



## **ABLV High Yield CIS Bond Fund**

### **Management Regulations**

Open-end mutual fund

Registered in Latvia, with the Financial and Capital Market Commission:

Fund registration date: 15.06.2007

Fund registration No.: 06.03.03.02.263/1801

With amendments approved by ABLV Asset Management, IPAS, management body and registered with the Financial and Capital Market Commission on:

21.07.2008 (effective from 31.07.2008)

20.10.2008 (effective from 31.10.2008)

26.08.2010 (effective from 01.10.2010)

07.01.2011 (effective from 17.01.2011)

17.06.2011 (effective from 27.06.2011)

14.12.2011 (effective from 16.01.2012)

26.07.2012 (effective from 06.08.2012)

19.07.2013 (effective from 01.08.2013)

Custodian Bank: ABLV Bank, AS

Auditor: SIA Ernst & Young Baltic

The Fund Prospectus, basic information for investors, the Fund Management Regulations, the Fund's annual and six-month reports, as well as other information on the Fund and the Company can be received free of charge in the office of ABLV Asset Management, IPAS, at:

23 Elizabetes Street, Riga, LV-1010, Latvia  
from 09:00 to 17:30 on working days

Distributors of the investment certificates:

**ABLV Capital Markets, IBAS**

23 Elizabetes Street, Riga, LV-1010, Latvia

**ABLV Bank, AS**

23 Elizabetes Street, Riga, LV-1010, Latvia

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## 1. Information about the Fund

Name: Open-end mutual fund ABLV High Yield CIS Bond Fund (hereinafter referred to as the Fund).

## 2. Information about the Fund Management Company

Name of the Company: ABLV Asset Management, IPAS  
Legal address: 23 Elizabetes Street, Riga, LV-1010, Latvia  
Tel. (+371) 6700 2777, fax (+371) 6700 2770

The Company's executive body is located at the Company's legal address.

Date of establishment: 30 March 2006  
Registration No.: 40003814724  
Licences: Licence for rendering investment management services No. 06.03.07.263/204

## 3. Information about the Fund's Custodian Bank

Name of the Custodian Bank: ABLV Bank, AS  
Legal address: 23 Elizabetes Street, Riga, LV-1010, Latvia  
Tel. (+371) 6777 5222, fax (+371) 6777 5200

The Custodian Bank's executive body is located at the Custodian Bank's legal address.

Date of establishment: 17 September 1993  
Registration No.: 50003149401  
Licences: Licence for credit institution operations No. 124

## 4. General principles and procedure of the Fund management

The open-end mutual fund ABLV High Yield CIS Bond Fund is aimed at achieving long-term capital growth. To achieve this objective, the Subfund's assets are invested in debt securities or money market instruments issued or guaranteed by commercial companies or credit institutions registered in CIS states.

The open-end mutual fund ABLV High Yield CIS Bond Fund includes 2 (two) subfunds: ABLV High Yield CIS USD Bond Fund and ABLV High Yield CIS RUB Bond Fund (hereinafter referred to as the Subfund or the Subfunds). Both Subfunds have a common investment policy, management principles and equal conditions of paying for the management services. Each Subfund has its own base currency:

The base currency of the Subfund ABLV High Yield CIS USD Bond Fund is the monetary unit of the United States of America (hereinafter – USD).

The base currency of the Subfund ABLV High Yield CIS RUB Bond Fund is the monetary unit of the Russian Federation (hereinafter – RUB).

**All provisions included in these Regulations regarding the principles and procedure of the Fund management, the investment restrictions, the procedure of taking investment decisions, the procedure of providing services to the investors, the liquidation procedure, the procedure of transferring management rights and property to the Custodian Bank or other persons, the cooperation with the Custodian Bank under the Fund management, and payments falling within the competence of the Fund shall be applicable to each Subfund individually, unless stated otherwise in the Regulations.** Requirements and restrictions set forth in the Regulations and legal acts regarding the Mutual Fund, a share or Investment Certificates of the Mutual Fund shall be applicable to each Subfund, a share or Investment Certificates of the Subfund individually.

The Subfund's investment portfolio is diversified among investments in debt securities of various issuers, thus ensuring higher investment safety and protection against fluctuations of the portfolio assets value and the risk of default on obligations.

The Subfund makes investments in the respective Subfund's base currency, except cases when rules of the regulated markets stipulate conclusion of transactions in derivative financial instruments in another currency (i.e., where derivative financial instruments needed for hedging risks are available in some particular currency only) or when some events related to financial instruments (e.g., changes in face value of stocks performed by the issuer, splitting of securities, consolidation or splitting of securities issues, debt restructuring, etc.) that the Company was unable to anticipate at the moment of investing lead to transferable securities or money market instruments in other currency being included in the Subfund's investment portfolio. Such investments of the Subfund may be associated with currency risk.

The investment objects are chosen in accordance with the principles of the Fund's investment policy and investment restrictions set forth in the Fund Prospectus and following the procedure stipulated in the Fund Management Regulations (hereinafter referred to as the Regulations).

