

IMJSC "Parex Asset Management"
Republikas square 2a, Riga, LV 1010, Latvia

Open-end investment fund

"Parex Eastern European Fixed Income Funds"

FUND RULES

The Fund is registered in the Republic of Latvia

Registered with the Financial and Capital Market Commission
The Fund was registered on 20.07.2009.
with the registration number 06.03.05.098/50

Amendments to the Fund Rules:

Registered on 05.10.2009, effective as of 05.10.2009.
Registered on 08.10.2009, effective as of 09.11.2009.
Registered on 29.01.2010.,effective as of 29.01.2010.

Custodian: JSC "Parex banka"

Sworn Auditor: SIA "PricewaterhouseCoopers"

The Prospectus, the Fund Rules, the annual and semi-annual reports of the Fund as well as other information on the Fund and the Company is available free of charge at the office of the IMJSC "Parex Asset Management" at the following address:

Republikas square 2a, Riga, LV 1010, Latvia
on business days from 08:30 to 17:30

(See also Section 14 "Procedure for Making Public Statements and Distribution of Publicly Available Information" of the Fund Rules)

Distributor of Investment Certificates:

In Latvia: JSC "Parex banka"
Republikas square 2a, Riga, LV-1522, Latvia
as well as branches and customer service units of the JSC "Parex banka".

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1. **Information about the Fund**

Name of the Fund:	Open-end investment fund "Parex Eastern European Fixed Income Funds"
Names of the Sub-funds:	"Parex Eastern European Balanced Fund"
	"Parex Eastern European Bond Fund"

2. Information about the Company Managing the Fund

Name of the Company:	IMJSC "Parex Asset Management"
Registered address:	Republikas square 2a, Riga, LV 1010, Latvia Tel. (+371)67010810, fax (+371)67778622

The location of the executive body of the Company is the same as its registered address.

Founded on:	January 11, 2002
Common Registration Number:	40003577500
Licences:	Licence for Management Services No. 06.03.07.098/181
	Licence for Management of State Funded Pension Scheme Assets.

3. Information about the Custodian

Name of the Custodian:	Joint Stock Company "Parex banka"
Registered address:	Republikas square 2a, Riga LV 1522, Latvia Tel. (+371)67010000, fax (+371)67010001

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

Founded on:	May 14, 1992
Common Registration Number:	40003074590
Licences:	Licence for Credit Institution Activities No.06.01.02/91

4. General Principles and Procedures for Fund Management

Investment fund "Parex Eastern European Fixed Income Funds" founded by the IMJSC "Parex Asset Management" is a set of assets consisting of investments made against investment certificates, as well as of assets acquired from transactions with the investment fund's property and rights arising thereof.

The Sub-funds of "Parex Eastern European Fixed Income Funds" are separate sets of the investment fund`s assets, consisting of investments made against investment certificates, as well as of assets acquired from transactions with this property and rights arising thereof.

"Parex Eastern European Fixed Income Funds", in accordance with the Republic of Latvia "Law on Investment Management Companies", is an open-end investment fund, and it operates in accordance with UCITS Directive 85/611/EC of December 20, 1985, taking into account amendments to the Directive 2001/107/EC and 2001/108/EC.

The investment fund is not a legal person.

The Company, on its own behalf, on account of Investors of the Fund's Sub-fund, solely in the interests of Investors of the Fund's Sub-fund, shall manage the property of the Fund's Sub-fund and rights arising thereof, in accordance with the RL "Law on Investment Management Companies', other RL legal acts, its Articles of Association, the Prospectus, and the Fund Rules.

The Company does not need the consent of the Sub-fund's Investors for activities related to the Fund management, nor for the use of the voting rights attached to equity shares belonging to the Sub-fund's property.

Investment objects are selected in accordance with the Sub-fund's investment policy and investment restrictions described in the Prospectus and in accordance with procedure prescribed the Fund Rules.

The investment objective of the open-ended investment fund "Parex Eastern European Fixed Income Funds" is to achieve long term capital growth through investments mainly in debt and equity securities issued or guaranteed by the states, municipalities, central banks and credit institutions, as well as issued by corporations, of the Eastern European region. Investment portfolios of the Sub-funds are diversified across investments in equity and debt securities as well as in different currencies and countries, thus ensuring highest investment security and protection against fluctuations in the Fund's asset value characteristic to securities of only one currency or country.

„Parex Eastern European Fixed Income Funds" is an open-end investment fund with two sub-funds, and the Company is obliged to redeem Sub-fund`s investment certificates when requested by the Sub-fund`s Investors.

The Company shall be responsible for accounting and preparation of the annual and semi-annual financial reports of the Fund's Sub-fund. The Company shall have the right to delegate the Sub-fund's accounting to an authorised entity, but the Company shall bear responsibility for activities of such person.

The Company shall keep accounting of the Fund's Sub-fund separate from accounting of the property of the Company and other funds managed by the Company.

