

Investment Fund
“CBL Eastern European Bond Fund”
PROSPECTUS

The Fund is registered in the Republic of Latvia

Registered with the Financial and Capital Market Commission:

Registration date of the Fund: 20.07.2009

Registration number of the Fund: FL92

Amendments to the Prospectus:

Registered on 05.10.2009, in effect from 05.10.2009

Registered on 08.10.2009, in effect from 09.11.2009

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Registered on 16.09.2016, in effect from 16.09.2016

Custodian: Citadele banka AS

Certified Auditor: KPMG Baltics SIA

The Prospectus of the Fund, Rules of the Fund, Key Investor Information Document, annual and semi-annual reports of the Fund, information on the Fund Value and sales and redemption price of Share Certificates 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 Eastern European Bond Fund” is established as an investment fund under the Law on Investment Management Companies of the Republic of Latvia. The Fund operates in accordance with Directive 2009/65/EC as well as other applicable laws and regulations of the Republic of Latvia and European Union. 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 their legal capacity as well as the identity of the Investor and their representative 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 Share Certificate Class. 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.

The Company strives to apply the above methods to reduce the risk caused by market timing, taking 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 (private individual) agrees that the Company, the Custodian or the Distributor processes their personal data, inter alia, requests and receives the Investor's personal data from any third party and 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, 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 of the Fund 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.

The Fund is not registered in the United States of America (USA); therefore, it is not offered to US citizens or US tax residents as well as to any other persons whose owners or ultimate beneficiaries are US citizens or US tax residents.

Customer 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 Fund's investment region includes specific risks, especially general market risk, credit risk, currency risk, liquidity risk and counterparty risk. 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 unearned revenue 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 similar performance in the future.

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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 LCD regulations, is entitled to open, hold and close financial instrument accounts; or a legal entity which can ensure custody of financial instruments in the LCD 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 is expressed. The base currency of the Fund is the U.S. dollar.

Citadele Banka AS and/or Custodian

The Custodian of the Investment Fund “CBL Eastern European Bond Fund”.

Classes of Share Certificates

The Fund has Share Certificates of several classes that may differ in terms of the applicable charge structure, monetary denomination of the Share Certificate, minimum purchase amount or other parameters.

Company

“CBL Asset Management” IPAS

Currency of Share Certificate Class

The currency in which the value of the Unit of the Share Certificate Class is expressed.

Custodian

AS “Citadele banka” is responsible for custody of, accounting for and executing transactions with the Fund’s assets as well as for other obligations stipulated by the laws and regulations of the Republic of Latvia and the Custody Agreement signed with the Company.

Custody Agreement

A written agreement between the Company and the Custodian according to which the Custodian holds the Fund’s assets, performs transactions with the Fund’s assets and services Fund’s accounts in accordance with the laws and regulations of the Republic of Latvia, the Custody Agreement, the Prospectus and the Company’s instructions.

Debt Securities

Securities representing the issuer's liabilities to the security holder (e.g. bonds, promissory notes, etc.).

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.

Eastern European Countries

In the meaning of this Prospectus, Eastern European Countries include Latvia, Lithuania, Estonia, the CIS Countries (Armenia, Azerbaijan, Belarus, Kazakhstan, Kirgizstan, Moldova, Russia, Tajikistan, Ukraine, Uzbekistan, and Turkmenistan) as well as Albania, Bosnia and Herzegovina, Bulgaria, Croatia, the Czech Republic, Georgia, Hungary, Kosovo, Macedonia, Montenegro, Poland, Romania Serbia, Slovakia, Slovenia, Turkey.

Equity securities

Financial instruments representing ownership interest in the issuer's capital (e.g. shares).

ETF Shares of collective investment undertakings which are traded on a regulated market and the fund management company takes all the measures to ensure that the market price of the shares does not differ essentially from the value of the Units of the Fund.

EU European Union.

EUR Euro: the currency of the European Monetary 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 financial instruments for another person.

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

Fund the Investment Fund "CBL Eastern European Bond Fund", which is established by "CBL Asset Management" IPAS

Fund's value

Referred to also as the Fund's net asset value, in the meaning of this Prospectus and Fund Rules this is 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.

IF Investment 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 spouses, parents or children of all such persons.

Intermediary

A legal entity such as a brokerage company, depositary, bank or other person carrying out transactions involving financial instruments and engaged by the Company to perform the management of the Fund or to conduct trading in Share Certificates or a Custodian holding the assets of the Fund and/or executing the Company's orders to perform transactions with the Fund's assets.

Investment Fund and/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 investment management company is obliged not later than within one month to redeem the Share Certificates at the request of the Investors. The investment fund is not a legal entity.

Investor

A private individual or a legal entity who/which owns the Share Certificate(s) of the 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.

Latvian Central Depository and/ or LCD

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 on the regulated market as well as financial instrument settlements among financial instrument account holders.

Law The Law on Investment Management Companies.

Main activity

The activity of the Company which generates the major part of the Company’s revenue as well as other activities 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

A financial instruments account opened by the Company with a credit institution in order to account for the share certificates of the Fund held by the Company. In case such nominal account is opened, identification information of the account states that this is a nominal account and the financial instruments in this account are not owned by the Company.

OECD Organization for Economic Cooperation and Development.

Ongoing Charges

Payments made from the Fund’s assets notwithstanding the fact whether they are the mandatory payments that are necessary to ensure the activities of the Fund or fees payable to third parties who are related to the activities of the Fund or render services to the Fund.

Ongoing Charges Figure

The Fund’s Ongoing Charges 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.

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 the Law and that should not be considered marketing material.

Publicly Available Information

Detailed information on the Fund, the Company and the Custodian available to all the Investors according to the Law of the Republic of Latvia. Publicly Available Information includes the Prospectus and the 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 value of the Unit of the Share Certificate Class, sales and redemption prices of the Share Certificates, information about the Company and information about the Custodian.

Redemption

Redemption of the Share Certificates on the request of the Investors at the price determined in accordance with Paragraph 12.2 of the Prospectus.