According to the LR "Law on Investment Management Companies" (hereinafter referred to as the Law), the Fund is the open-end mutual fund established for the sake of collective investing of publicly raised funds in transferable securities and other liquid financial instruments, observing the risk reduction principle and the investment restrictions set forth in the Law, and the management company of which is obliged, if requested by the Fund's investors, to repurchase the investment certificates within one month at the latest.

The Fund's property is the joint property of the Subfunds' investors, and it shall be held, recorded and managed separately from the property of the Company, of other funds or their subfunds managed by the Company, and of the Custodian Bank. The Fund's property is the joint property of the Subfunds. The Fund has no property apart from that included in the Subfunds.

The Fund's property may not be included in the property of the Company or the Custodian Bank as a debtor, in case the Company or the Custodian Bank is declared insolvent or is liquidated.

The Fund is not a legal entity.

The Fund operates in accordance with the Law and the Council Directive of 20 December 1985 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) 85/611/EEC.

The Company on its own behalf and at the expense of the Fund's investors, solely pursuing the interests of the Fund's investors, deals with the Fund's property and ensuing rights pursuant to the Law, other legal acts of the Republic of Latvia, the Company's Articles of Association, the Fund Prospectus and the Regulations.

The Company shall maintain the Fund accounting and prepare the Fund's annual and six-month reports. The Company may delegate maintenance of the Fund accounting to an authorized person, and the Company shall be liable for actions of such person. The Fund accounting shall be maintained separately from accounting of property of the Company and other funds managed by the Company.

## 5. Investment restrictions

5.1. The Subfund may invest in transferable securities and money market instruments that meet at least one of the following criteria:

- 1) those are traded on a member state's regulated market or other trading venue (regulated market, multilateral trading facility, or systematic internalizer operating in this status accordingly, or, on respective instances, a facility having functions similar to those of a regulated market or a multilateral trading facility);
- 2) those are included in official listings of the OECD member state's stock exchange or are traded on the OECD member state's or the CIS member state's regulated market or other trading venue;
- 3) those are not included in official listing of stock exchanges or are not traded on regulated markets, but in the rules of issuing those securities or money market instruments it is supposed to include those in the official listing of stock exchanges or regulated markets mentioned in subclauses 1 and 2 of clause 5.1 above, and those securities will be included within one year after the day on which subscription to those securities or money market instruments was started.

5.2. The Subfund's assets may be invested in money market instruments that are not traded on regulated markets, provided those are freely transferable (there are no restrictions on transactions) and one of the following conditions is met:

- 1) those are issued or guaranteed by a member state or a member state's municipality, other state (in a federation – one of the federation members), or an international institution, where one or more member states are members of the same;
- 2) those are issued or guaranteed by a member state's central bank, the European Central Bank, or the European Investment Bank;
- 3) those are issued by a commercial company the securities of which are traded in accordance with the procedure stated in subclauses 1 and 2 of clause 5.1 above;
- 4) those are issued or guaranteed by a credit institution registered in a member state and supervised by a financial services supervisory institution according to the requirements set in the European Union or an issuer the requirements regulating the operations of which are at least as strict as those set in the European Union, provided this issuer meets at least one of the following requirements:
  - a) it is registered in the Organization for Economic Co-operation and Development member state that is included in the Group of Ten;
  - b) investment grade rating is assigned to it;
  - c) according to comprehensive analysis of the legal regulation of the issuer's operations, the requirements regulating operations of the same are at least as strict as those set in the European Union.
- 5) those are issued by a commercial company the capital and reserves of which amount to equivalent of EUR 10 million or more in LVL at the rate set by the Bank of Latvia, and which prepares and publishes audited annual report in

accordance with requirements for preparing and publishing annual reports that are equal to those set in the European Union. Such commercial company is included in a group in which one or more commercial companies the stocks of which are traded on a regulated market are included, and it is supposed for raising funds for the group, or such commercial company is a special-purpose entity specializing in debt securitization and having arrangement on liquidity provision made with a bank that complies with requirements to credit institutions stated in subclause 4 of clause 5.2 above. Investor protection equal to that mentioned in subclauses 1, 2, 3, and 4 of clause 5.2 above shall be applicable to investments in such money market instruments.