5. Investment Restrictions

5.1. The Sub-fund's investments can be made in freely transferable securities and money market instruments that meet at least one of the following criteria:

1) They are traded in regulated markets of Latvia, other member country, or OECD countries;
2) They are included in the official listings of stock exchanges or are traded on other regulated and openly accessible markets of financial instruments (hereinafter, the regulated market) that are not located in countries referred to in Subparagraph 1 of Paragraph 5.1;
3) They are not included in the official listings of stock exchanges or are not traded on regulated markets, but the rules governing the issue of such securities and money market instruments provide that an application will be made to include these securities or money market instruments in stock exchanges or regulated markets referred to in Subparagraphs 1 and 2 of Paragraph 5.1, and that these securities or money market instruments will be included there within one year from the date when subscription to these securities or money market instruments began.

5.2. The assets of Sub-funds can be invested in money market instruments that are not traded on regulated markets if they are freely transferable (no business restrictions apply) and one of the following provisions has become effective:

1) They are issued or guaranteed by Latvia, other member country or municipality of said countries, other country (in federal country – one of the members of federation) or international financial institution if one or several member countries are its members;
2) They are issued or guaranteed by the central bank of Latvia, other member country, by the European Central Bank or the European Investment Bank;
3) They are issued by a corporation whose securities are traded in accordance with Subparagraphs 1 and 2 of Paragraph 5.1.
4) They are issued or guaranteed by a credit institution which is registered in a member country and subject to supervision by financial supervisory authority in accordance with regulatory requirements of the European Union, or by an issuer whose activities are subject to regulatory requirements at least as strict as in the European Union and comply with at least one of these requirements:
    a) It is registered in OECD member country that is part of Group of Ten countries;
    b) It has been awarded an investment grade rating;
    c) Detailed analysis of regulatory requirements indicate that such regulatory requirements relating the issuer's activities are at least as strict as those imposed by the European Union.
5) They are issued by a corporation whose capital and reserves are 10 million Euros or more and which prepares and publishes audited annual report in accordance with requirements for preparing and publishing equal to requirements of the European Union. Such corporation belongs to group with one or several corporations, whose shares are traded on a regulated market, and is designed to raise funds for such group, or is a special purpose vehicle that specialises in securitisation and has a liquidity agreement with a bank that complies with requirements of Sub-paragraph 2 of Paragraph 5. Investments in these money instruments are subject to investor protection equal to protection described in Sub-paragraphs 1, 2, 3 and 4 of the second part of this Paragraph.

5.3. Where the amount invested does not exceed 10% of the Sub-fund's assets, the Sub-fund's investments can be made in transferable securities and money market instruments other than those referred to in Paragraphs 5.1 and 5.2.

5.4. The Sub-fund's assets can be invested in investment certificates of investment funds registered in Latvia and other member countries.

5.5. The Sub-fund's assets can be invested in investment certificates of investment funds of countries other than those referred to in Paragraph 5.4 if these investment funds meet the following requirements:

1) They are registered in a country whose legal regulations provides state supervision over such undertakings equivalent to the supervision prescribed by the Law;
2) Their principles of operation are analogous to the regulations on activities of open-end investment funds prescribed by the Law;
3) They prepare and publish annual and semi-annual reports to make it possible to assess their assets, liabilities, income and activities during the reporting period.

5.6. The Sub-fund's investments in transferable securities or money market instruments of a single issuer may not exceed 5% of the Sub-fund's assets. This restriction can be increased up to 10% of the Sub-fund's assets, but in that case the aggregate value of investments exceeding 5% may not exceed 40% of the Sub-fund's assets.

5.7. The Sub-fund's investments in transferable securities and/or money market instruments of a single issuer can be increased up to 35% of the Sub-fund's assets if such transferable securities or money market instruments are issued or guaranteed by:

1) Latvia, other member country or municipality of said countries;
2) OECD member country;
3) An international financial institution, if one or more member countries are its members.

5.8. The limit specified in paragraph 5.7 maybe exceeded if the Sub-fund owns transferable securities or money market instruments from six or more issues and the value of transferable securities or money market instruments of each issue separately does not exceed 30 per cent of the Sub-fund's assets. An option has been provided to invest more than 35 percent of the Sub-fund's assets in transferable securities or money market instruments issued or guaranteed by government and local governments of Latvia, other member country.

5.9. The Sub-fund's investments in transferable securities of a single issuer can be increased up to 25% of the Sub-fund's assets if they are debt securities issued by a credit institution registered in Latvia, other member country or OECD member country and if the terms of such debt securities provide that acquired funds will be invested in assets that during the entire duration of the debt security fully secure the liabilities arising out of such debt security, and such liabilities have priority fulfilment if the issuer becomes insolvent.

5.10. If the value of debt securities issued by a single issuer referred to in Paragraph 5.9 and owned by the Sub-fund exceeds 5% of the Sub-fund's assets, the aggregate value of such securities exceeding 5% restriction may not exceed 80% of the Sub-fund's assets.