Regulated market

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

Repurchase

Repurchase of the Share Certificates by the Company with compensation for damage (where the Company and/or the Distributor and/or the Intermediary is liable for presenting incorrect or incomplete data in the prospect).

Rules / Fund Rules

Include the effective and applicable additions and amendments, which provide the information on the Fund required by the Law and which should not be considered marketing material.

Sales price of the Share Certificates

The Sales Price of the Share Certificates consists of the value of the Fund's Share Certificates of the respective Class 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. The Fund can issue several Classes of Share Certificates.

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.

USD US dollar.

Value of a Share Certificate Class

The difference between the Fund's asset value attributable to the particular Share Certificate Class and the accumulated liabilities attributable to that Class.

Value of a Unit of a Share Certificate Class

The value of the Share Certificate class divided by the number of Share Certificates of the respective Class in circulation.

1. INVESTMENT POLICY AND INVESTMENT LIMITATIONS

1.1 The Fund's Activity and Investment Objective

The objective of the investments of the Investment Fund "CBL Eastern European Bond Fund" is to achieve long-term capital appreciation by investing mainly in debt securities and money market instruments issued or guaranteed by central or local governments, central banks, credit institutions and commercial companies of Eastern European Countries, in investment funds investing in debt securities as well as in ETFs traded on regulated markets of Member States and OECD Member States without any industry limitations.

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

- Up to 100% of the Fund's assets may be invested in debt securities issued or guaranteed by central governments, central banks, local governments, credit institutions and commercial companies of Eastern European Countries;
- Up to 50% of the Fund's assets may be invested in money market instruments issued or guaranteed by central governments, central banks, local governments, credit institutions and commercial companies of Eastern European Countries;

- Up to 10% of the Fund's assets may be invested in Share Certificates of investment funds or similar or equivalent collective investment undertakings or in equivalent securities (hereinafter – Share Certificates of Investment Funds), incl. ETFs, which mainly invest in debt securities;

During a financial crisis which is usually characterized by an acute uncertainty with regard to the future of the global or regional economy and/or financial system, when the behavior of the market participants is likely to be described as panicky and quite often in combination with a collapse of financial institutions and a substantial decrease in the value of financial assets, the Fund's assets may be invested into the following financial instruments:

- Up to 30% 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 into debt securities and money market instruments issued or guaranteed by central banks, central or local governments of the Member States or the OECD Member States included in the Group of Ten.

The financial instruments not mentioned in Paragraph 1.2 of the Prospectus may be included in the Fund's assets if they have arisen from the restructuring of a debt security already included in the Fund's assets. The total Fund's investments in such financial instruments 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 and local authorities of Eastern European Countries, Member States or the OECD Member States;
- 2) Debt securities issued or guaranteed by credit institutions of Eastern European Countries, Member States or the OECD Member States, debt securities and money market instruments issued or guaranteed by commercial companies provided that the main activity of the credit institutions and commercial companies which are registered in a Member State or the OECD Member State is carried out in an Eastern European Country;
- 3) Deposits with credit institutions licensed in a Member State or in an OECD Member State included in the Group of Ten;
- 4) Share Certificates (units) of investment funds registered in Eastern European Countries, Share Certificates (units) of investment funds or equivalent collective investment undertakings registered in the Member States, OECD Member States or other countries, including ETFs traded on regulated markets of Member States or OECD Member States on condition that their investment policy provides for investments in debt securities and money market instruments issued by central and local authorities, central banks, credit institutions and commercial companies of Eastern European Countries;
- 5) 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 Fund Manager has the right to invest in derivatives at the expense of the Fund. The Fund Manager has the right to conclude transactions with derivatives at the expense of the Fund in order to make profits. For information on additional risks arising from transactions with derivatives, see Chapter 2 "RISK PROFILE OF THE FUND AND RISKS RELATED TO THE INVESTMENTS";
- 6) The Fund Manager 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 Debt 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 listings of Eastern European Countries or the OECD Member States, Singapore Stock Exchange, Hong Kong Stock Exchange or are traded on the trading venue of these countries;
 - 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 amount 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 equivalent collective investment undertaking registered in a Member State or in an OECD Member State, or in another 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 country other than the Member State if such investment fund meets the following requirements:
 - 1) It is registered in a foreign country whose laws and regulations provides for the supervision of such undertakings which is equivalent to the supervision specified in the Law, and the supervisory body of the respective foreign 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.

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 instruments 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 amount 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 and the currency of the Share Certificate Classes, the Fund may make investments in currencies of Eastern European 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

2.1 Risk Profile of the Fund

Investments in the Fund are related to a risk or a possibility that the Investor can suffer 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 the investment. The performance of the Fund can be affected by various risks. The Company advises that the risks listed in Paragraph 3.2 hereof cannot be considered as complete – only the most significant risks related to making the investment 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 their external consultant.

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 whose aim is to generate profit on capital

markets. This strategy comprises significant risks that can adversely affect the value of the Share Certificate of the Fund, including but not limited to specific issuer, liquidity, foreign investment risks (including increased political, economic, currency, information, legal risks, the risk of safekeeping financial instruments issued in foreign countries), intermediary and counterparty risks. According to the Fund's long-term strategy, the Fund is more suitable for the Investors who intend to make investments for at least 3 years.

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, the value of the Unit of the Share Certificate Class. 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.

Specific issuer risk – a possibility to suffer loss if the price of a debt 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 fulfil 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, alienate or deal with the financial instruments held in the investment portfolio within desired time 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 of the Investment Fund by the Investment Fund will be suspended or otherwise restricted. It is possible that the Fund might not sell its assets for an acceptable and reasonable price.

Credit risk – a risk of suffering a loss as a result of the deterioration in the financial indicators of the issuer of a financial instrument, default of the issuer or its insolvency.

Investments in the markets of Eastern European Countries 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 Investors 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 or commercial company. 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.

Intermediary risk - a risk of loss that may result from an act or omission by the Intermediary, incl. fraud, negligence and improper performance on the part of the Intermediary or improper execution of orders by the Intermediary or improper accounting for financial instruments and/or funds held by the Intermediary and the like. The Company does not begin or terminates cooperation with the Intermediary, if, in the opinion of the Company, the following risks may arise: default risk, reputation risk or risk related to money laundering and terrorism financing.