- 5.3. The Subfund may invest in transferable securities and money market instruments apart from those described in clauses 5.1 and 5.2 above, provided the investment amount does not exceed 10 percent of the Subfund's assets.
- 5.4. The Subfund's assets may be invested in investment certificates (shares) of open-end funds or similar collective investment undertakings registered in a member state, provided the operations of those are regulated in a way equal to that required by the Law.
- 5.5. The Subfund's assets may be invested in investment certificates (shares) of open-end funds or similar collective investment undertakings in countries apart from those mentioned in clause 5.4 above, provided the open-end funds or similar collective investment undertakings meet the following requirements:
  - 1) those are registered in a foreign state in which legal regulation ensures supervision of such undertakings that is equal to the supervision stated in the Law, and the supervisory institutions of the respective state cooperate with the FCMC;
  - 2) the requirements regulating their operations, including investor protection, investment and transaction restrictions, are equal to the Law provisions on operations of open-end mutual funds;
  - 3) those prepare and publish six-month and annual reports to ensure the possibility to assess their assets, liabilities, income, and performance over the reporting period.
- 5.6. The Subfund's assets may be invested in investment certificates (shares) of open-end funds and collective investment undertakings mentioned in clauses 5.4 and 5.5 above, provided the prospectus, management regulations, or similar document of the open-end fund or collective investment undertaking (the investment certificates (shares) of which are supposed to be purchased) stipulates that investments in other funds or collective investment undertakings may not exceed 10 percent of the fund's or collective investment undertaking's assets.
- 5.7. The Subfund's investments in investment certificates of one open-end mutual fund may not exceed 10 percent of the Subfund's assets. The Subfund's total investments in investment certificates of mutual funds may not exceed 10 percent of the Subfund's assets.
- 5.8. The Subfund's investments in transferable securities or money market instruments of one issuer may not exceed 5 percent of the Subfund's assets. The said restriction may be increased to 10 percent of the Subfund's assets, but this being the case the total amount of investments above five percent may not exceed 40 percent of the Subfund's assets.
- 5.9. The Subfund's assets may be invested in derivative financial instruments that are traded on markets mentioned in subclauses 1 and 2 of clause 5.1 above, provided their underlying asset is a financial instrument, financial index, interest rate, currency rate or currency in which the Subfund's assets are invested or are supposed to be invested as mentioned in the Fund Prospectus.
- 5.10. The overall risks arising out of transactions in derivative financial instruments, including derivative financial instruments embedded in transferable securities or money market instruments, may not exceed the Subfund value.
- 5.11. The Subfund's deposits with one credit institution may not exceed 20 percent of the Subfund's assets. The said restriction shall be not applicable to demand claims to the Custodian Bank.
- 5.12. Disregarding investment restrictions specifically set forth in clauses 5.8 and 5.11 above, the total Subfund's investments in transferable securities and money market instruments, as well as the Subfund's investments the issuer, guarantor or investment attractor of which is the same person, may not exceed 20 percent of the Subfund's assets. When applying investment restrictions set forth in this clause, the commercial companies included in one group shall be deemed the same person.
- 5.13. The Subfund's investments in specific investment objects may not exceed the following indicators:
  - 1) 10 percent of the total amount of debt securities issued by one issuer;
  - 2) 10 percent of the total amount of money market instruments issued by one issuer;
  - 3) 25 percent of the number of investment certificates (shares) of one open-end fund or collective investment undertaking.
- 5.14. Neither total investments of all funds managed by the company, nor investments of each Subfund may directly or indirectly exceed 10 percent of any of the following indicators:
  - 1) share capital of one issuer;
  - 2) total voting rights of one issuer.
- 5.15. The Subfund's assets may not be used for granting loans and investing in real estate, as well as the Subfund's assets may not be invested in precious metals and derivative financial instruments the underlying assets of which are precious metals or commodities.

## 6. Procedure of taking investment decisions

The Fund manager appointed by the Company's board shall manage the Fund's property and perform functions of the Fund manager complying with the decisions of the Investment Strategy Committee and the limits set, provisions of the Fund Prospectus, the Fund investment policy and procedure, as stated in the Republic of Latvia effective legal acts and these Regulations.

The Investment Strategy Committee is a permanent institution that determines the Fund management strategy and controls compliance with the set strategy.

The Investment Strategy Committee is responsible for compliance with the Fund's investment policy.

The Investment Strategy Committee determines the list of financial instruments in which the Subfund's assets are planned to be invested, and the Subfund's investment limits and submits those to the Fund manager.

The Investment Strategy Committee reviews the issues regarding the Fund's investment strategy and limits and takes decisions on those at the meetings of the Investment Strategy Committee, which are convened at least once per month. The Investment Strategy Committee may take decisions provided at least 5 members of the same take part in the meeting of the Investment Strategy Committee. The decision of the Investment Strategy Committee shall be effective if the majority has voted for it.

A member of the Investment Strategy Committee shall clearly express his or her opinion, voting "for" or "against".

The decisions of the Investment Strategy Committee shall be made in writing and signed by the chairman of the meeting and two members of the Investment Strategy Committee.

The other members of the Committee may submit their objections on the text of the minutes to the Chairman of the Committee within 2 working days after the minutes are published.

The Fund manager shall take tactic decisions on investment management based on current market short-term trends, instrument liquidity, technical analysis, and other factors. The Fund manager shall determine the selection of financial instruments, decide on substituting some financial instruments with other ones within the frame of approved strategy, choose the moment of purchase / sale, and perform other actions necessary for the sake of increasing the investment return, based on the manager's individual decision and complying with the set limits.