5.11.. The Sub-fund's assets deposited with a single credit institution may not exceed 20% of the Sub-fund's assets. Such restriction does not apply to on-demand claims against the Custodian.

5.12.. The Sub-fund's investments in investment certificates of a single open-end investment fund may not exceed 5% of the Sub-fund's assets. The Sub-funds total investments in investment certificates of investment funds may not exceed 10% of the Sub-funds assets.

5.13. The Sub-fund's assets can be invested in derivatives traded on markets referred to in Paragraph 5.1 or derivatives traded over-the-counter that at the same time meet the following requirements:

1) Their underlying security is a financial instrument referred to in the Fund Rules, financial indexes, interest rates, exchange rates or currencies in which the Sub-fund's assets are invested or could be invested in future.
2) Counterparty to a transaction in OTC derivatives is a credit institution which has received a licence for a credit institution activity in Latvia, other member country or OECD member country that belongs to Group of Ten countries, or an investment brokerage company whose capital and reserves is 10 million Euros or more, which is registered in a member country or OECD member country that belongs to Group of Ten countries and whose activities are subject to supervision by financial supervisory authority;
3) There is a credible and verifiable valuation of the over-the-counter derivative on daily basis, and at any time upon the Company's initiative the derivative can be sold or liquidated at its fair value with a liquidating transaction.

5.14. Total risks arising from derivatives transactions, including derivatives embedded in transferable securities or money market instruments, may not exceed the net asset value of the Sub-fund's investment portfolio, and thus the Sub-fund's overall risk exposure may not exceed 200% of the net asset value of the Sub-fund's investment portfolio. The Sub-fund's overall risk exposure arising from transactions with derivatives and the amount of loans stated in Paragraph 3.5. shall not exceed 210% of the net asset value of the Sub-fund's investment portfolio.

5.15. Risk exposure from transactions with over-the-counter derivatives may not exceed:
1) 10% of the Sub-fund's assets if the counterparty is a credit institution licensed in Latvia, other member countries, or OECD member countries that belongs to the Group of Ten..
2) 5% of the Sub-fund's assets in other cases.

5.16. Notwithstanding investment restrictions separately established in Paragraphs 5.6, 5.11, 5.14 and 5.15, the total Sub-fund's investments in transferable securities and money market instruments, investment fund's deposits and derivatives transactions where the issuer, guarantor, attractor of the deposit, or counterparty is the same person, may not exceed 20% of the Sub-fund's assets.

5.17. Investment restrictions separately established in above paragraphs 5.6, 5.7, 5.9, 5.10, 5.11, 5.14 and 5.15 cannot be aggregated, which means that the total Sub-fund's investments in transferable securities and money market instruments, investment funds deposits and derivatives transactions where the issuer, guarantor, attractor of the deposit, or counter-party is the same person may not exceed 35% of the Sub-fund's assets.

5.18. The Sub-fund's investments in separate investment objects may not exceed:
1) 10% of the nominal value of shares (without voting rights) issued by a single issuer;
2) 10% of the total amount of debt securities issued by a single issuer;
3) 10% of the total value of money market instruments issued by a single issuer;
4) 25% of investment certificates of a single open-end fund or collective investments undertaking.

5.19. All investments of assets of funds under the Company's management directly or indirectly may not exceed 10% of any of the following:
1) Equity capital of a single issuer;
2) Total number of voting rights of a single issuer.

5.20. The Sub-fund's assets may not be given out in loans or invested in real estate, precious metals and derivatives with precious metals or commodities as an underlying asset.

5.21. The Sub-fund's deposits with credit institutions are permissible if they are repayable on demand or they can be withdrawn before maturity and their maturity does not exceed 12 months.

6. Exceeding the Investment Restrictions

Exceeding the investment restrictions is permissible if such situation arises from exercising the subscription rights associated with transferable securities or money market instruments belonging to the Sub-fund's property or from other conditions that the Company was unable to foresee. To correct exceeding the restrictions the Company has to sell securities in accordance with the risk reduction principle and interests of the Investors.

Investment restrictions referred to in Paragraph 5.18 can be exceeded at the moment of investing if at that moment it was not possible to determine or calculate the value or quantity of issued securities with inherent liabilities or the value or quantity of investment certificates in circulation.

The Company shall immediately inform the Commission about exceeding the investment restrictions and the corrective measures to be taken.

7. Procedure for Investment Decisions

The property of the Fund's Sub-fund shall be managed by the Investment Committee appointed by the Executive Board of the Company. The Investment Committee shall perform the functions of the Fund Manager in accordance with provisions of the Prospectus, resolutions of the Executive Board of the Company, investment policy of the Fund`s Sub-fund and pursuant to the procedures prescribed by the RL normative acts and the Fund Rules.

The Investment Committee shall be responsible for compliance with investment policy of the Fund's Sub-fund.

