customer identification procedure; moreover, the Account holder is also responsible for assessing the suitability and/or acceptability of the investments in the Fund to the Investor according to the regulatory requirements of the residence country of the Investor, Latvia or the respective foreign country in which the Share Certificates are sold. The Company or the Distributor, when accepting an acquisition order from an Account holder, which is a licensed financial institution, may rely on the procedures applied by the Account holder with regard to the identification, prevention of money laundering and terrorist financing,

suitability, compliance and other similar procedures, *inter alia*, the Company and/or Distributor does not have to identify the beneficial owner of the Share Certificates.

10.2 Nominal accounts

In specific cases, if the Investor is a professional customer within the meaning of Directive 2004/39/EC of the European Parliament and the Council and, if the Company has separately agreed on this with the Investor, the Investor needs not to open a financial instrument account according to the provisions of Paragraph 10.1. In this situation, the nominal account is opened by the Company.

10.3 Methods, Frequency and Disclosure of Calculating the Sales Price of the Share Certificates

The sales price of the Share Certificates consists of the value of the Unit of the Fund to be purchased and the entry charge for Share Certificates referred to Paragraph 7.1 hereof.

The sales price of the Share Certificates is based on the value of the Unit of the Fund which is determined on the day of the receipt of the application for the acquisition of the Share Certificates and published on the next business day.

The Fund's value and the value of the Unit of the Fund is determined on each business day after the Company receives from the Custodian the statement on the Fund's portfolio which is submitted to the Company on each business day after 17:30. Information on the Fund's value and the value of the Unit of the Fund determined for the previous day is available at the Company's office or by dialing the Company's phone numbers during its office hours. This information is also available from a Distributor at the address indicated in the Prospectus or by dialing the Distributor's phone numbers specified in Paragraph 10.1 of the Prospectus. The information is also published on the Company's web-site.

10.4 Payment Procedure

The Share Certificates are issued only upon full payment of the price of the respective certificates in cash.

The Share Certificates are sold at the price determined for the day when the Company received and accepted the application for the acquisition of the Share Certificates.

According to Paragraph 10.1 of the Prospectus, the Company or the Distributor calculates, depending on the purchase mode chosen by the Investor in the application for Share Certificate acquisition, the number of the Share Certificates corresponding to the specified amount of money or the amount of money corresponding to the specified number of the Share Certificates.

Not later than within five business days after the submission of the application for the acquisition of the Share Certificates to the Company or the Distributor, the Investor must ensure that the price of the Share Certificates is paid to the Fund's account opened with the Custodian. If, within the prescribed time period, the relevant amount of money for purchase of the Share Certificates has not been credited to the Fund's account, the application for Share Certificate acquisition is considered to be void.

If the Custodian is the Account holder of the Investor's cash and financial instrument accounts, the submission of the application for the acquisition of the Share Certificates to the Company or the Distributor shall be deemed as an order to purchase the financial instruments. On the basis of this order, the Custodian carries out cash and financial instrument settlements, as well as makes any appropriate entries in the Investor's accounts. The Custodian debits the amount of money necessary for purchase of the Share Certificates from the Investor's account and credits it to the Fund's account with the Custodian. After the receipt of the money in the Fund's account opened with the Custodian, the Company issues new Share Certificates and ensures that they are immediately transferred to the Investor's financial instrument account opened with the Custodian.

If the Investor's cash and financial instrument accounts are held with another Account holder, the Investor must credit in person the amount of money necessary for purchase of the Share Certificates of the Fund to the Fund's account with the Custodian. The Investor can choose to receive the transaction confirmation containing the exact amount of money that the Investor must credit to the Fund's account with the Custodian either at the office of the Company or by means of communication specified by the Investor, including but not limited to e-mail or internet bank.

The Company issues new Share Certificates only after the Investor has credited the amount of money required for the acquisition of the Share Certificates to the Fund's account with the Custodian.

The Share Certificates are credited to the Investor's financial instrument account not later than within three business days after the money is credited to the Fund's account.

The payments for the Share Certificates are made in base currency of the Fund (USD).

The payments for Share Certificates may be made according to other procedures:

- Upon a mutual agreement between the Investor and the Company;
- Upon an agreement between the Investor and the Distributor which does not contradict the Prospectus and the agreements signed between the Investor and the Distributor;
- Upon the request of the Company if the amount of money to be invested in the Fund by the Investor exceeds 5% of the Fund's net asset value.

The Company is only obliged to execute the applications containing all the exact information requested therein. The Investor is responsible for the completeness and accuracy of information provided in the application.

