



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

### **Prospectus**

Open-end mutual fund

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

Fund registration date: 15.06.2007

Fund registration No.: 06.03.05.263/34

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

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Custodian Bank: ABLV Bank, AS

Auditor: KPMG Baltics, SIA

Distributors of the Investment Certificates:

#### **ABLV Capital Markets, IBAS**

23 Elizabetes Street, Riga, LV-1010, Latvia

#### **ABLV Bank, AS**

23 Elizabetes Street, Riga, LV-1010, Latvia

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

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

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**Terms and abbreviations used**

Subfund	A segregated part of mutual fund's property that is comprised of the investments made in return for investment certificates, as well as items obtained from transactions in this property and based on the ensuing rights. In this Prospectus – ABLV High Yield CIS USD Bond Fund Subfund and ABLV High Yield CIS RUB Bond Fund Subfund (each separately).
Subfund's share	Rights of claim secured by one Investment Certificate according to value of the Subfund's share.
Subfund's base currency	The currency in which value of the Subfund and the Subfund's share is determined.
Subfund's value (Subfund's net asset value)	Difference between value of the Subfund's assets and liabilities.
Reacceptance	Repurchase of investment certificates performed by the Company alongside loss compensation (the Company's liability for information provided in the Prospectus being inaccurate or incomplete).
Repurchase	Repurchase of investment certificates performed by the Company at current price determined in accordance with clause 10.2 herein, following the Investor's request.
Derivative financial instruments	Financial instruments the value of which varies depending on changes in the set interest rate, securities price, foreign currency rate, price or rate index, credit rating or similar variable and under influence of which one or several financial risks, inherent in primary financial instrument underlying the derivative financial instrument, are transferred between the persons involved in the transaction. To acquire a derivative financial instrument, no initial investment is required or a small initial investment is required, compared with other agreements which in a similar manner depend on the changes of market conditions, moreover, settlements under performance of the agreement take place in the future.
Open-end mutual fund	Fund, the management company of which is obliged, if requested by the fund's investors, to repurchase the investment certificates within one month at the latest.
Member state	Member state of the European Union or the European Economic Area.
G10	The countries that have entered into the General Arrangements to Borrow with the International Monetary Fund. The list of countries is available at the website of the International Monetary Fund <a href="http://www.imf.org/external/np/exr/facts/groups.htm#G10">http://www.imf.org/external/np/exr/facts/groups.htm#G10</a> .
Issue price	First sale price of the Investment Certificate that is determined in accordance with the Prospectus provisions.
ETF (exchange traded funds) securities	Investment Certificates of the mutual fund traded on a regulated market. ETF securities are transferable securities. Mutual fund that issues investment certificates traded on a regulated market and takes necessary measures to ensure that the market price of an investment certificate does not significantly differ from the value of an investment certificate is considered the issuer of ETF securities.
Financial assets	Cash, or contractual right to receive cash or a different financial asset from other person or to exchange financial instruments with other person in potentially favourable conditions, or capital instrument of other commercial company.
Financial instruments	An agreement that concurrently establishes financial assets for one person and financial liabilities or capital securities for another person.
FCMC	The Financial and Capital Market Commission of the Republic of Latvia.
Fund's property	Assets the aggregate of which forms a mutual fund and which are the joint property of the Subfunds.
Fund manager	The person dealing with the Fund's property in accordance with the Company's articles of association and the Fund Management Regulations. In this Prospectus, the Fund manager is the portfolio manager of ABLV Asset Management, IPAS, Investment Management Department, who performs respective functions complying with provisions of the Prospectus, decisions of the Company's Board, and the Fund investment policy, and following the procedure set forth in the Republic of Latvia effective legal acts and the Fund Management Regulations.
Fund	Open-end mutual fund ABLV High Yield Bond CIS Fund established by ABLV Asset Management, IPAS.
Investment object	Transferable securities, money market instruments, deposits with credit institutions and other financial instruments that the Company is entitled to purchase for the Fund's property, in accordance with the Law and the Prospectus.
Investment Certificate	A dematerialized security issued by investment management company that evidences the Investor's share in the Subfund and the ensuing obligations.
Mutual Fund	The aggregate of assets comprised of the investments made in return for the Investment Certificates, as well as items obtained from transactions in the mutual fund's property and based on the ensuing rights; in this Prospectus – open-end mutual fund ABLV High Yield CIS Bond Fund.
Investor	The person that owns an investment certificate of the Fund.