The Investment Committee shall review issues concerning the Fund's investment strategy and tactics and pass decisions thereof in the meetings of the Investment Committee which are held when necessary. The

Investment Committee is empowered to pass resolutions if more than half of the members participate in the meeting. A resolution is passed if more than half of all members of the Investment Committee vote for it. Resolutions are prepared in writing and signed by all members of the Investment Committee that are present. If any of the present members of the Investment Committee vote against a resolution, he shall not be held responsible for it.

On the basis of resolutions passed by the Investment Committee, any member of the Investment Committee on his own shall be entitled to sign orders for transactions with the Sub-fund's property. In the absence of a resolution of the Investment Committee, orders for transactions with the Sub-fund's property shall be signed by at least half of the members of the Investment Committee.

Any transaction with the Sub-fund's property shall be based on an order from a member of the Investment Committee with acceptance from a person duly authorised by the Custodian. Where the order contradicts the "Law on Investment Management Companies", regulations of the Commission, the Prospectus, these Fund Rules, or the Custody Agreement, the Custodian shall not execute such order.

8. Procedure for Servicing the Investors of the Fund

8.1. Availability of the Prospectus

The Prospectus shall become effective as of the day it is registered with the Financial and Capital Market Commission. The Prospectus is available free of charge from the Company or the Distributors at addresses specified in Paragraph 14 of the Fund Rules.

If amendments to the Prospectus are made, the Company shall, after their registration with the Commission, immediately ensure that the Investors have access to the full Prospectus with amendments and reference to the day they became effective.

8.2. Acceptance and Registration of Subscriptions for Investment Certificates

Applications for purchase of investment certificates of the Fund's Sub-fund may be submitted at the Company's office at Republikas square 2a, Riga, LV 1010, tel. (+371)67010810, fax (+371)67778622 or by contacting Distributors.

The Distributor of investment certificates of the Fund's Sub-fund in Latvia is:

- JSC "Parex banka" Republikas square 2a, Riga, LV 1522
  tel. (+371)67010000, fax (+371)67010001

as well as

- branches and customer service units of the JSC "Parex banka". Addresses of branches and customer service units are available at the JSC "Parex banka", by calling the telephone numbers of the bank during its business hours, or on the bank's website: www.parex.lv.

The Distributors shall be entitled to engage in organising the distribution of investment certificates of the Sub-funds third persons, including intermediaries, dealers, and other persons authorised to provide this type of services. The Distributor shall organise and ensure that sale and redemption of investment certificates of the Sub-funds is carried out in accordance with laws of the Republic of Latvia and/or country, in which the investment certificates of the Sub-funds are sold, provisions of the Prospectus and the Fund rules. Delegation of the Distributor's duties to third persons does not discharge the Distributor from responsibility defined in the RL law.

In order to apply for investment certificates of the Sub-fund, an Investor shall open a financial instruments account with an account holder who is a member of the Latvian Central Depository (if the Sub-fund's investment certificates are purchased in Latvia), or with an account holder who can ensure, through inter-bank or central depository correspondent relationships, that financial instruments are kept with the Latvian Central Depository. Investors shall fill out and submit to the Company or the Distributor an Application for Purchase of Investment Certificates of the Sub-fund of Open-End Investment Fund. By signing the Application the Investor certifies that he has studied the Prospectus and the Fund Rules and agrees to their provisions.

Moreover, Investors of the Fund's Sub-fund shall fill out and submit to the Company or the Distributor an Application for Purchase of Investment Certificates of the Sub-fund of the Open-End Investment Fund.

In the Application for Purchase of Investment Certificates of the Fund's Sub-fund the Investor shall state the following:

1) For natural persons: Investor's name, surname, identity code (or date of birth if identity code has not been granted),

Investor's name and registration number – for a legal person;

2) Address, phone and/or fax number of the Investor;
3) Investor's financial instruments account number in the country in which the Sub-fund's investment certificates are distributed, and to which the acquired investment certificates should be transferred.
4) Number of the Investor's settlement account;
5) Name of the Sub-fund and the ISIN code of the Sub-fund's investment certificates;
6) Number of investment certificates subscribed or the amount of money to be invested.

The Company or the Distributor shall be entitled to request that the Investor proves the authenticity of information provided.

Upon receipt of the application for purchase of the Sub-fund's investment certificates, the Company or the Distributor respectively shall identify the Investor in accordance with the Customer Identification Procedure of the Company or the Distributor respectively and in accordance with the normative acts effective in the Republic of Latvia and/or the country in which the Fund's investment certificates are sold.

By signing the application the Investor certifies that he has read and understood the information contained in the Prospectus and the Fund Rules and that he agrees with their provisions.

Each Investor may subscribe to unlimited number of investment certificates. The minimum investment in the Sub-fund is 1(one) investment certificate.

The Company shall register applications for purchase of investment certificates in a separate book in the order they are received.

Applications may be submitted in person or through fax. Distributors may determine a different procedure for submission of Applications, e.g., via Internet bank. The Application shall be deemed submitted and registered when it has been signed by the representative of the Company or the Distributor.