Intermediary insolvency risk and risk related to the insolvency regimes of other countries – full or partial loss of the Fund's assets, lasting unavailability, impossible or hindered dealing with them, including the impossibility to exercise the rights related to financial instruments (incl. voting rights), inability to access information due to insolvency (bankruptcy) of the Intermediary holding the financial instruments or involved in the execution of orders or a process similar to insolvency which restricts or suspends operations of the Intermediary. In case of insolvency of the Intermediary and other equivalent regimes, there is a risk to recover neither financial instruments nor their monetary value. It should be taken into account that holding of financial instruments included in the Fund's assets and the Intermediary's insolvency process may be subject to laws and market practice of a foreign country which may essentially differ from those existing in Latvia. The rights to financial instruments may be affected by unpredictable decisions made by the legislator, executive bodies or courts of the respective country. The Company may not be able to recover the financial instruments; however, under the Intermediary's insolvency proceedings their value may be compensated (or partially compensated) in cash. In the insolvency proceedings the value of the financial instruments is determined according to the laws and regulations of the respective country. In case of materialization of the Intermediary insolvency risk and the risk related to insolvency regimes of other countries, there is a possibility that neither the financial instruments nor their monetary value is recovered.

Custodian risk – Custodian's inability to operate, erroneous activities or malpractice may adversely affect the Fund and reduce the value of the Fund's assets. The inability of the Custodian to operate effectively may result from its insolvency, bankruptcy, negligence or deliberate illegal activity, as well as other activities without legal basis.

Market concentration risk – as up to 100% of the Fund's assets can be invested in a certain segment (debt securities issued or guaranteed by central banks, local governments, credit institutions and commercial companies of the countries of the Fund's Investment Region), market concentration risk inherent to the Fund is higher than usual.

Financial risk - financial risk is primarily related to situations when, due to external factors (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.

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 can be undetermined and may exceed the value of the collateral. If the liabilities arising from transactions with derivative financial instruments 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 assets without a possibility to determine the amount of possible loss in advance.

Risk of safekeeping financial instruments registered or issued outside of the European Union (EU) – legislative gaps in certain countries outside the EU regarding the safekeeping of financial instruments in favor of other persons may adversely affect the Fund's or the Company's title to the financial instrument and lead to considering the owner of the financial instrument to be the Custodian, Intermediary or another person used by the Intermediary (Sub-intermediary). Due to the legislative gaps in such countries regarding the safekeeping of financial instruments in favor of other persons may lead to a situation where, as a result of the activities carried out by the Intermediaries and/or issuers of the financial instruments, inappropriate tax rates may also be imposed on transactions with the Fund's assets or income earned from transactions with the Fund's assets or financial instrument events.

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** – a risk related to the involvement of a country/countries of investment in military conflicts and warfare, as well as to changes in the political environment, e.g. violent overthrow of the government, upheavals or other events affecting the economic or political stability - or further development of this country (region), including the changes in the government's course or its priorities of the respective country (warfare, nationalization, confiscation, introduction of restrictions and embargo). This risk is especially typical of the countries which still lack a stable regulatory and legal system, business traditions and culture,

among them being certain countries of the Fund's Investment Region. Such factors usually have a major impact on the financial markets of the respective country and thus may adversely affect the performance of the Fund.

- **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** - a risk that Investors may suffer loss from unfavorable fluctuations in the exchange rates. The Fund's assets may be placed not only in the base currency but also in financial instruments denominated in other currencies. Consequently, there is a risk of changes in the foreign currency value against the base currency of the Fund.
- **Information availability risk** – a risk that there is a lack of true and complete securities market information on the issuer's actual situation or it is inaccessible.

Given that not all of the markets of Eastern Europe have common standard for disclosure, there is an increased risk that despite prudent management, the Fund Manager may obtain incomplete information and, as a result, making a favorable investment decision is impossible.

- **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).
- **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.
- **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.
- **Risk of safekeeping financial instruments issued in foreign countries** – a risk related to accounting for the financial instruments and monetary funds owned by the Fund held and recorded by the Intermediary in a foreign country as well as to accounting for the rights related thereto. The Investor must be aware that an act or omission and consequent responsibility of such Intermediaries are subject to the laws and market practice in the country of registration of the intermediary which may be less favorable for the Investor and may essentially differ from the laws and regulations of the Republic of Latvia and market practice related to holding of financial instruments and the rights related thereto.

Specific risks inherent in investments in Eastern European Countries

The Fund's investment activity in Eastern European Countries is associated with an increased risk. Asset prices on the markets and exchanges are volatile. Investment results may be affected by fluctuations of local currencies against the Fund's base currency. Even with reliable securities market information which gives a fair view of the issuer's actual situation, investments in Eastern European Countries are associated with increased information availability risk and counterparty risk. Political changes, currency conversion (exchange) restrictions, supervision of stock exchanges and depositories, taxation, restrictions on foreign investor activities, income repatriation, placement of funds, etc. may affect the performance of the Fund.

2.3 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 existing investment targets, as well as monitors the financial and economic situation of the issuers of 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, Fund Rules and 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;
- Analysis of the current economic situation of the country.

If losses might be incurred due to Intermediary's negligence or deliberate failure to perform its obligations, the Company shall protect its rights by bringing action against the issuer directly and/or against the Intermediary. The Company and the Custodian, within the framework of their competence, 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 and protects Fund's Investor interests through various provisions.

The investment strategy of the Fund is developed to minimize, as far as possible, the risks referred to in Paragraph 2.2 and 2.3 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, subparagraph 2 hereof, 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 or guaranteed 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. The Fund's investments in transferable securities or money market instruments of a single issuer can be increased up to 35 percent of the Fund's assets, if the transferable securities or money market instruments are issued or guaranteed by a Member State, a Foreign Country, a local government of a Member State or an international institution if one or several Member States are its members.
4. If the value of debt securities of a single issuer mentioned in Paragraph 3.1, Sub-paragraph 2 owned by the Fund 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.
5. The Fund's investments in a single credit institution may not exceed 20 percent of the assets of the Fund's. Such limitation does not apply to claims on-demand against the Custodian.
6. 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 share certificates (units) of collective investment undertakings referred to in Paragraph 1.3.3, Sub-paragraph 2 hereto may not exceed 30 percent of the Fund's assets.
7. The total risk arising from transactions with 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.