Having assessed the situation and trends in the financial instruments market, the Fund manager shall take a decision on using derivative financial instruments for hedging risks of a particular asset or the whole Subfund's portfolio.

When making any transactions involving the Fund's property, there should be an order of the Fund manager accepted by the Custodian Bank's authorized person. If the order contradicts the Law, the FCMC regulations, the Fund Prospectus, Regulations, or agreement with the Custodian Bank, the Custodian Bank shall not execute the order.

During the Fund manager being ill or absent, the duties of the Fund manager shall be performed and the Fund's property shall be managed by the Company's Chairman of the Board or the Company's officer competent in investment matters and appointed by the Company's Chairman of the Board.

## 7. Procedure of providing services to the Fund investors

### 7.1. Procedure of providing the Fund Prospectus and basic information for investors

The Fund Prospectus becomes effective on the day of registration of the same with the FCMC. The Company ensures that the Fund Prospectus, basic information for investors, and appendixes to those are available to all interested persons free of charge before purchasing the Investment Certificates.

The Fund Prospectus, basic information for investors, and appendixes to those can be found and received free of charge in accordance with the procedure stated in clause 12 herein.

If the Fund Prospectus is amended, after registering the amendments with the FCMC, the Company shall immediately ensure that the complete text of the Fund Prospectus, containing amendments and their effective date, is available to the Fund investors.

### 7.2. Information about distribution of the Fund's income

The income gained from the Fund's property shall be invested in the Fund. The income gained from transactions in property of the respective Subfund shall be distributed to the investors in proportion to the quantity of the Investment Certificates belonging to them.

The Investor's income is taken as increase or decrease in the Investment Certificate value.

The Investor may receive the investor's income from the Subfund share in monetary form only by requesting the Company to repurchase the Investment Certificates belonging to the investor or by selling those.

### 7.3. Issue of the Investment Certificates, acceptance and registration of applications for purchase

The Investment Certificates shall be issued in accordance with the procedure set forth in the Law and other legal acts issued by the FCMC.

The Investment Certificates shall be issued for each Subfund separately.

The Investment Certificates issue size and period shall be not limited.

The Investment Certificates shall be issued only against paying full price of those certificates in monetary form according to the Fund Prospectus provisions. The money received for the Investment Certificates, less the issue fee, shall be immediately credited to the Subfund.

If the Investment Certificates are put into circulation, but the Subfund shares value is not credited to the Subfund, the Company shall invest the deficient amount in the Subfund at the Company's own expense.

Each Investor may apply for unlimited quantity of the Investment Certificates.

The minimum investment amount in the Subfund ABLV High Yield CIS USD Bond Fund is USD 1 000.

The minimum investment amount in the Subfund ABLV High Yield CIS RUB Bond Fund is RUB 30 000.

The Investment Certificates shall be sold at the Investment Certificates sale price, which is calculated on the working day following the submission day of the Application for Purchase of the Investment Certificates, but published on the second working day after the submission of the Application.

The Investment Certificates price shall be determined and paid in the Subfund's base currency – USD or RUB.

In order to apply for the Investment Certificates, the Investor shall hold a current, cash, and financial instruments' accounts with ABLV Bank, AS, or the Account Custodian, and shall complete the Application for Purchase of the Investment Certificates form and submit the same to the Company or the Distributor. If the financial instruments' account of the Fund investor is opened with the Account Custodian, the Application for Purchase of the Investment Certificates shall be completed and submitted by the Account Custodian on behalf of the investor pursuant to the order of the Fund investor.

On the day of submitting the Application for Purchase of the Investment Certificates to the Company or the Distributor, the Investor or the Account Custodian shall credit the amount of funds stated in the Application in the Fund's base currency to the respective cash account with the Custodian Bank. If the amount of funds necessary to purchase the Investment Certificates is not credited to the respective cash account, the Application shall be deemed invalid and void.

The Distributor may engage third parties in arranging distribution of the Investment Certificates, including intermediaries, dealers, and other persons entitled to render such services. The Distributor shall ensure that the Investment Certificates are sold and repurchased in accordance with provisions of the Republic of Latvia legal acts, the Fund Prospectus, and the Regulations. Assignment of the Distributor's duties to third parties shall not release the Distributor from liability set forth in the Republic of Latvia legal acts.

In the Application for Purchase of the Investment Certificates, the Investor shall state the following:

- Investor's name and surname – for individuals;
- Investor's company name – for legal entities;
- number of the Investor's cash account;
- name of the Subfund;
- amount being invested.

Having received the Application for Purchase of the Investment Certificates, the Company or the Distributor respectively shall perform the Investor's identification in accordance with the customer identification procedure set by the Company or the Distributor respectively, and pursuant to the Republic of Latvia effective legal acts.

By signing the Application, the Investor confirms being familiarized with the information contained in the Fund Prospectus and the Regulations and agreeing to the provisions of these documents.