Where the Application has been submitted in person, an authorised representative of the Company or the Distributor shall sign it and return one copy of the Application to the Investor.

The Company or the Distributor shall not be held responsible for losses incurred by any Investor due to unauthorised person acting in bad faith using Investor's name and account number, except where otherwise provided by the law of the country in which the Sub-fund's investment certificates are distributed. The Company and the Distributor shall accept application by fax only where customer identification has been carried out.

The Company shall be bound to execute only correctly filled out applications for purchase of the Sub-fund's investment certificates. The Investor shall be responsible for authenticity and completeness of information stated in the application.

The Investor of Sub-fund can choose to apply for a fixed number of investment certificates or to specify a fixed amount of money for purchase of investment certificates.

All expenses incurred by the Investor in relation to purchase of investment certificates (bank charges for operations with financial instruments/settlement accounts etc.) shall be borne by the Investor.

The price for investment certificates shall be paid in the Sub-fund's base currency.

Investment certificates are accounted for in financial instruments account of each owner of the Sub-fund's investment certificates.

8.3. Issue of the Sub-fund`s Investment Certificates

Issue of investment certificates is carried out in accordance with the "Law on Investment Management Companies", as well as other normative acts issued by the Financial and Capital Market Commission.

The duration of issue and the number of investment certificates to be issued are not limited.

The sales price of the Sub-fund's investment certificates is variable and is determined on each business day simultaneously with the Sub-fund's share value.

The Sub-fund's net asset value and the Sub-fund's share value are determined on each business day, and information about them is available at investment certificates distribution places stated in these Fund Rules from 10.00 a.m.

The sales price of the investment certificate consists of the Sub-fund's share value and the sales commission. The sales price of the Sub-fund`s investment certificate shall be determined simultaneously with the Sub-fund's share value.

The Sub-fund's share value is the Sub-fund's net asset value divided by the number of investment certificates in circulation.

The Sub-fund's net asset value is the value of the Sub-fund's assets less the value of the Sub-fund's liabilities.

Sales commission is determined in accordance with the RL normative acts and is paid to the Company to compensate the Company's costs related to the issue of investment certificates.

Investment certificates are issued only against full payment of the price of certificates in cash.

8.4. Certification of Ownership Rights on Investment Certificates

Certification of ownership rights on investment certificates or, where the account of the Sub-fund's Investor has been opened with a credit institution, which is not a member of the Latvian Central Depository, certification of actual ownership shall be the financial instruments or securities account statement of the Sub-fund's Investor issued by a bank or brokerage company with whom securities of the Sub-fund's Investor are being kept.

Relations between the Investor and his investment certificates account holder are regulated by the Agreement on Servicing of Financial Instruments Account concluded between the Investor and the holder of his financial instruments account. All expenses related to servicing of these accounts shall be borne by the Investor of the Fund's Sub-fund.

8.5. Information about the Distribution of Income of the Sub-funds

The Sub-fund's Investor participates in distribution of income derived from transactions with the Sub-fund's property in proportion to the number of investment certificates owned. Income received from the Sub-fund's property is reinvested in the Sub-fund. The income of the Sub—fund's Investor is reflected in the increase or decrease of value of investment certificate.

The Sub-fund's Investor can realise the income from the Sub-fund's shares in cash only by requesting the Company to redeem the security or by selling the investment certificates.

8.6. Redemption and Repurchase of Investment Certificates

Redemption of Investment Certificates. Investors can apply for redemption of the Sub-fund's investment certificates at the Company's office or by contacting the Distributors.

To request the Company to redeem the Sub-fund's investment certificates owned by the Investor, the Investor or his authorised representative shall submit to the Company an Application for Redemption of Investment Certificates of the Sub-fund of the Open-end Investment Fund.

In the Application for Redemption of the Sub-fund's Investment Certificates the Investor shall state the following:

1) For natural persons: Investor's name, surname, identity code (or date of birth if identity code has not been granted),
   Investor's name and registration number – for a legal person;
2) Address, phone and/or fax number of the Investor;
3) Number of the Investor's settlement account;
4) Name of the Sub-fund and the ISIN code of the Sub-fund's investment certificates;
5) Number of investment certificates to be redeemed or the amount of money to be received for redemption of investment certificates.

The redemption price for investment certificate is equal to the Sub-fund's share value determined for the day when the Company or the Distributor received the Application for redemption of investment certificates of the Sub-fund of the open-end investment fund.

No commission is applied to the redemption of investment certificates.

Information about the redemption price for the Sub-fund's investment certificates is available at places and in accordance with the procedure stated in Chapter 8 of the Prospectus.

The Company shall register applications for redemption of investment certificates in a separate book in the order they are received.

Applications may be submitted in person or through facsimile. The Application shall be deemed submitted and registered when it has been signed by the representative of the Company or the Distributor.

Where the Application has been submitted in person, an authorised representative of the Company or the Distributor shall sign it and return one copy of the Application to the Investor.