All expenses incurred by the Investor with regard to the purchase of the Share Certificates (bank charges for the operations with financial instrument/settlement accounts, etc.) are borne by the Investor. If the Investor fails to credit to the Fund's account with the Custodian the amount of money necessary for full payment of the price of the Share Certificates, the Investor must cover all costs and losses to the Company and the Fund incurred as a result of the failure to execute the application for the acquisition of the Share Certificates of the Fund.

10.5 Payment Procedure by Using Nominal Accounts

Acquiring Share Certificates of the Fund in accordance with the procedure specified in Paragraph 10.2 of the Prospectus, without opening the financial instrument account, the Investor must credit in person to the Fund's account with the Custodian the amount of money necessary for the purchase of the Share Certificates. The Investor can receive the transaction confirmation containing the exact amount of money the Investor must credit to the Fund's account with the Custodian at the office of the Company at his/her discretion by fax, e-mail or other electronic communication means according to the prior agreed procedure between the Company and the Investor.

The Company issues new Share Certificates only after the Investor has credited the amount of money necessary for purchasing the Share Certificates to the Fund's account with the Custodian or according to any other prior agreed procedure between the Company and the Investor.

The Share Certificates are transferred to the Investor's nominal account opened by the Company not later than within three business days after the receipt of the money in the Fund's account with the Custodian.

The Investor is entitled to demand at any time that the Share Certificates owned by them and held in the nominal account of the Company are reregistered in his or her name. In such case, the Investor must open a financial instrument account with the Custodian or another Account holder and give an order to transfer the Share Certificates owned by him/her to this account. The Company has the right to reject such reregistration if the use of the nominal accounts is bound by some compulsory jurisdiction or required due to legal, regulatory or practically unavoidable reasons.

11 REDEMPTION AND REPURCHASE OF SHARE CERTIFICATES

11.1 Procedure for Application for Redemption of Share Certificates

The Company redeems the Share Certificates upon the request of the Investor.

The Company redeems the Share Certificates in the order in which the applications for redemption are submitted and registered.

In order to request redemption of the Share Certificates, the Investor must submit to the Company or the Distributor the application for redemption of the Share Certificates.

If the Investor holds the Share Certificates in a Nominal account opened with the Company, the application for redemption of the Share Certificates of the investment fund must be submitted to the Company.

The Investor may submit the application for redemption of the Share Certificates to the Company or the Distributors at the addresses referred to in Paragraph 10.1 hereof during their business hours.

If the Company has received and accepted the application until 17:30 Latvian time (Cut-Off Time), it must be executed for the redemption price of the Share Certificates stated for the day of the receipt of the application which is determined after 17:30.

If the Company has received and accepted the application after 17:30 (Latvian time), such application, at the Company's discretion, may be considered as submitted on the next business day.

In the application for redemption of the Share Certificates, the Investor indicates at his/her discretion the preferred redemption option: a fixed number of the Share Certificates to be redeemed or a specific amount of money for the redemption of the Share Certificates.

The Company does not bear any responsibility for losses of the Investor caused by incorrect or incomplete application.

The Company is only obliged to execute the applications containing all the exact information requested therein. The Investor is responsible for the completeness and accuracy of information provided in the application.

If the Investor files the application for redemption of Share Certificates through an Account holder acting in his name but on the Investor's behalf, but is not considered a Distributor within the meaning of this Prospectus, such an Account holder must ensure and it is responsible for the identification of the Investor in accordance with its own customer identification procedures.

11.2 Methods and Frequency of Calculating the Redemption Price of Share Certificates

The redemption price of the Share Certificate is equal to the value of the Unit of the Fund on the day when the Company has received and accepted the application for redemption of the Share Certificates.

The Company shall withhold no commission fee for the redemption of Share Certificates, however, the Investor must bear the commission fees and expenses related to the transaction, including transaction fees.

The Share Certificate redemption price is variable and is fixed in a daily basis along with the value of the Unit of the Fund.

The redemption price for Share Certificates is paid in the base currency of the Fund (USD).

Information on the Fund's value and the value of the Unit of the Fund is disclosed in accordance with Paragraph 10.3 hereof.

11.3 Payment Procedure

The Share Certificates of the Fund are redeemed at the price determined for the day when the Company has received and accepted the application for redemption of the Share Certificates.

According to Paragraph 11.1 hereof, based on the Investor's application the Company or the Distributor calculates, depending on the redemption mode chosen by the Investor, the amount of money corresponding to the specified number of the Share Certificates or the number of the Share Certificates corresponding to the specified amount of money.