8. 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 to equivalent amount in another currency according to 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.
9. Considering that derivative transactions with an aim to generate profit may be carried out at the expense of the Fund, the limitations set forth in paragraph 3.1 hereto apply to the underlying asset of the derivative financial instrument.
10. Disregarding the investment limitations separately specified in Sub-paragraphs 1, 5, 7 and 8 of this Paragraph, 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.
11. The investment limitations separately specified in Sub-paragraphs 1, 2, 4, 5, 7 and 8 of this Paragraph may not be combined and thus the total investments of the Fund in transferable securities and money market instruments, the Investment 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 as regards a Single Issuer

1. The investments of the Fund in separate assets may not exceed the following criteria:
 - 1) 10 percent of the total amount of debt securities issued by one issuer;
 - 2) 10 percent of the total value of the money market instruments issued by a single issuer;
 - 3) 25 percent of the number of Share Certificates of a single investment fund or collective investment undertaking.
2. 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 decision regarding the borrowing on the Fund's account may be taken by the Fund Manager in accordance with the Prospectus and Fund Rules.

3.4 General Provisions for Transactions

The Company carries out transactions with the Fund's assets in accordance with this Prospectus, Fund Rules, the Law 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 gross value of the Fund's assets 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 Investment Committee appointed by the Management Board of the Company which performs the functions of the manager of the Fund 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 if it is due to exercising subscription rights pertinent to transferrable securities or money market instruments contained in the Fund's assets or other circumstances which the Company has not been able to foresee. In order to rectify exceeding the investment limits the Company must carry out sales transactions in line with the risk mitigation principle and in the best interest of Investors.

4. RIGHTS AND LIABILITIES OF INVESTORS

4.1 Rights of the Investors

1. Without any limitation, through a Stock 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 value of the Share Certificates owned by them.
3. To participate in the distribution of income derived from the liquidation of the Fund in proportion to the value of the Share Certificates owned by them.
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 of the Fund, 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 Fund 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 Law, the Financial Instrument Market Law and other laws and regulations of the Republic of the Latvia.

4.2 Limitations of the Investor's 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 of the Fund 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 their liabilities may be directed against their Share Certificates, but in no case against the Fund's assets.

Terms and conditions of this Prospectus become binding to the Company and the Investor as soon as the Investor acquires the 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 capital appreciation through medium fluctuations the of value of the Units of the Share Certificate Class. In accordance with the Fund's strategy, the Fund is more appropriate for Investors who want to invest for not less than 3 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 registration of 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 their 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

7.1 Charges for Transactions with Share Certificates

The maximum entry charge is calculated as a percentage of the value of the Unit of the Share Certificate Class which is determined for each Share Certificate Class.

R Acc USD	R Acc EUR (hedged)	I Acc USD	I Acc EUR (hedged)
1.50%	1.50%	1.00%	1.00%

The Distributors are entitled to reduce or abolish entry charges for Share Certificates to certain Investors or groups thereof.

No charge is withheld for the redemption of Share Certificates.

The Company does not exchange Share Certificates of one Class for Share Certificates of another Class; however, Investors are entitled to simultaneously conduct transactions for the redemption of Share Certificates of one Class and subscription for Share Certificates of another Class for a reduced charge up to 1.0% of the value of the subscribed Units of the Share Certificate Class.

The Company does not have any rules or applicable commission charges for transactions with Share Certificates on the secondary market.

7.2 Fees payable from the Fund's assets

The amount of the fees payable from the Fund's assets is determined as a percentage per annum of the average value of each Share Certificate Class:

Name	Fee amount			
	R Acc USD	R Acc EUR (hedged)	I Acc USD	I Acc EUR (hedged)
Company	1.50%	1.50%	1.00%	1.00%
Custodian	0.18%*	0.18%*	0.18%*	0.18%*
Maximum amount of the fee payable from the Fund's assets	3.00%	3.00%	2.50%	2.50%

* The total amount of the Custodian fee, including other charges for the Custodian, may not exceed 0.50% of the average value of the Share Certificate Class 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 fees paid to a Certified Auditor, transaction fees, brokerage fees, interest on loans; the fee for registration of amendments to the Prospectus and/or Fund Rules, for the supervision of the Fund and similar payments, fee for holding financial instruments (incl. the fee for holding the Fund's assets by Intermediaries), for

admittance to official stock-exchange listing, for legal and other professional consultations; the costs related to distribution of the Share Certificates of the Fund as well as other similar costs.

The fee paid to the Certified Auditor may not exceed 0.10% of the Fund's average net asset value per annum.

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 of the Fund's Share Certificates, 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 the Fund's 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; 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 of the Fund.

8. INFORMATION ON THE AUDITOR OF THE FUND

Name of the Auditor:	KPMG Baltics SIA
Registration number:	40003235171
Legal address:	7 Vešetas iela, Rīga, 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 the Fund's property.

According to the Law, "CBL Eastern European Bond 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.

The Fund has four classes of Share Certificates that differ in terms of the applicable charge structure and currencies and which are also subject to a minimum investment amount:

Terms	R Acc USD	R Acc EUR (hedged)	I Acc USD	I Acc EUR (hedged)
Currency of the Share Certificate Class	USD	EUR	USD	EUR
Minimum investment amount	Price of 1 (one) Share Certificate	Price of 1 (one) Share Certificate	USD 1'000'000	EUR 1'000'000
Minimum investment amount of further investments	Price of 1 (one) Share Certificate	Price of 1 (one) Share Certificate	Price of 1 (one) Share Certificate	Price of 1 (one) Share Certificate

At the time of the reorganization of the Fund, the Company put into circulation only R Acc USD and R Acc EUR (hedged) Class Share Certificates.