The Company and the Distributor shall not be held responsible for losses to the Investor arising from activities of unauthorised person deliberately misusing the name and account numbers of the Investor.

The Company shall be bound to execute only correctly filled out applications for redemption of the Sub-fund's investment certificates where the number of investment certificates stated is fully backed with securities. The Investor shall be responsible for authenticity and completeness of information stated in the application.

The redemption price for investment certificates is paid in the Sub-fund's base currency.

Proceeds for redeemed Sub-fund's investment certificates are credited to the settlement account of the Sub-fund's Investor not later than within five business days after submission of the Application for Redemption of Investment Certificates of the Sub-fund of the Open-End Investment Fund, except for extraordinary circumstances referred to in Article 9.5 of the Prospectus when the redemption of the Sub-fund's investment certificates is suspended.

All expenses incurred by an investor with regard to redemption of investment certificates (bank charges for operations with settlement and financial instrument accounts, etc.) shall be borne by an investor.

The Company shall repurchase investment certificates if the Company is held responsible for losses incurred by Investors due to errors or omissions in information stated in the Prospectus. Repurchase of investment certificates shall be carried out in accordance with the Law and Article 9.4 of the Prospectus.

8.7. Exchange of the Sub-fund's Investment Certificates

Investors of the Sub-fund can apply for exchange of the Sub-fund's investment certificates at the Company's office or by contacting the Distributors.

To request the Company to exchange the Sub-fund's investment certificates owned by the Investor for investment certificates of another Sub-fund, the Investor or his authorised representative shall submit to the Company an Application for Exchange of Investment Certificates of the Sub-fund of Open-end Investment Fund.

In the Application for Exchange of the Sub-fund's Investment Certificates the Investor shall state the following:

1) Natural persons: Investor's name, surname, identity code,
   Legal persons: Investor's name and registration number;
2) Address, phone and/or fax number of the Investor;
3) Number of the Investor's settlement account;
4) Name of the Sub-fund and the ISIN code of the Sub-fund's investment certificates which Investor would like to exchange (sell);
5) Number of investment certificates to be redeemed or the amount of money to be received for redemption of investment certificates;
6) Name of the Sub-fund and the ISIN code of the Sub-fund's investment certificates which Investor would like to receive (purchase).

After receipt of the Application for exchange of investment certificates of the Sub-fund of the open-ended fund the Company shall redeem investment certificates of the relevant Sub-fund and shall issue investment certificates of another Sub-fund as indicated by the Investor.

Redemption and issue of the investment certificates is performed in accordance with procedures prescribed in the Fund Rules, the Prospectus and the RL laws.

The Company may apply commission for exchange of investment certificates of the Sub-funds, which shall not exceed 1.0% of the share value of the Sub-fund to be exchanged.

Applications may be submitted in person or through fax. The Application shall be deemed submitted and registered when it has been signed by the representative of the Company or the Distributor.

Where the Application has been submitted in person, an authorised representative of the Company or the Distributor shall sign it and return one copy of the Application to the Investor.

The Company and the Distributor shall not be held responsible for losses to the Investor arising from activities of unauthorised person deliberately misusing the name and account numbers of the Investor, except in cases when the legislation of the country in which investment certificates of the Fund's Sub-fund have been distributed, stipulates otherwise. The Company and Distributor is allowed to accept applications only in cases when client's identification has been carried out.

The Company shall be bound to execute only correctly filled out applications for redemption of the Sub-fund's investment certificates where the number of investment certificates stated is fully backed with securities. The Investor shall be responsible for authenticity and completeness of information stated in the application.

In case of exchange of the investment certificates no cash payments to the Investor are made.

Investment certificates are accounted for in financial instruments account of each owner of the Sub-fund's investment certificates.

After submission of the Application for exchange of Investment Certificates of the Sub-fund of the Open-End Investment Fund Investment certificates of the new Sub-fund are credited to the Investor's financial instruments account, not later than within three business days after receipt of investment certificates in the Sub-fund's issue account with the Custodian. In cases when Investor or Investors within three business days submit Applications for redemption and/or exchange of investment certificates of the Sub-fund of the open-ended fund which in total exceed 10% of the Sub-fund's asset value and their execution can substantially affect the interests of the remaining Investors of the Sub-fund, settlement period can be prolonged up to 7 business days. Derogation from the above timescale is possible only in extraordinary circumstances referred to in Article 9.5 of the Prospectus when the redemption of the Sub-fund's investment certificates is suspended.

All expenses incurred by an investor with regard to exchange of investment certificates (bank charges for operations with settlement and financial instrument accounts, etc.) shall be borne by an investor.

9. Calculation of the Sub-fund's Net Asset Value

The Sub-fund's net asset value is the difference between the value of the Sub-fund's assets and liabilities. The Sub-fund's share value is the Sub-fund's net asset value divided by the number of investment certificates in circulation. The number of investment certificates in circulation is the number of investment certificates issued up to now less the number of investment certificates redeemed upon the investor's request.