Not later than within five business days after the submission of the application for redemption of the Share Certificates to the Company or the Distributor, the Investor transfers the Share Certificates, which are being redeemed, to the issue account of the Fund opened with the Custodian. If within the set time period the number of Share Certificates, which are being redeemed has not been transferred to the issue account of the Fund, the application is considered to be void.

If the Custodian holds the cash and financial instrument accounts for the Investor, submission of an application for redemption of the Share Certificates to the Company or the Distributor shall be deemed as an order to sell the financial instrument. Based on this Investor's order, the Custodian performs settlements with securities and in cash, as well as appropriate entries in the Investor's accounts. The Custodian transfers the Share Certificates, which are being redeemed from the Investor's account to the issue account of the Fund opened with the CSD. After the receipt of the Share Certificates in the issue account of the Fund with the CSD, the Company immediately redeems them and within six business days the Company transfers to the Investor's cash account the relevant amount of money in the base currency of the Fund which corresponds to the number of the redeemed units.

If the Investor's cash and financial instrument accounts are held with another account holder, the Investor must ensure that the number of the Share Certificates, which are being redeemed, stated in the application is transferred to the issue account of the Fund with the CSD. If the Investor has stated in the application the amount of money to be received for the redeemable Share Certificates, then the Investor can receive the transaction confirmation containing the exact number of redeemable Share Certificates which the Investor must transfer to the issue account of

the Fund with the CSD at his/her discretion at the office of the Company or by means of communication specified by the Investor, including but not limited to e-mail and internet bank.

After the receipt of the Share Certificates in the issue account of the Fund with the CSD, the Company immediately redeems them and within six business days transfers to the Investor's cash account the relevant amount of money in the base currency of the Fund which corresponds to the number of the Share Certificates, which are being redeemed.

If the Share Certificates are held in the nominal account with the Company, then the Company immediately redeems the respective Share Certificates and transfers the amount of money corresponding to the number of the Share Certificates, which are being redeemed, in the base currency of the Fund to the settlement account indicated by the Investor not later than within six business days.

All expenses incurred by the Investor with regard to the redemption of the Share Certificates (bank charges for operations with the securities/cash settlement accounts, transaction fees, etc.) are borne by the Investor.

If the Investor or several Investors within 3 business days submit applications for redemption of the Share Certificates, which together exceed 10% of the Fund's net asset value and their execution may substantially affect the interests of other Investors, the settlement period for redemption may be extended to ten business days.

If the Investor fails to transfer the redeemable Share Certificates to the issue account of the Fund with the CSD according to the procedure and within the time period referred to in this paragraph, the Investor covers all costs and losses incurred to the Company and the Fund as a result of the failure to execute the application for redemption of the Share Certificates.

After redemption of the Share Certificates the Investor loses all rights associated with the ownership of the Share Certificates, excluding the claims to the extent of the redemption price, which remain valid until satisfied in full.

11.4 Secondary Market of Share Certificates

The Share Certificates of the Fund are transferable securities, and the Investors can alienate them without limitations subject to applicable statutory requirements. The Company has no right to determine the price of the Share Certificates on the secondary market, and the Company is not responsible for the price fluctuations and liquidity of the Share Certificates on the secondary market.

11.5 Rules and Procedure for Repurchase of Share Certificates

If information of significant importance for determining the value of the Share Certificates presented in the Prospectus and the accompanying documents is incorrect or incomplete due to the Company's fault, the Investor is entitled to demand that the Company repurchases his/her Share Certificates and reimburses him/her for all losses incurred.

Such a claim must be filed within 6 months from the date when the Investor finds out that such information is incorrect or incomplete, but in any case not later than three years from the date of purchase of Share Certificates.

Repurchase of the Share Certificates is not to be considered as redemption of the Share Certificates.

The Investor can submit the application for repurchase of the Share Certificates to the Company in writing together with documents certifying the fact that the Investor has suffered loss due to the Company's fault as in the Prospectus and the accompanying documents the Company has presented incorrect or incomplete data of significant importance for determining the value of the Share Certificates.

The Company may temporarily suspend repurchase of the Share Certificates of the Fund in exceptional cases if the repurchase is impossible due to force majeure circumstances which are beyond the control of the Company and the Fund. Repurchase of the Share Certificates can be suspended if the Commission exercises its rights to restrict the Company's rights to alienate the Fund's assets. The Share Certificates of the Fund may not be repurchased in case the Fund is being liquidated; if the Fund is liquidated, the claims of the Fund's creditors and Investors are satisfied according to the procedure laid down in the laws and regulations of the Republic of Latvia.