The Company, in accordance with a decision of the Management Board, is entitled to issue Share Certificates of other Share Certificate Classes that are specified in the Prospectus, while at the same time ensuring the publication of the key information for Investors of the respective Share Certificate Class. The Company is entitled to stop issuing the Share Certificates of a particular class provided that at the time of the decision no Share Certificates of the particular class are in circulation.

All investment classes provide for the revenue received to be accumulated in the Fund (accumulation (Acc)). No dividends are expected to be paid.

R Acc USD Class Share Certificates are publicly offered in Latvia; they may also be publicly offered in other Member States through Distributors or third parties involved, including, intermediaries, dealers, information agents and other persons authorized to provide these type of services.

R Acc EUR (hedged) Class Share Certificates are publicly offered in Latvia; they may also be publicly offered in other Member States through Distributors or third parties involved, including, intermediaries, dealers, information agents and other persons authorized to provide these type of services. In order to hedge against fluctuations in the value of a Unit of this Share Certificate Class, which can arise from changes in the currency exchange rate between the different base currencies of the Share Certificate Class (EUR) and the Fund's primary currency (USD), transactions with derivatives are concluded; however, it is not possible to ensure equivalent performance between Share Certificate Classes of different currencies and the Company does not guarantee it.

I Acc USD Class Share Certificates are offered to institutional investors considered to be professional investors, as defined in EU MiFID Directive 2004/39/EC, and other Investors whose investment amount corresponds to the minimum investment amount specified for the particular class.

I Acc EUR (hedged) Class Share Certificates are only offered to institutional investors considered to be professional investors, as defined in EU MiFID Directive 2004/39/EC, and other Investors whose investment amount corresponds to the minimum investment amount specified for the particular class. In order to hedge against the fluctuations of the value of a Unit of this Share Certificate Class, which can arise from changes in the currency exchange rate between the different base currencies of the Share Certificate Class (EUR) and the Fund's primary currency (USD), transactions with derivatives are concluded; however, it is not possible to ensure equivalent performance between Share Certificate Classes of different currencies and the Company does not guarantee it.

If an Investor no longer meets the requirements specified for the Share Certificate Class in their possession, e.g. the invested amount in the Fund has decreased, the Company is entitled, without the agreement of the Investor, to cancel these Share Certificates and replace them by issuing R Class Share Certificates. In this situation, no commission fee is charged.

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 the accounting for the property rights, 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. For their part, the Custodian accounts for the ownership of these financial instruments belonging to the Fund according to the laws and regulations of the Republic of Latvia by making an accounting entry in the FI account. With regard to the financial instruments held by foreign Intermediaries, the attached rights, and actions, omissions and liability of the Intermediaries, can have the laws and regulations as well as the market practice of the Intermediary's country of residence applied to them.

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 the Share Certificates of all classes 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 Prospect 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.

We recommend that, before purchasing the Share Certificates, 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.

The Share Certificates of all classes can be divided up to a maximum of four decimal points. The rounding off of the Unit of the Share Certificate Class 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 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 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. Addresses of the branches and customer service centers are available at the office of the Company or by calling AS Citadele Banka during its office hours or on its website: www.citadele.lv.

Applications for the acquisition of the Share Certificates may be submitted to the Company, Distributors or Intermediaries on each business day during their stated 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, Distributor or Intermediary all the necessary identification documents referred to in Paragraph 10.1 of the Fund Rules.

If the Company has received and accepted an application before 17:30 Latvian time (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 the Cut-Off Time.

If the Company has received and accepted the application after the Cut-Off Time), such application, at the Company's discretion, may be considered submitted on the next business day.

The Distributor is 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 ensures that the sale and redemption of the Share Certificates 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 Fund Rules. Delegation of the Distributor's duties to third parties does not release the Distributor from the responsibility defined by the laws and regulations of the Republic of Latvia.

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 Latvian Central Depository (if the Share Certificates of the Fund are purchased in Latvia) or with an account holder who can ensure, through an interbank or central depository correspondent relationships, that the financial instruments are held with the LCD.

The Investor must complete and submit to the Company, Distributor or Intermediary 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, Fund Rules and Key Investor Information and agrees with their provisions and acknowledges their binding nature.

The person accepting the application ensures that the application for the acquisition of the Share Certificates includes the information specified in Paragraph 10.1 of the Fund Rules.

In the application for the acquisition of the Share Certificates the Investor at their discretion indicates the preferred acquisition mode: 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 Fund are accepted and registered according to the provisions of the Fund Rules.

The Company is only obliged to execute those applications which provide all the information that is requested.

An investor is responsible for the truthfulness and completeness of the information shown in the application..

If the Investor submits the application for the acquisition of the Share Certificates of the Fund through the Intermediary acting in its own name but on behalf of the Investor (but which is not a Distributor within the meaning of this Prospectus), the Intermediary must ensure and is responsible for the identification of the Investor according to its customer identification procedure; moreover, the Intermediary is also responsible for assessing the suitability and compliance of the investments in the Fund with the interests of the Investor according to the regulatory requirements of the residence country of the Investor, the Republic of Latvia or the respective foreign country in which the Share Certificates of the Fund are sold. Observing the principle of legitimate expectations, the Company or the Distributor, when accepting an acquisition order from an Intermediary which is a licensed financial institution, do 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 of the Investor is opened by the Company.

10.3 Methods and Frequency of Calculating the Sales Price of the Share Certificates and disclosure of information

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

The sales price of the Share Certificates is based on the value of the Unit of the respective Share Certificate Class 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 sales price of the Fund's Share Certificates of each class is variable and is determined on each business day together with the value of the Units of the respective Share Certificate Class.

The value of the Share Certificates of various classes is different and therefore their sales price also varies.

The Fund's value and the value of the Unit of the Share Certificate Classes are 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.

The information on the Fund's value and the values of the Units of the Share Certificate Classes determined on the previous business day is available at the Company's office or may be obtained by calling the Company's phone numbers during its business hours. This information can be also obtained via the assistance of Distributors at the address stated by the Distributor or calling the Distributor's phone numbers stated in Paragraph 10.1 hereof. This information is also published on the websites of the Company and the Distributors. This information is also published on the websites of the Company and the Distributors.