The Company shall register the Applications for Purchase of the Investment Certificates in a separate register in the order of their receipt.

The Application may be submitted to the Company personally or by fax. The Distributors may allow different way of submitting applications, e.g., via the Internetbank.

The Application shall be deemed submitted and registered after the same is signed by representative of the Company or the Distributor.

Where the Application is submitted personally, the Company's or the Distributor's authorized representative shall sign the same and give one copy of the Application to the Investor.

The Company or the Distributor shall not be liable for the Investor's losses incurred due to some unauthorized person using the Investor's name and account numbers for malicious purposes. The Company or the Distributor may accept the Application by fax, only provided the customer identification is performed.

The Company shall be obliged to execute only Applications for Purchase of the Investment Certificates that are duly completed. The Investor shall be responsible for the information stated in the Application being true and complete.

The Investor shall state the amount of funds supposed for purchase of the Investment Certificates.

The Investment Certificates are divisible. The quantity of the Investment Certificates shall be calculated to 4 (four) decimal places.

All expenses incurred by the Investor with regard to purchase of the Investment Certificates (bank charges for transactions in financial instruments' / cash / current accounts, etc.) shall be covered by the Investor.

The Investment Certificates shall be credited to the Investor's or the Account Custodian's financial instruments' account with the Custodian Bank immediately after the funds are received in the Subfund's account.

The statement of the Investor's financial instruments' account provided by the Custodian Bank shall be the evidence of the ownership rights to the Investment Certificates.

Purchase of the Investment Certificates can be applied for at the Company's office at 23 Elizabetes Street, Riga, LV-1010, tel. (+371) 6700 2777, fax (+371) 6700 2770 or by contacting the Distributors.

As at the moment of approving the Fund Prospectus, the Distributors of the Investment Certificates are the following:

- ABLV Bank, AS, address: 23 Elizabetes Street, Riga, LV-1010, tel. (+371) 6777 5222, fax (+371) 6777 5200;
- ABLV Capital Markets, IBAS, address: 23 Elizabetes Street, Riga, LV-1010, tel. (+371) 6700 2777, fax (+371) 6700 2770;
- as well as branches and customer service centres of ABLV Bank, AS. Addresses of the branches and customer service centres can be found out at ABLV Bank, AS, or by calling the bank's phone numbers during the bank's working hours, or at the bank's home page [www.ablv.com](http://www.ablv.com).

#### 7.4. Repurchase of the Investment Certificates

The Company shall repurchase the Investment Certificates following the Investor's request and shall pay the repurchase price in monetary form to the Investor according to the Fund Prospectus provisions.

The Investment Certificates shall be repurchased at the Investment Certificates repurchase price, which is calculated on the working day following the submission of the Application for Repurchase of the Investment Certificates, but published on the second working day after the day of submitting the Application.

For the Investment Certificates belonging to the Investor to be repurchased by the Company, the Investor or authorized person of the same shall submit the Application for Repurchase of the Investment Certificates to the Company.

On the day of submitting the Application for Repurchase of the Investment Certificates to the Company or the Distributor, the Investor or the Account Custodian shall ensure the Investment Certificates supposed to be repurchased in the respective financial instruments' account with the Custodian Bank. If sufficient quantity of the Investment Certificates supposed to be repurchased is not ensured in the respective financial instruments' account with the Custodian Bank, the Application for Repurchase of the Investment Certificates shall be deemed invalid and void.

In the Application for Repurchase of the Investment Certificates, the Investor shall state the following:

- 1) Investor's name and surname – for individuals;
- 2) Investor's company name – for legal entities;
- 3) number of the Investor's cash account;
- 4) name of the Subfund;
- 5) quantity of the investment certificates to be repurchased.

The Investor may sell all Investment Certificates belonging to the Investor or their part.

The Investment Certificates are divisible. The quantity of the Investment Certificates shall be stated to 4 (four) decimal places.

There is no fee charged for repurchase of the Investment Certificates.

The Company shall register the Applications for Repurchase of the Investment Certificates in a separate register in the order of their receipt.

The Application may be submitted to the Company or the Distributor personally, by fax, or via the Internetbank.

The Application shall be deemed submitted and registered after the same is signed by representative of the Company or the Distributor.

Where the Application is submitted personally, the Company's or the Distributor's authorized representative shall sign the same and give one copy of the Application to the Investor.

The Company or the Distributor shall not be liable for the Investor's losses incurred due to some unauthorized person using the Investor's name and account numbers for malicious purposes. The Company may accept the Application by fax, only provided the customer identification is performed.

The Company shall be obliged to execute only Applications for Repurchase of the Investment Certificates that are duly completed. The Investor shall be responsible for the information stated in the Application being true and complete.

After the Investment Certificates are credited to the Custodian Bank's issue account, the Company shall immediately cancel those and shall transfer the amount of funds corresponding to the quantity of the Investment Certificates being repurchased in the base currency of the respective Subfund to the respective cash account within 5 (five) working days at the latest, unless the exceptional instance of suspending repurchase of the Investment Certificates, as set forth in the Fund Prospectus, is present.