11.6 Conditions for Suspension of Redemption and Repurchase of the Share Certificates

In case of extraordinary financial markets conditions (temporary shutdown of stock exchanges, banks, brokerages or any other reason preventing transactions in financial instruments) or due to

force majeure, the Company may temporarily suspend trading of the Share Certificates of the Fund. The Company will immediately inform every Investor directly or publish an announcement on the website www.cblam.lv.

Redemption and repurchase of the Share Certificates may be suspended if the Commission exercises its right to restrict the rights of the Company to manage the Fund's accounts, and in the event of liquidation of the Fund.

Redemption and repurchase of the Share Certificates is prohibited after the start of liquidation of the Fund.

If the Fund is liquidated, the claims of the Fund's creditors and Investors are satisfied according to the procedure laid down in the laws and regulations.

12 PRINCIPLES AND TERMS OF THE FUND VALUATION

The Fund's value (also referred to as the Fund's net asset value) is the difference between the Fund's asset and liability values.

12.1 Principles of Fund's Asset Valuation

The accounting records of the Fund are kept according to the Law, Regulations issued by the Commission as well as other laws and regulations of the Republic of Latvia.

For valuation of the items of financial statements, the International Accounting Standards issued by the International Accounting Standards Board are applied.

The Company ensures that the Fund's accounting records are kept in the base currency of the Fund (USD). In order to comply with requirements of laws and regulations of the Republic of Latvia, the Company's accounting records are kept in EUR. The transactions in foreign currencies are translated in the reporting currency of the Fund, based on the information provided by the Custodian according to the currency exchange rate published by the news and information agencies "Bloomberg", "Reuters" or information provided by similar information sources. The Fund's assets are valued according to the following accounting principles:

- 1) Going concern principle;
- 2) The same asset valuation principles as used in the previous reporting year;
- 3) Prudence principle:
 - The financial statements of the Fund comprise only the profit generated to the date of the balance sheet,
 - All possible costs are taken into account regardless of the time of their occurrence (i.e. those related to the reporting period and to the previous reporting periods);
- 4) Income and expense incurred during the reporting year are taken into consideration irrespective of the payment date or the invoice issuance date;
- 5) All items having a material impact on the evaluation or decision making by the users of the financial statements are disclosed;
- 6) Assets and liabilities items have been valued separately;
- 7) All transactions are recorded and disclosed according to their economic content and nature rather than their legal form.

In exceptional cases deviations from the above accounting principles are allowed. Any such case shall be explained in the notes to the financial statements, stating its impact on the assets and liabilities, financial position and financial results of the Fund.

According to the requirements specified in the Prospectus and the laws and regulations of the Republic of Latvia, the assets of CBL Russian Equity Fund may only consist of financial assets.

The Company divides all the financial assets included in the Fund into the following categories:

- Financial assets held for trading;
- Financial assets held to maturity.

Financial assets held for trading are financial assets purchased or acquired mainly with the objective of generating a profit from short-term price fluctuations.

Financial assets held to maturity are financial assets with fixed or determinable payments and fixed maturity that an entity has positive intent and ability to hold to maturity.

The Company is entitled to include financial assets with fixed or determinable payments and fixed maturity in the category of the financial assets held to maturity if it has the positive intent and ability to hold such financial assets to maturity.

The Company classifies the financial assets with fixed maturity at the time of their acquisition and reviews the asset classification on a regular basis (at the end of each month).

The valuation of the Fund's assets is carried out on a prudent basis. In the valuation of the financial assets the Company applies the following principles:

- Financial assets held for trading are valued at their fair value. The fair value is the amount of money for which an asset may be exchanged or liabilities may be settled in an arm's length transaction between knowledgeable and willing parties.
- Financial assets held to maturity with fixed maturity are valued at amortized cost using the effective interest method (see Paragraph 12.1.2).

Financial assets are initially recognized in financial statements at cost which is the fair value of consideration given to acquire the asset. The cost includes the transaction costs directly related to the acquired financial asset.

12.1.1 Valuation of Debt Securities Held for Trading

The fair value of debt securities held for trading purposes that are listed on stock exchanges or traded on other regulated markets is based on the last published market prices known to the Custodian.

If the security income is paid out in the form of coupon payment and the stock exchange price does not include the accrued interest or the coupon portion, it is added to the amount that corresponds to the time period from the starting date of coupon calculation to the date of calculation of the Fund's value.

12.1.2 Valuation of Debt Securities Held to Maturity and Debt Securities not Publicly Traded

Debt securities held to maturity and debt securities not publicly traded on stock exchanges or on other regulated markets are valued at amortized cost, which is calculated using the effective interest rate method, i.e. the securities are stated at cost plus amortized discount or premium (*Agio, Disagio*). Income is recognized and the carrying amount is reduced by using the rate that precisely discounts the future cash flow (until the financial asset maturity or the reprising date) to the financial asset present value.