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 respective Share Certificate Class.

According to Paragraph 10.1 of the Prospectus, the Company or the Distributor calculates, depending on the Share Certificate Class and purchase mode chosen by the Investor, 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 pay the price of the Share Certificates by transferring the respective amount 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 settlement account, the application is considered to be void. The above does not affect the Investor's obligation to cover the resultant losses incurred by the Fund and the Company.

If the Custodian holds the settlement and financial instrument accounts for the Investor, the submission of the application for the acquisition of the Share Certificates of the Fund to the Company or the Distributor shall be deemed as an order to purchase the financial instruments. On the basis of the application for the acquisition of the Share Certificates of the Fund, the Custodian carries out settlements of cash and financial instruments. 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 settlement account with the Custodian. After the receipt of the money in the Fund's settlement account opened with the Custodian, the Company issues the Share Certificates of the particular class and immediately transfers them to the Investor's financial instrument account opened with the Custodian.

If the Investor's settlement and financial instrument accounts are held with another account holder or the Share Certificates being purchased are not held in financial instrument accounts, the Investor must credit in person the amount of money necessary for purchase of the Share Certificates of the Fund to the Fund's settlement account with the Custodian. The Investor can choose to receive transaction confirmation containing the exact amount of money that the Investor must credit to the Fund's settlement account with the Custodian either at the office of the Company, or by means of communication stated by the Investor, including, but not only, e-mail and 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 settlement 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 the currency of the respective Share Certificate Class.

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 those applications which provide all the information that is requested. An investor is responsible for the truthfulness and completeness for the information shown 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 Fund incurred as a result of the failure to execute the application for the acquisition of the Share Certificates.

10.5 Payment Procedure by Using Nominal Accounts

When purchasing the Share Certificates according to the procedure specified in Paragraph 10.2 hereof without opening the financial instrument account, the Investor must credit in person to the Fund's settlement 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 settlement account with the Custodian at the office of the Company or other electronic communication means, at their discretion, 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 settlement 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 settlement account.

Investors are 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 the financial instrument account in their name. In such case, the Investor must open a financial instrument account with the Custodian and give an order to transfer all the Share Certificates owned by him/her to this account. However, the Company has the right to reject such reregistration if the use of the nominal accounts is bound by some specific 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 of the Fund, the Investor must submit to the Company, Distributor or Intermediary the application for redemption of the Share Certificates.

If the Investor holds the Share Certificates of the Fund in a nominal account 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 the Cut-Off 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 their discretion the preferred redemption mode: a fixed number of the Share Certificates to be redeemed or a specific amount of money for the redemption of the Share Certificates.

Only correctly filled applications are valid. The Investor is responsible for the accuracy and completeness of the stated information. 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 which provide all the information required. The Investor is responsible for the accuracy and completeness of the stated information.

If an Investor submits an application for redemption of their Share Certificates through an Intermediary who acts in their own name but on behalf of the Investor, but who is not a Distributor within the meaning of this Prospectus, the Intermediary must ensure and is responsible for identifying the Investor according to their client 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 respective Share Certificate Class determined for the day when the Company has received and accepted the application for redemption of the Share Certificates of the Fund.

No charge is withheld for the redemption of Share Certificates.

The calculation of the redemption price of Share Certificates is based on the value of a Unit of the respective Share Certificate Class determined on the day of the receipt of the application for the redemption of the Share Certificates but published on the next business day.

The sales price of the Fund's Share Certificates of each class is variable and is determined on each business day together with the value of the Units of the respective Share Certificate Class.

The value of the Share Certificates of various classes and hence their redemption price is different.

The redemption price for Share Certificates is paid in the currency of the respective Share Certificate Class.

Information of the Fund's value and the values of the Units of the Share Certificate Classes is disclosed as stated in 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, the Company or the Distributor calculates, depending on the Share Certificate Class and 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 redeemable Share Certificates to the issue account of the Fund opened with the Custodian. If within the set time period the number of redeemable Share Certificates has not been transferred to the issue account of the Fund, the application is considered to be void. The above does not affect the Investor's obligation to cover the resultant losses incurred by the Fund and the Company.

If the Custodian holds the settlement 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. Upon the order for redemption of the Share Certificates, the Custodian performs settlements with securities and in cash. The Custodian transfers the redeemable Share Certificates from the Investor's financial instruments account to the issue account of the Fund opened with the LCD. After the receipt of the Share Certificates in the issue account of the Fund with the LCD, the Company immediately redeems them and within six business days the Company transfers to the Investor's settlement account the relevant amount of money in the currency of the respective Share Certificate Class which corresponds to the number of the redeemed Share Certificates.

If the Investor's settlement and financial instrument accounts are held with another account holder, the Investor transfers in person the number of the redeemable Share Certificates stated in the application to the issue account of the Fund with the LCD. If the Investor has stated in their application the amount of money to be received for the redeemable Share Certificates, the Investor can receive a transaction confirmation containing the exact number of redeemable Share Certificates which the Investor must transfer to the Fund's issue account with the LCD and this can be received at their discretion either at the office of the Company or through means of communication stated by the Investor, including, but not only, e-mail and Internet bank. After the receipt of the Share Certificates into the issue account of the Fund with the LCD, the Company immediately redeems them and within six business days transfers to the Investor's settlement account the relevant amount of money in the currency of the respective Share Certificate Class which corresponds to the number of the redeemed Share Certificates.

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 redeemable Share Certificates in the currency of the respective Share Certificate Class 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 financial instrument/cash settlement accounts, etc.) are borne by the Investor.

If the Investor or Investors within 3 business days submit applications for redemption of the Share Certificates of the Fund 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 LCD according to the procedure and within the time period referred to in this paragraph, the Investor covers all costs and losses incurred to 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.

11.4 Secondary market of Share Certificates

The Share Certificates of all classes are transferable securities, and Investors can alienate them without limitations. 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 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 their 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 the Share Certificate.