Where the Investor or Investors within 3 (three) working days submit the Applications for Repurchase of the Investment Certificates the total amount of which exceeds 10% of the Subfund value and execution of which might substantially affect interests of the other Investors of the Subfund, the term of performing settlements under repurchase may be extended to 7 (seven) working days.

The repurchase price of the Investment Certificates shall be paid in the base currency of the Subfund – USD or RUB.

All expenses incurred by the Investor with regard to repurchase of the Investment Certificates (bank charges for transactions in financial instruments' / cash / current accounts, etc.) shall be covered by the Investor.

The Application for Repurchase shall become void if the Investor defaults on the investor's obligations under the Application for Repurchase and the Fund Prospectus.

#### 7.5. Reacceptance of the Investment Certificates

If information provided in the Fund Prospectus and the enclosed documents that is substantial for evaluation of the investment certificates is incorrect or incomplete through the Company's fault, the Investor shall be entitled to request that the Company reaccepts the Investor's Investment Certificates and reimburses the Investor for all resulting losses. Such claim may be filed within 6 (six) months from the day when the Investor finds out that the information is incorrect or incomplete, however within 3 (three) years from the day when the Investment Certificate is purchased at the latest.

In order to request reacceptance of the Investment Certificates, the Investor shall submit a free-form Application for Reacceptance of the Investment Certificates to the Company.

The Company's board shall review the Application submitted by the Investor and the enclosed documents within 10 (ten) days after the day of submitting the Application and shall take the decision on the loss compensation and the amount of the same, based on sufficiency of the reasons for reacceptance request.

The Company shall transfer funds to the respective cash account with the Custodian Bank within 5 (five) working days after the decision is taken.

The Company's decision shall be sent to the Investor within 2 (two) working days after the decision is taken.

#### 7.6. Value of the Subfund

The Subfund value is equal to the difference between value of the Subfund's assets and the Subfund's liabilities. The Subfund share value is equal to the Subfund value divided by the quantity of the Investment Certificates issued and not repurchased. The Subfund accounting shall be maintained in accordance with the Law, the FCMC "Regulations on the Preparation of Annual Reports of Investment Funds" and the "Regulations on the Preparation of Reports of Investment Funds", as well as other legal acts of the Republic of Latvia. For evaluation of the financial report items, the International Accounting Standards published by the International Accounting Standards Board shall be applied.

The Subfund's assets evaluation is performed in accordance with the following accounting principles:

- 1) it is assumed that the Fund will be managed on a going concern basis;
- 2) the evaluation methods used are the same as those in the previous reporting year;
- 3) the evaluation is performed applying due caution:
  - only revenues received before the day of preparing the financial report are included in the Subfund's financial report,
  - all possible expenses are taken into account regardless time of their origination (i.e., those related to the reporting year and the previous periods);
- 4) the revenues and expenses related to the reporting year are taken into account regardless the payment date and the date of invoice receipt or sending;
- 5) all items having substantial influence on evaluation and decision taking by users of the Subfund's financial report shall be stated;
- 6) assets and liabilities items and their components shall be evaluated separately;
- 7) all transactions shall be recorded and presented in the financial report considering their economic nature and essence, but not legal form.

The Fund manager divides all assets of the Subfund into "Held for trading" and "Held to maturity".

After recognition, the Fund manager shall evaluate financial assets and liabilities as follows:

- the financial assets held for trading shall be stated at their fair value, i.e., the amount at which the financial asset can be exchanged by performing a transaction between well-informed, interested, and financially independent persons;
- the financial assets held to maturity shall be stated at their amortized acquisition cost.

The Company shall determine the Subfund value and the Subfund share value every working day, after 18:00, and shall publish the same on the following working day.

#### 7.7. Calculation of the Investment Certificate sale price

The price of issuing the Investment Certificate is USD 10 or RUB 300 (depending on the chosen Subfund).

The Investment Certificate sale price is variable, and it is determined every working day together with the Subfund share value.

The Investment Certificate sale price is constituted by the Subfund share value and the amount of the issue fee.

The maximum amount of sale fee is set to be 1.50% of the Subfund share value. The decision on the amount of the sale fee shall be taken by the Company.

#### 7.8. Calculation of the Investment Certificate repurchase price

The Investment Certificate repurchase price shall be equal to the Subfund share value calculated on the working day following the day on which the Company receives and accepts the Application for Repurchase of the Investment Certificates, but published on the second working day after receiving the Application.

Information about the Investment Certificate repurchase price shall be set together with determining the Subfund share value every working day, after 18:00, and information on those shall be available on the following working day at the Company's office from 10:00 till 17:30, as well as at the Company's Internet home page [www.ablv.com](http://www.ablv.com). This information is available through the intermediary of the Custodian Bank as well.

No fee shall be charged under the repurchase transactions.

#### 7.9. Calculation of income

The income gained from the transactions in the Fund's property shall be invested in the Fund.