If the security is paid out in the form of coupon, the accrued interest or the coupon portion is added to the extent corresponding to the period of time from the starting date of such coupon calculation until the date of calculation of the Fund's value.

12.1.3 Valuation of Equity Securities

The value of equity securities listed on the stock exchanges or traded on other regulated markets is based on the last published market prices known to the Custodian.

Equity securities not listed on exchanges or traded on other regulated markets are valued at acquisition cost. Following the prudence principle, such assets are valued at the lowest price if such is known to the Custodian through the transactions carried out on the market. Information on market transactions can be obtained from official and public information sources (e.g. newspapers, news agencies).

12.1.4 Valuation of Share Certificates of Investment Funds

The value of Share Certificates investment funds or similar or equivalent collective investment undertakings is based on the last available redemption price of the Share Certificates on the day of calculation of the Fund's value.

12.1.5 Valuation of Term Deposits

All term deposits are classified as financial assets held to maturity and valued by adding the accrued interest (which is calculated over the period from the last date of interest payment to the date of calculation of the Fund's value) to the principal amount of such term deposit.

12.1.6 Valuation of Derivatives

Derivatives listed on stock exchanges or traded on other regulated markets are valued at a price for which the instrument can be sold (the last purchase price at the market close on the day of calculation of the Fund's value).

Derivatives not publicly traded on stock exchanges or on other regulated markets are valued at their redemption price or at compensatory transaction price confirmed in writing by the transaction partner on the day of calculation of the Fund's value or at a price that is calculated on the basis of the market price of the underlying asset. A compensatory transaction is a transaction that liquidates a derivative.

Futures are valued at the market bid price on the respective stock exchange or regulated market where they have been concluded as of the moment of the stock exchange closing on the date of calculation of the Fund's value.

Currency forwards are valued at fair value applying the position-closing cost method. The fair value of a currency forward is the difference between the value of the currency purchased and the value of the currency sold, revaluated at the compensatory forward rate at the date of calculation of the Fund's value. If the rate confirmed by counterparty is not available, a transaction shall be evaluated at price that is calculated on the basis of the market price of the underlying asset, i.e. applying the current exchange rate and market interest rates.

A currency SWAP is an instrument that consists of two parts – a spot and a currency forward transaction. Therefore, each part of the transaction is valued separately by applying the methods used for the valuation of the respective instrument.

12.1.7 Translation of Assets in Currencies Other than the Base currency of the Fund

Assets and liabilities in currencies other than the base currency of the Fund are translated in the base currency of the Fund at the exchange rate of the respective currencies stated by the news and information agencies such as: Bloomberg, Reuters, or other equivalent source of information at the date of calculation of the Fund's value.

12.2 Valuation of Liabilities

The value of liabilities equals the sum of all payments charged to the Fund, including fees payable from the Fund's assets to the Company, Custodian, Auditor and third parties, and the liabilities arising from loans and other liabilities of the Fund.

Liabilities in foreign currencies are translated in the base currency of the Fund based on information provided by the Custodian, which has been prepared in accordance with the exchange rate of the respective currencies stated by the news and information agencies: Bloomberg, Reuters, or information provided by other equivalent source of information.

12.3 Income and Expense Accounting

Revenues and expenses attributable to the reporting period are disclosed in the income statement of the Fund regardless of the date of receipt or payment thereof. The accrued income is only included in the income statement of the Fund if there is **no doubt regarding its receipt**.

13 DISTRIBUTION OF THE FUND'S INCOME

Income received from the Fund's assets is reinvested in the Fund.

The Investor participates in the distribution of the income derived from transactions with the Fund's assets in proportion to the number of the Share Certificates owned.

The income of the Investor is reflected in the increase or decrease in the value of the Share Certificates.

The Investor can earn income from the Unit of the Fund in cash by requesting the Company to redeem the Share Certificates or by selling them on the secondary market.

14 BEGINNING AND END OF A REPORTING YEAR OF THE FUND

The reporting period of the Fund is 12 months, and it corresponds to the reporting year of the Company. The reporting year of the Fund corresponds to a calendar year.

15 INVESTMENT MANAGEMENT COMPANY

Name of the Company:

CBL Asset Management IPAS

Legal address:

Republikas laukums 2A,

Riga, LV-1010, Latvia

Phone: (+371)67010810, Fax: (+371)67778622

The office of the Company's executive body is at the legal address of the company.