The share value of the Sub-funds shall be determined on every business day after 17:30.

10. Procedure for Liquidation of the Sub-fund

The liquidation of the Sub-fund shall be conducted in accordance with the Law "On Investment Management Companies".

The Sub-fund shall be liquidated by the Liquidator. The Liquidator may be the Company, the Custodian, or a person appointed by the FCMC.

The Company shall liquidate the Sub-fund if:

- on the next day after expiry of the Custody Agreement a new Custody Agreement has not taken effect;
- within a year after the Sub-fund's foundation no investment certificates have been issued in circulation;
- all Investors of the Sub-fund have exercised the right to request the redemption, and the Company resolves to liquidate the Sub-fund.

The Liquidator shall immediately inform the FCMC about the initiation of the Sub-fund's liquidation and shall publish an announcement to that effect in the official periodical "Latvijas Vēstnesis" and/or shall make an announcement in accordance with legal requirements of the country where the Sub-fund's investment certificates are sold.

If the Company or the Custodian does not initiate the liquidation of the Sub-fund within a month from the day when the liquidation should have been initiated, the FCMC has the right to appoint the Sub-fund's liquidator. Such Liquidator shall have all the same rights as the Company if it was performing the liquidation. The Liquidator shall have the right to take only those actions that are related to the liquidation of the Sub-fund.

During the liquidation of Sub-fund it is prohibited to issue and to redeem investment certificates, and to distribute to the Sub-fund Investors the Fund's income, if any, referred to in the Prospectus.

The Liquidator shall act in the interests of the Sub-fund's creditors and Investors. The Liquidator is fully liable to the Sub-fund's Investors and third persons for losses caused during the liquidation, if the Liquidator deliberately or inadvertently breaks the law or the Fund Rules or negligently performs his duties.

After initiation of the liquidation of the Sub-fund, the Liquidator organises and performs the sale of the Sub-fund's property, except for the cash in the Sub-fund. The Custodian or the Liquidator shall distribute the proceeds derived from the sale of property of the Sub-fund in liquidation as well as the cash in the Sub-fund (liquidation proceeds) in the following order:

- claims of the secured creditors;
- claims of creditors who lodged their claims within the term prescribed in the liquidation announcement;
- claims of creditors who lodged their claims after the term prescribed in the liquidation announcement but prior to distribution of the liquidation proceeds.

If liquidation proceeds are insufficient to satisfy the above claims, unsatisfied claims shall be satisfied from the property of the Company, except for the claims incurred after the expiry of the Company's management rights. The remaining liquidation proceeds shall be distributed among Investors of the Sub-fund in proportion to the number of investment certificates held.

All payments to creditors and Investors of the Sub-fund shall be made in cash.

11. Procedure for Transfer of Fund Management Rights and Property to the Custodian or Other Persons

11.1. Expiry of the Company's Fund Management Rights

The Company's rights to manage the Fund expire:

- with transfer of the Fund management rights to other company;
- with licence revocation;
- with completion of the Fund's liquidation carried out by the Company;
- as of the moment the FCMC has appointed the Fund's liquidator in accordance with provisions of the "Law on Investment Management Companies".

11.2. Transfer of Fund Management Rights and Property to the Custodian

If the Company's rights to manage the Fund expire, such rights are assumed by the Custodian except where the Company's rights to manage the Fund are transferred to other company. The Custodian, who has assumed the rights to manage the Fund, enjoys all the rights of the Company except the rights to issue or to redeem the Sub-fund's investment certificates

Within three months from the date of assumption of the Fund management rights the Custodian shall transfer Fund management rights to another investment company. The FCMC may extend this period to 6 months from such date. The transfer of the Fund management rights is always subject to permission of the FCMC.

If within the prescribed period the Custodian has not transferred the Fund management rights to another investment company, the Custodian shall liquidate the Fund.

11.3. Transfer of Fund Management Rights and Property to Other Persons

On contractual basis the Company may transfer the Fund management rights to another investment company.

The transfer of the Fund management rights is subject to permission of the FCMC. After the FCMC has granted permission, the Company shall submit for publication in the official periodical "Latvijas Vēstnesis" and in one daily newspaper an announcement about the transfer of the Fund management

rights to another company, stating the name, registration number, registered address and location of the executive Board of the new company.

The Contract to transfer the Fund management rights to another Company shall become effective no sooner than after a month from the day when the announcement about the transfer of the Fund management rights to another company has been published in the periodical "Latvijas Vēstnesis". As the contract becomes effective, all rights and obligations related to the Fund are transferred to the new company.

12. Co-operation of the Company and the Custodian in Managing of the Fund

The Company shall enter into transactions with the Fund's property with the intermediation of the Custodian. To manage the property of the Fund's Sub-fund, the Company shall conclude a contract with the Custodian under which the Custodian undertakes to keep the property of the Fund's Sub-fund, to effect transactions with the property of the Fund's Sub-fund, to service accounts of the Fund's Sub-fund, and to perform other activities in accordance with the "Law on Investment Management Companies", concluded Custody Agreement, and instructions of the Company.