The income of the Investor can be determined based on changes in the Subfund share value. The Investor can receive the Investor's income in monetary form only by requesting repurchase of the Investment Certificates to be performed by the Company.

### 8. Procedure of the Fund's liquidation

The Fund's liquidation shall be performed in accordance with the Law.

The Fund's liquidation shall be performed by liquidator. The Company, the Custodian Bank, or the person appointed by the FCMC may be the liquidator.

The Company shall perform the Fund's liquidation if:

- on the day following termination of the agreement with the Custodian Bank there is no new agreement with the Custodian Bank made effective;
- during a year after establishment of the Fund, there are no Investment Certificates put into circulation;
- the Company takes a decision on the Fund's liquidation.

The liquidator shall immediately inform the FCMC about initiating the Fund's liquidation and shall publish a respective notification in gazette "Latvijas Vēstnesis".

If the Company or the Custodian Bank does not initiate the Fund's liquidation within a month after the day on which such liquidation should have been initiated, the FCMC shall be entitled to appoint the Fund liquidator. Such liquidator of the Fund shall have all rights that the Company would have if the liquidation was performed by the latter. The liquidator shall be entitled to perform actions related to liquidation of the Fund only.

During the liquidation of the Fund, the Investment Certificates may not be issued or repurchased, and income of the Fund may not be distributed between the Fund's investors as set forth in the Fund Prospectus.

The liquidator shall pursue the interests of the Fund's investors and creditors. The liquidator shall be fully liable to the Investors and third parties with regard to the losses caused during the liquidation if the liquidator violates the Law or these Regulations intentionally or due to negligence, or if the liquidator's duties are performed carelessly.

After initiating the Fund's liquidation, the liquidator shall arrange and perform sale of the Fund's property, except monetary funds included in the Fund. The Custodian Bank or the liquidator shall distribute the income gained from selling the property of the liquidated Fund and the monetary funds available in the Fund (liquidation revenues) in the following order:

- secured creditor claims;
- creditor claims filed within the period set in the notification;
- creditor claims filed after expiry of the period set in the notification, but before distribution of the liquidation revenues.

If the liquidation revenues are not sufficient for satisfying all abovementioned claims, the Company's funds and property shall be applied towards satisfaction of the claims that are not satisfied, except claims that originated after termination of the Company's management rights. The remaining liquidation revenues shall be distributed between the Investors in proportion to the quantity of their Investment Certificates.

All payments to the creditors and the Investors shall be made in monetary form.

The Fund's liquidation procedure described in this clause shall be applicable to liquidation of the Subfund.

After liquidation of the Subfund is completed, the Company shall make respective amendments to the Fund Management Regulations and the Fund Prospectus.

## **9. Procedure for transferring the Fund management rights and the Fund's property to the Custodian Bank or other persons**

The Company's rights to manage the Fund shall be terminated upon the following:

- the Fund management rights are transferred to other company;
- the licence is cancelled;
- the Fund's liquidation is completed where the same is performed by the Company;
- the FCMC appoints the Fund liquidator in accordance with the Law.

### **9.1. Transferring of the Fund management rights and the Fund's property to the Custodian Bank**

If the Company's rights to manage the Fund are terminated, the rights to manage the Fund shall be transferred to the Custodian Bank, except where the Company's rights to manage the Fund are transferred to other company. After the Fund management rights are transferred to the Custodian Bank, the latter shall have all rights of the Company, except the right to issue the Investment Certificates and to repurchase the certificates.

Within three months after the day of transferring the Fund management rights, the Custodian Bank shall transfer the Fund management rights to other investment company. The FCMC may extend this period to six months after the day of transferring the management rights. The Fund management rights may be transferred to other company only given permission of the FCMC.

If the Custodian Bank does not transfer the Fund management rights to other investment company within the period stated above, the Custodian Bank shall perform liquidation of the Fund.

### **9.2. Transferring of the Fund management rights and the Fund's property to other persons**

The Company may transfer the Fund management rights to other investment company pursuant to an agreement.

The FCMC permission is required to transfer the Fund management rights. After receiving the FCMC permission, the Company shall submit a notification on transferring the Fund management rights to other company to be published in gazette "Latvijas Vēstnesis" and one of daily newspapers, indicating the company's name, registration number, legal address, and the place of the board location.

The agreement on transferring the Fund management rights to other company shall become effective not earlier than in one month after the notification on transferring the Fund management rights to other company is published in gazette "Latvijas Vēstnesis". Upon the agreement becomes effective, all rights and obligations related to the Fund shall be transferred to the new company.

## **10. Procedure for the Company's and the Custodian Bank's cooperation under the Fund management**

The Company shall perform transactions in the Fund's property through the intermediary of the Custodian Bank. To ensure management of the Fund's property, the Company shall enter into agreement with the Custodian Bank, under which the Custodian Bank shall keep the Fund's property, perform transactions in the Fund's property, and maintain the Fund's accounts, as well as perform other actions pursuant to the Law, agreement made with the Custodian Bank, and the Company's orders.