Founded on:	11 January 2002
Unified registration number:	40003577500
Registered and Paid Capital of the Company:	EUR 5,904,918
Shareholders of the Company:	Citadele Banka AS
	Unified registration number: 40103303559
	Number of shares 5,904,918 with voting rights
	Equity interest 100.00%

Licenses and Special Permits:

License for Investment Management Services No 06.03.07.098/367.

License for Management of State Funded Pension Scheme Assets No 06.03.09.098/284, issued on 20 September 2002.

Alternative Investment Fund Manager License No 06.13.08.098/369.

15.1 Rights and Obligations of the Fund Management Company

The Company deals with the Fund's assets and related rights in its own name and on behalf of the Investors by investing the Fund's assets in the investment targets specified in the Law and the Prospectus and according to the risk reduction principle.

In managing the Fund, the Company is obliged to act as a righteous, attentive and diligent owner to ensure that the respective services are provided with due professional skill and care in the best interests of the Fund and Investors.

In carrying out Fund management activities, the Company does not need to have Investors' consent.

The Company is entitled to remuneration for the management of the Fund, including charges and compensation of expenses.

The Company is obliged to bring legal action for the Investors against the Custodian or third parties in its own name, if relevant circumstances so require and it does not result in duplication of claims or unequal treatment of the Fund's Investors. This, however, is without prejudice to the rights of the Investors to bring legal actions in their own name.

15.2 Council of the Company

Juris Jakobsons	Chairman of the Council, Adviser to the Management Board of Citadele banka AS, Head of the Department for Strategic Development of Subsidiaries
Vladimirs Ivanovs	Deputy Chairman of the Council, Head of Private Capital Management Division of AS "Citadele banka"
Peter Meier	Member of the Council, Head of the Centre for Asset Management at Zurich University of Applied Sciences (ZHAW) Management Board of the Company

15.3 Management Board of the Company

Karlis Purgailis	Chairman of the Management Board
Zigurds Vaikulis	Member of the Management Board
Andris Kotans	Member of the Management Board
Lolita Siceva	Member of the Management Board

15.4 Fund Managers

The Management Board of the Company appoints at least two Fund Managers. Each Fund Manager is empowered to give orders concerning the assets managed by the Fund according to the Prospectus, the Fund Rules, and the decisions of the Management Board of the Company. The procedures for making decisions by the Fund Managers are governed by the Fund Rules.

Fund Managers are allowed to work only at one investment management company.

Fund Managers appointed by the Company:

Andrejs Pilka, an employee of the Company's Fund Management Department;

Igors Lahtadirs, an employee of the Company's Fund Management Department.

15.5 Names of Other Funds Managed by the Company

Investment Fund "CBL Baltic Sea Equity Fund",

Investment Fund "CBL Global Emerging Markets Bond Fund",

Investment Fund "CBL Strategic Allocation Funds",

Investment Fund “CBL Eastern European Bond Fund”,
Closed-end Alternative Investment Fund „Baltic Pearl Real Estate Fund”.

15.6 Company Fee: Calculation and Payment Procedure

The fee to the Company for the management of the Fund is calculated on daily basis and accrued throughout the month. The fee is paid from the Fund's assets once a month. The Company calculates and the Custodian verifies, accepts and transfers the fee to the Company.

In calculating the fee payable to the Company for the management of the Fund on the current day of the calculation of the Fund's net asset value, the Company assumes that the reporting year of the Fund consists of 365 days:

$$SA_t = FNAV_i * \frac{L_1}{365} * N$$

- SA_t – the fee payable to the Company for managing the Fund at the date of the calculation;
- $FNAV_i$ – the Fund's net asset value on the previous day of the calculation of the Fund's value;
- N – the number of calendar days from the last day of the calculation of the Fund's value;
- L_1 – the fee rate payable to the Company according to Paragraph 7.2.

The Fund's net asset value is calculated according to Paragraph 0 hereof.

The amount of the **monthly fee** payable to the Company for managing the Fund is calculated as an amount equal to the total of the daily fees payable to the Company for managing the Fund:

$$SA_K = \sum_{t=1}^K SA_t$$

- SA_K – the fee for the current month payable to the Company for managing the Fund;
- SA_t – the fee payable to the Company for managing the Fund for each day of the calculation of the Fund's net asset value;
- K – the number of days on which the Fund's value was calculated.

16 CUSTODIAN

Name of the Custodian: Citadele Banka AS
Founded on: 30 June 2010
Unified registration number: 40103303559
Licenses: License for Credit Institution Activities No 06.01.05.405/280
Legal address of the Custodian: Republikas laukums 2A, Riga LV-1010, Latvia

The location of the executive body of the Custodian is the same as its legal address.