The Custodian, while performing the duties prescribed by the "Law on Investment Management Companies", shall operate independently and only in the interests of investors of the Fund's Sub-fund, provided that such interests are not contrary to the "Law on Investment Management Companies", the applicable RL laws, the FCMC regulations, the Prospectus, and the Fund Rules.

The Custodian shall make payments from the Fund's Sub-fund account only upon instructions from the Company. The Custodian shall also be obliged to follow upon other instructions of the Company provided such instructions are not contrary to the "Law on Investment Management Companies", the applicable RL laws, the Prospectus, the Fund Rules, and the Custody Agreement.

13. Fees Charged to the Fund

13.1. Fees to the Company, the Custodian, Third Persons, and the Sworn Auditor

The Company shall receive a fee for the Fund's Sub-fund management, as well as investment certificate sales commission.

Name of the Sub-fund	**Fee to the Company for the Sub-fund's management**
"Parex Eastern European Balanced Fund"	1.50% per year of the Sub-fund's asset value
"Parex Eastern European Bond Fund"	1.50% per year of the Sub-fund's asset value

The Fee to the Company for Fund management is calculated and accrued each day. The Fee is paid from the Fund's property in accordance with provisions of the Prospectus.

The amount of sales commission is determined pursuant to Chapter 8 of the Prospectus, and fees to Distributors are paid from this source. If the amount payable to the Company for Fund Sub-fund's management exceeds the above amount, the difference shall be covered from the Company's resources.

For custody of the Sub-fund's property and other Custodian's duties the Custodian shall receive a fee. The Custodian's fee shall be paid from the Sub-fund's property upon the Company's order, in accordance with the agreement between the Custodian and the Company.

Name of the Sub-fund	**Fee to the Custodian**
"Parex Eastern European Balanced Fund"	0.175% per year of the Sub-fund's asset value
"Parex Eastern European Bond Fund"	0.175% per year of the Sub-fund's asset value

The Fee to the Sworn Auditor shall be paid from the Sub-fund's property, and the amount of such fee shall not exceed 0.10% per year of the Fund's average asset value per year. The fee shall be calculated and paid in accordance with the relevant provisions of the Prospectus.

Payments to the third persons shall be made in accordance with the source documents or the actual costs.

Total annual Sub-fund management fees shall not exceed:

Name of the Sub-fund	**Maximum annual fees**
"Parex Eastern European Balanced Fund"	3.0 % per year of the Sub-fund's average asset value per year

"Parex Eastern European Bond Fund"	3.0 % per year of the Sub-fund's average asset value per year

The amount is determined pursuant to the European Commission Recommendation No. 2004/384/EC on the content of the simplified prospectus set out in Section C of Appendix 1 of the European Council Directive 85/611/EC, is in line with the definition of Total Expense Ratio, and does not include payments referred to in Paragraph 13.2 of the Fund Rules.

13.2. Other payments

Other expenses shall be covered from the Sub-fund's property if they are justified by external source documents and the RL legal acts regulating activities and accounting procedures of investment management companies and investment funds.

Other payments comprise such expenses as transaction charges, broker fees, and interest on loans.

14. Procedure for Making Public Statements and Distribution of Publicly Available Information

Any person can freely access the following information about the Fund and its Sub-funds:

- Prospectus and Simplified Prospectus;
- the Fund Rules;
- Annual and Semi-Annual Financial Report of the Fund's Sub-funds;
- Time and places of distribution of investment certificates;
- Sub-fund's net asset value and Sub-fund's share value;
- Sales price and redemption price for investment certificates;
- Information about the Company;
- Information about the Custodian;
- Other necessary information.

at the office of the IMJSC "Parex Asset Management" with the address: Republikas square 2a, Riga, LV 1010, Latvia, Tel. (+371) 67010810, Fax (+371) 67010192 or at the office of the Distributor:

In Latvia: JSC "Parex banka"
Republikas square 2a, Riga, LV-1522, Latvia
Tel.(+371)67010000
Fax: (+371)67010001

Information about the sales and redemption prices for the Sub-fund's investment certificates, as well as other information, is published in accordance with the legal requirements of a country in which the Sub-fund's investment certificates are distributed.

15. Procedure for Amendment of the Fund Rules

The Executive Board of the Company shall take the decision on approval of amendments to the Fund Rules. Within a week from making such amendments the Company shall inform in writing the Commission on any amendments or additions to the documents and information submitted to the Commission. The Fund Rules shall become effective after one month of their registration with the Commission or on other such term which shall not be longer than three months after registration of such amendments.

IMJSC "Parex Asset Management"
Chairman of the Executive Board _____ */R.Idelsons/*

IMJSC "Parex Asset Management"
Member of the Executive Board _____ */E.Makarovs/*