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 with 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 a respective announcement on the website of the Company at 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 bank 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 RULES FOR THE VALUATION OF THE FUND

The Fund's value (also referred to as the Fund's net asset value) is the value of the assets of the Fund less the value of the Fund's liabilities.

12.1 Valuation of the Fund's assets

The accounting records of the Fund are kept according to the Law, the 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.

Accounting records are maintained in the base currency of the Fund.

The transactions in foreign currencies are translated into the base currency of the Fund according to the information provided by the Custodian which is based on the exchange rate of the respective currency published by the news and information such as: Bloomberg, Reuters, or 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 Eastern European Bond Fund may only consist of financial assets (see the definition of the "financial instruments").

The Fund Manager 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 intent and ability to hold to maturity.

The Fund Manager 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 intent and ability to hold such financial assets to maturity.

The Fund Manager 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 Fund Manager 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 the 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 date of the next interest rate change) 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 the 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 stock 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 by its customers or 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 of 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 the 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 the 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 the 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 the 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 exchange or regulated market where they have been concluded as of the moment of the stock exchange closing on the date of the 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 the calculation of the Fund's value. If the rate confirmed by counterparty is not available, a transaction shall be valued 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 into 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 the calculation of the Fund's value.

12.2 Valuation of Liabilities

The total value of the Fund's liabilities equals the sum of all payments charged to and applicable to the Fund, which can be attributable to the Share Certificates of all classes, including fees payable to the Company, Custodian, Auditor and third parties; moreover, only the payments attributable or applicable to a particular Share Certificate Class are included in the calculation.

The value of the liabilities of a certain Share Certificate Class is determined as specified in paragraph 12 of the Fund Rules.

Liabilities in foreign currencies are translated into the currency of the Share Certificate Class according to the information provided by the Custodian which is based on the exchange rate of the respective currency published by the news and information agencies such as: Bloomberg, Reuters, or similar information sources.

12.3 Valuation of the Unit of a Share Certificate Class

In addition to the Fund's value, the Company also determines the portion of the value of the Fund's assets attributable to each Share Certificate Class.

Value of the Unit of the Share Certificate Class is the difference between the Fund's asset value attributable to a particular Share Certificate Class and the accumulated liabilities attributable to it divided by the number of the Share Certificates of the respective Share Certificate Class in circulation. The value of the Unit is established in the currency set for each Share Certificate Class.

The number of the Share Certificates of each Class is the number of the Share Certificates of the respective class issued less the number of the Share Certificates withdrawn from circulation after the receipt of an application for redemption.

If, as a result of the redemption, the number of the Share Certificates of a certain Share Certificate Class becomes zero, the value of the Unit of the particular Share Certificate Class shall be

indexed until a new issue of the Share Certificates of the particular Share Certificate Class or until the Company makes a decision to terminate the emission of the particular Share Certificate Class.

12.4 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 value of the Share Certificates owned.

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

The Investor can only receive their income from the investments in the Fund in cash by requesting the Company to redeem the Share Certificates owned or by selling these Share Certificates.

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

Rights

The Company deals with the Fund's assets and related rights in its own name and at the expense 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 an attentive and diligent owner and solely in the best interests of the Investors of the Fund, without jeopardizing the financial market stability.

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 has the right to set up and manage more than one fund.

Obligations

The Company is obliged to bring legal action on behalf of the Investors against the Custodian or third parties in its own name, if applicable. This, however, is without prejudice to the rights of the Investors to bring legal actions in their own name.

The Company is obliged to notify the Commission in writing of any amendments to the lists of the interested parties of the Company and the Custodian, as well as of any amendments and supplements to the documents and information submitted to the Commission within a week from the date of making such amendments.

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 Sector of AS "Citadele banka"
Peter Meier	Member of the Council, Head of the Centre for Asset Management at Zurich University of Applied Sciences (ZHAW)

15.3 Management Board of the Company

Uldis Upenieks	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 Manager

The Management Board of the Company appoints at least two Fund Managers who manage the Fund's assets and are empowered to give orders concerning the Fund's assets in accordance with the Prospectus, Fund Rules and decisions of the Management Board of the Company. The procedures for making decisions are governed by the Fund Rules.

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

Fund Managers:

Andris Kotāns	Head of the Fund Management Department of the Company, Member of the Management Board
Edgars Lao	Portfolio Manager of the Fund Management Department of the Company

15.5 Names of Other Funds Managed by the Company

Investment Fund "CBL Russian Equity Fund",
 Investment Fund "CBL Global Emerging Markets Bond Fund",
 Investment Fund "CBL Strategic Allocation Funds",
 Investment Fund "CBL Eastern European Bond Fund",
 Investment Fund „CBL Eastern European Select Equity Fund”,
 Closed-end Alternative Investment Fund „Baltic Pearl Real Estate Fund”,
 Closed-end Alternative Investment Fund „Baltic Commercial 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.

The Company's fee for the management of the Fund, attributable to the particular Share Certificate Class, is calculated at the established rate on the current day of the calculation of the Fund's value as follows:

$$KSA_{t,i} = FNAV_{t-1,i} * \frac{L_{1,i}}{365} * N$$

- $KSA_{t,i}$ – the fee payable to the Company for managing the Fund at the date of the calculation t , attributable to the Fund's Share Certificate Class i ;
- $FNAV_{t-1,i}$ – the value of the Share Certificate Class i on the previous day of the calculation of the Fund's value (t-1);
- N – the number of calendar days from the last day of the calculation of the Fund's value;
- $L_{1,i}$ – the fee rate payable to the Company according to Paragraph 7.2 attributable to the Share Certificate Class i .

The amount of the fee payable to the Company for managing the Fund **for a particular calculation day** is calculated as an amount equal to the total of the daily fees payable to the Company for managing all the classes of Share Certificates:

$$SA_t = KSA_{t,1} + KSA_{t,2} + \dots + KSA_{t,n}$$

- SA_t – the fee payable to the Company for managing the Fund at the date of the calculation t ;
- $KSA_{t,i}$ – the fee payable to the Company for managing the Fund at the date of the calculation t , attributable to the Fund's Share Certificate Class i ;
- n – the number of the Share Certificate Classes of the Fund.