16.1 Obligations of the Custodian and Potential Conflicts of Interests Related to their Performance

Citadele Banka AS is appointed as the Custodian of the Fund pursuant to the Custody Agreement concluded with the Company, which is concluded for an indefinite period and may be terminated in the cases and according to the procedure specified thereof.

The Custodian shall hold the assets of the Fund, monitor the transactions carried out with the Fund's assets, as well as perform other duties assigned to it under the Law and the Custody Agreement.

The Custodian shall ensure that: (a) any issue, sale, redemption, cancellation and repurchase of Share Certificates is performed in accordance with the Law, the Prospectus and the Rules; (b) the value of Share Certificates is calculated in accordance with the Law, Regulations of the Commission, the Prospectus and the Rules; (c) income of the Fund is used in accordance with the Law, Regulations of the Commission, the Prospectus and the Rules; (d) when carrying out transactions with the Fund's assets, the remuneration to the Fund is paid on time.

The Custodian must execute the Company's orders, unless they are in conflict with the Law, Regulations of the Commission, the Prospectus, the Rules and the Custodian Agreement.

The Custodian, in its own name, brings Investors' claims against the Company, shall the respective circumstances so require. This is without prejudice to the rights of Investors to bring such claims in their own name. The Custodian must bring a counterclaim if, because of its commitments, the Fund's assets are being seized.

When performing its obligations laid down in the Law, the Custodian shall act in righteous, fair and professional manner, in the interests of the Fund and the Investors.

The Custodian shall have the right to conclude contracts with Intermediaries in order to ensure custody of the Fund's property and settlements in transactions with the Fund's assets, as well as to assign other obligations. The Custodian shall select such Intermediaries, as well as continuously monitor their activity in the course of receipt of their services in accordance with requirements of the effective laws and regulations of the Republic of Latvia and the Custody Agreement.

As at **16.03.2017** The Custodian holds the Fund's assets with the following Intermediaries:

APEX Clearing Corp.
Bank GPB JSC
Calenia Investments Limited
Citadele Bankas AB
Clearstream Banking S.A.
Eesti Vaartpaberikeskus AS
PKO Bank Polski S.A.

The current list of the Custodian's Intermediaries holding the Fund's assets, as well as other information related thereof is available upon Investor's request at the Custodian's office.

In the cases and according to the procedure prescribed by the Law, the Custodian may hold financial instruments comprised in the Fund's assets with a Foreign Intermediary that is subject neither to regulatory requirements with regard to supervision of operations, nor to the supervision itself, which are equivalent to those effective in Latvia, and that is not subject to obligatory annual audit by a sworn auditor, as a result of which an audit opinion on the existence of financial statements is issued. In this case, information about the financial instruments being held by such a Foreign Intermediary, as well as the grounds for such holding and the risks related thereto is published on the website: <http://www.cblam.lv/lv/investment-funds/equity/cbl-russian/>, as well as made available upon Investor's request at the Custodian's office.

Risk of holding financial instruments registered outside the European Union (EU) is inherent in holding financial instruments with any Foreign Intermediary; this risk is outlined in the Chapter FUND RISK PROFILE AND INVESTMENT-RELATED RISKS of the Prospectus.

When ensuring the custody of the Fund's assets, as well as performing other duties of the Custodian, conflicts of interest may arise. Based on effective laws and regulations of the Republic of Latvia and its own conflict of interest prevention procedures, the Custodian analyzes eventual conflicts of interest, which may arise while providing Custodian services to the Fund.

The Custodian and the Company belongs to the same consolidation group and, therefore, conflicts of interest may arise between the Fund and the Custodian. Taking into account the Custodian's as Citadele Banka AS operation profile, it can also provide other services to the Company and/or the Fund, which may result in conflicts of interest between Citadele Banka AS departments in charge of providing different services. The Custodian provides custody services also to other customers, therefore, conflicts of interest may arise between the Fund and other customers of the Custodian. Conflicts of interest may also arise in connection with assigning the Custodian's duties to third parties, e.g. when duties are assigned to a person belonging to the same group as the Custodian.

In accordance with the requirements of Latvian laws and regulations, the Custodian has developed internal procedures to properly identify, manage, and monitor potential conflicts of interest, as well as has functionally and hierarchically segregated the Custodian's duties from other duties, which might have created potential conflicts of interest. In addition, the Custodian's and the Company's management structure is designed in such a way as to allow the Company and the Custodian to operate independently and to perform their duties and in the best interests of the Fund and Investors.

The current information about potential conflicts of interest related to performance of the Custodian's duties is available upon Investor's request at the Custodian's office.