When performing duties set forth in the Law, the Custodian Bank shall act independently from the Company and solely pursuing the interests of the Investors, unless the same contradicts the Republic of Latvia legal acts, the FCMC regulations, the Fund Prospectus, and these Regulations.

The Custodian Bank may make payments from the Fund's account only following the Company's orders, as well as the Custodian Bank shall execute other orders of the Company, unless those contradict the Republic of Latvia legal acts, the Fund Prospectus, these Regulations, and the agreement with the Custodian Bank.

## **11. Payments within the competence of the Fund**

### **11.1. Payments to the Company, Custodian Bank, Auditor, third parties**

The Company shall make the following payments out of the Fund's property:

- 1) remuneration to the Company;
- 2) remuneration to the Custodian Bank;
- 3) remuneration to the Auditor;
- 4) other payments.

The Company shall receive remuneration for the Subfund management, which may not exceed 1.75% of the average Subfund value per annum, and the Investment Certificates sale fee.

The Company's remuneration for the Subfund management shall be calculated each calendar day and accrued within a month. The remuneration shall be paid out of the Subfund's property in accordance with provisions of the Fund Prospectus.

Current amount of the remuneration to the Company is stated at the Company's home page [www.ablv.com](http://www.ablv.com), in the section "ABLV Mutual Funds".

The sale fee shall be determined in accordance with the Fund Prospectus, and the remuneration to the Distributors shall be paid out of the same. Should the amount of remuneration payable to the Company exceed the amount of remuneration for the Subfund management stated in this clause above, the difference shall be covered by the Company at its own expense.

The Custodian Bank shall receive remuneration for keeping the Subfund's property and performing other duties of the Custodian Bank, and such remuneration may not exceed 0.20% of the average Subfund value per annum. The remuneration to the Custodian Bank shall be calculated and accrued each calendar day based on the Subfund value determined in accordance with the procedure set forth in the Fund Prospectus.

The remuneration to the Custodian Bank shall be paid out of the Subfund's property following the Company's order pursuant to the agreement between the Custodian Bank and the Company.

The remuneration to the Auditor shall be paid out of the Subfund's property, and it may not exceed 0.125% of the average Subfund value per annum. The remuneration shall be calculated and paid in accordance with provisions of the Fund Prospectus.

Payments to third parties shall be made in accordance with supporting documents or actual expenses.

Total annual remuneration paid for the Subfund management may not exceed 3.0% of the average Subfund value per annum, excluding other payments.

#### 11.2. Other payments

Other expenses shall be covered out of the Fund's property, provided those are evidenced by external supporting documents, and also where those should be covered pursuant to the Republic of Latvia legal acts that regulate operations of the investment management companies and investment funds, and the accounting maintenance.

Such payments as fees for performing transactions, brokerage fees, interest payments under loans, etc., shall be included in other payments.

### 12. Procedure of making public statements and disclosing publicly available information

The Investor may freely get acquainted with the Regulations, the Fund Prospectus, basic information for investors, the Fund's reports, and other publicly available information at the Company's office during the Company's working hours or at the Company's Internet home page [www.ablv.com](http://www.ablv.com).

The Fund Prospectus, basic information for investors, the Regulations, as well as amendments to the Fund Prospectus and Regulations, the Fund's reports, the Investment Certificates sale and repurchase prices, information about the Company's officials, location of the Company's office and the Company's working hours, all statements, and new information concerning the Investors shall be provided by the Company at the Company's Internet home page [www.ablv.com](http://www.ablv.com).

The Company shall inform the Investors about transferring the Fund management rights to other investment management company, as well as about the Fund management rights being transferred to the Custodian Bank, by publishing a notice in gazette "Latvijas Vēstnesis" and at least one of daily newspapers, as well as at the Company's Internet home page [www.ablv.com](http://www.ablv.com).

The Company shall inform the Investors about the Fund's liquidation and other events set forth in the Law by publishing a notice in gazette "Latvijas Vēstnesis" and at the Company's Internet home page [www.ablv.com](http://www.ablv.com).

### 13. Procedure of amending the Fund Management Regulations

The decision about approving amendments to the Regulations shall be taken by the Company's Council.

If amendments are made to the Regulations, the Company shall submit an application for registering amendments to the Regulations to the FCMC. The documents set forth by the Law shall be enclosed with the application.

The amendments to the Regulations shall become effective not earlier than in 10 (ten) days after being registered with the FCMC or within other term set by the FCMC, which may not exceed 3 (three) months after the day of registering the amendments, taking into consideration the nature of the amendments to the Regulations and the interests of the Fund's investors.

#### ABLV Asset Management, IPAS

Chairman of the Board

\_\_\_\_\_  
Leonīds Kļiņš

#### ABLV Asset Management, IPAS

Deputy Chairman of the Board

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Jevgenijs Gžibovskis