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 – 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 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 Rights and Obligations of the Custodian

Rights

The Custodian acts independently of the Company and only in the best interests of the Investors, if it does not contradict the Law and other effective laws and regulations of the Republic of Latvia, the Commission's regulations, Prospectus and Fund Rules.

The Custodian is entitled to a fee for services agreed in the Custody Agreement.

The Custodian has the right to assign to third parties (Intermediaries) the safekeeping of the Fund's assets, servicing of the Fund's accounts and the performance of broker's duties (execution of intermediary transactions on securities market).

The Custodian, in ensuring the holding of the financial instruments and monetary funds included in the Fund's assets by an Intermediary in a Foreign Country, has the right to enter into agreements with such Intermediaries, provided that the Custodian has informed the respective Intermediary that the respective account holds financial instruments owned by the Custodian's customers.

Transfer of the rights to manage the Fund to the Custodian

If the rights of the Company to manage the Fund expire, such rights are transferred to the Custodian, except where such rights are assigned to another company.

The Custodian, to which the rights to manage the Fund have been transferred, enjoys all the rights of the Company, except for the rights of issue and/or redemption of the Share Certificates of the Funds under its management.

Within the time period specified in the laws and regulations of the Republic of Latvia from the date of transfer of the rights to manage the Fund, the Custodian transfers the rights to manage the Fund to another investment management company. If the Custodian does not transfer the rights to manage the Fund to another investment management company within the specified term, the Custodian must liquidate the Fund.

Obligations

The Custodian ensures the custody of the Fund's assets according to the laws and regulations of the Republic of Latvia and Custody Agreement.

The Custodian ensures that the Share Certificates are issued, sold and redeemed in the name of the Company and according to the Law on Investment Management Companies, applicable laws and regulations of the Republic of Latvia, Prospectus and Fund Rules.

The Custodian ensures that the Fund net asset value is calculated according to the Law, applicable laws and regulations of the Republic of Latvia, Prospectus and Fund Rules.

The Custodian performs the orders of the Company, unless they are contrary to the laws and regulations of the Republic of Latvia, Commission Regulations, Prospectus, Fund Rules and Custody Agreement as well as the procedure for the preparation and submission of orders agreed with the Custodian.

The Custodian ensures that the Fund's income is used according to the Law, applicable laws and regulations of the Republic of Latvia, Prospectus and Fund Rules.

The Custodian ensures that the payments related to transactions with the Fund's assets are properly made.

The Custodian brings legal actions for the Investors against the Company in its own name, if applicable. This, however, is without prejudice to the rights of the Investors to bring legal actions in their own name.

The Custodian immediately notifies the Commission and the Company in writing of any activities of the Company which are contrary to the laws and regulations of the Republic of Latvia, Prospectus, Fund Rules and Custody Agreement.

Liability

The Custodian is fully liable to the Investors, the Company and third parties for any losses caused, if the Custodian, willfully or due to negligence, has violated the Law or the Custody Agreement.

Where the Custodian has granted its consent for a transaction that fails to conform to the Law and the provisions of the applicable laws and regulations of the Republic of Latvia or has failed to raise objections regarding the breach of such provisions, the Custodian and the Company are jointly responsible for losses incurred to the Fund.

The Custodian is not liable for the losses incurred by the Fund and/or the Company due to the insolvency of an Intermediary, including, for example, due to the application of the laws of the respective state related to insolvency, laws on the trading of financial instruments, payment operations, financial instrument and money transfers, currency conversion restrictions and introductions of a special regime or restrictions. Such losses are ascribed to the Fund.

The transfer of the Custodian's obligations to third parties does not release the Custodian from the liability stated in the laws and regulations of the Republic of Latvia and the Custody Agreement.

16.2 Custodian Fee: Calculation and Payment Procedure

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.

The Custodian's, attributable to the particular Share Certificate Class, is calculated at the established rate on the current day of the calculation of the Fund's value as follows:

$$KTA_{t,i} = FNAV_{t-1,i} * \frac{L_{2,i}}{365} * N$$

- $KTA_{t,i}$ – the fee payable to the Custodian at the date of the calculation t , attributable to the Fund's Share Certificate Class i ;
- $FNAV_{t-1,i}$ – the value of the Share Certificate Class i on the previous day of the calculation of the Fund's value ($t-1$);
- N – the number of calendar days from the last day of the calculation of the Fund's value;
- $L_{2,i}$ – the fee rate payable to the Custodian according to Paragraph 7.2 attributable to the Share Certificate Class i .

The amount of the fee payable to the Custodian **for a particular calculation day** is calculated as an amount equal to the total of the daily fees payable for managing all the classes of Share Certificates:

$$TA_t = KTA_{t,1} + KTA_{t,2} + \dots + KTA_{t,n}$$

- TA_t – the fee payable to the Custodian at the date of the calculation t ;
- $KTA_{t,i}$ – the fee payable to the Custodian at the date of the calculation t , attributable to the Fund's Share Certificate Class i ;
- n – the number of the Share Certificate Classes of the Fund.

The fee for the custody and supervision of the Fund's assets is paid to the Custodian on a monthly basis.

The amount of the **monthly fee** payable to the Custodian is calculated as an amount equal to the total of the daily fees payable to the Custodian:

$$TA = \sum_{t=1}^K TA_t$$

- TA – the fee payable to the Custodian for the current month;
- TA_t – the fee payable to the Custodian for each day of the calculation of the Fund's value t ;
- K – the number of days on which the Fund's value was calculated.

17. MODE 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 08:30 till 17:30 pm or on the Company's website under the "Fund Monthly Report" section:

"CBL Eastern European Bond Fund" <http://www.cblam.lv/en/investment-funds/bond/eastern-european/>

The Company draws the Investors' attention to the fact that historical performance of the Fund does not guarantee the future performance of the Fund. The Fund's value can both increase and decrease, and the manager does not guarantee the preservation of the original investments.

19. 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."