Each investor has to constantly follow up and thoroughly read the information that is posted in this CUSTODIAN section of the specified website.

16.2 Custodian Fee

The fee payable to the Custodian is included in the Fund's asset value calculation on every business day. In calculating the fee payable to the Custodian for the management of the Fund on the **current day**, the Company assumes that the reporting year of the Fund consists of 365 days:

$$TA_t = FNAV_i * \frac{L_2}{365} * N$$

- TA_t – the fee payable to the Custodian at the date of the calculation;
 $FNAV_i$ – the Fund's net asset value on the previous day of the calculation of the Fund's value;
 N – the number of calendar days from the last day of the calculation of the Fund's value;
 L_1 – the fee rate payable to the Custodian according to Paragraph 7.2.

The fee to the Custodian for the custody and supervision of the transactions with the Fund's asset is paid once a month pursuant to the procedure prescribed in the Custodian Agreement.

The amount of the **monthly fee** payable to the Custodian is calculated as an amount equal to the total of the fees payable to the Custodian for each day of the Fund's value calculation:

$$TA_k = \sum_{t=1}^k TA_t$$

- TA_k – the fee for the current month payable to the Custodian;
 TA_t – the fee payable to the Custodian for each day of evaluation of the Fund's assets;
 K – the number of days of evaluation of the Fund's value.

17 FORM AND PROCEDURE FOR RECEIVING THE ANNUAL AND SEMI-ANNUAL REPORTS OF THE FUND

The Investors can receive annual and semi-annual reports of the Fund at the office of CBL Asset Management IPAS (address: Republikas laukums 2A, Riga, LV-1010, Latvia) on business days from 08:30 till 17:30 or on the Company's website: www.cblam.lv.

Annual and semi-annual reports of the Fund in foreign countries are available according to the legislative requirements of the state where the Share Certificates of the Fund are publicly traded.

18 DESCRIPTION OF THE PREVIOUS PERFORMANCE OF THE FUND

The Investors can familiarize with the description of the previous performance of the Fund, including comparative tables of financial performance, for at least last three years at the office of IPAS "CBL Asset Management" (address: Republikas laukums 2A, Riga, LV-1010, Latvia) on business days from 08:30am till 17:30pm or on the Company's website under the section "Performance": <http://www.cblam.lv/en/investment-funds/equity/cbl-russian/>

The Company draws the Investors' attention to the fact that historical performance of the Fund does not determine or guarantee the future operation or performance of the Fund.

19 REMUNERATION POLICY

The Company and Citadele Banka AS belongs to Citadele Group (hereinafter in this section referred to as the Group), where Citadele Banka AS is the Group's parent company. The Company follows the remuneration policy approved within the Group.

In the Group's companies, including the Company, remuneration is composed of a fixed part and a variable part, if applicable.

The decision on remuneration of the Company's employees are adopted:

- with regard to the Company's Board Members - by the Council of the Company;
- with regard to other employees of the Company - by the Company's Chairman of the Board, taking into account the remuneration specified by the Group for the job category of the respective employee.

The fixed part of remuneration is determined as time-based salary corresponding to the time actually worked, regardless of the quantity of the work done.

The variable part of remuneration depends on the performance results. Within the Group, the variable part may only consist of cash advances (bonuses for quantitative/qualitative indicators and objectives achieved, sales commission, etc.).

The management board of Citadele Banka AS is responsible for determining the job categories and the range of the fixed part of remuneration for each category taking into account the results of research on remuneration in financial institutions performed by competent organizations. To objectively assess the level of the fixed part of employees pay in the labor market, the Company regularly participates in both industry and cross-industry salary surveys.

Attribution of a job position to a certain job category is considered and approved by the Group's Job Position Evaluation Committee. The Group's Remuneration Committee determines the basic principles of remuneration at the Group level and passes the remuneration policy for approval to the Council of Citadele Bank AS. Members of the Group's remuneration Committee are:

- Elizabeth Critchley,
- Lawrence Lavine,
- Klāvs Vasks.

The description of the Group's remuneration policy is available at the office of CBL Asset Management IPAS (located at Republikas laukums 2A, Riga, LV-1010, Latvia) on business days from 08:30am until 5:30pm and on the website:

https://www.citadele.lv/common/img/uploaded/doc/reports/atalgojuma_politika_2015_lv.pdf

20 CERTIFICATION OF VERACITY OF THE INFORMATION IN THE PROSPECTUS BY THE BOARD OF THE COMPANY:

„ We hereby certify that the information presented in this Prospectus is true and no facts that might undermine the interests of potential investors have been concealed.”