Distributor	In this Prospectus — ABLV Capital Markets, IBAS and ABLV Bank, AS.
Account Custodian	Legal entity for which cash and financial instruments' accounts are opened with the Custodian Bank, where financial instruments and/or funds intended for transactions in financial instruments belonging to the customers of this legal entity are held in the said accounts.
Credit institution	A capital company that accepts deposits and other repayable funds from public, grants loans and renders other financial services in its own name.
Licence	Licence for rendering investment management services No. 06.03.07.263/458, issued in Riga, on 4 August 2006 and re-registered on 9 May 2017.
Law	The Republic of Latvia "Law On Investment Management Companies".
LR	The Republic of Latvia.
Money market instruments	Liquid debt instruments that can be precisely assessed any time and are usually traded on money market.
Regulations	The Fund Management Regulations that stipulate the Fund management procedure; in this Prospectus – Fund Management Regulations of the open-end mutual fund ABLV High Yield CIS Bond Fund managed by ABLV Asset Management, IPAS.
CIS	The Commonwealth of Independent States.
CIS states	In this Prospectus, the following are the CIS states: Armenia, Azerbaijan, Belarus, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Turkmenistan, Ukraine, and Uzbekistan.
OECD	Organization for Economic Co-operation and Development.
Debt securities	Securities that evidence the issuer's obligations to the holder of securities (e.g., bonds, promissory notes, etc.).
Transferable securities	Capital securities (stocks and other capital securities that evidence share in the issuer's capital), bonds and other debt securities, other securities without restraint on alienation that secure the rights to purchase the said transferable securities by means of subscription or exchange.
Prospectus	Prospectus of an open-end mutual fund ABLV High Yield CIS Bond Fund, which contains information necessary for Investors in order to take informed decision on the offered investment and potential risks that are associated with such investment.
Publicly available information	Detailed information on the Fund, Company, and Custodian Bank that is available to all Investors pursuant to the LR legal acts.
Auditor	KPMG Baltics, SIA.
Risk reduction principle	Reduction of the risk of financial losses by dividing the mutual fund's property into investment objects and complying with the transaction restrictions, as well as preserving the possibility to gain the largest expected income.
RUB	The Russian rouble – monetary unit of the Russian Federation.
Company	The investment management company that operates in accordance with the Law, the Republic of Latvia Commercial Law, other legal acts, and its articles of association, having obtained the Licence according to the procedure set forth in the Law; in this Prospectus – ABLV Asset Management, IPAS.
Agency company	Legal entities, including banks, depositories, clearing institutions and other financial market institutions that carry out transactions with financial instruments and which are attracted by Custodian Bank for holding Fund's assets and/or execution of the Company's orders about transactions with Fund's assets.
Trading venue	Regulated market, multilateral trading facility, or systematic internalizer operating in this status accordingly, or, on respective instances, a facility outside the European Union that has functions similar to those of a regulated market or a multilateral trading facility.
Custodian Bank	The bank that keeps the Fund's assets, maintains their accounting, performs transactions in the Fund's assets and other duties, as set forth in the Law, the LR legal acts, and the agreement with the Custodian Bank; in this Prospectus – ABLV Bank, AS.
USD	The US dollar – monetary unit of the United States of America.

## 1. General information about the mutual fund

### 1.1. Objective of the Fund's operations

The open-end mutual fund ABLV High Yield CIS Bond Fund is established to provide investors of the same with the possibility to make sufficiently diversified investments in debt securities issued or guaranteed by commercial companies registered in the CIS states, those securities having relatively high expected yield, thus ensuring long-term growth of the invested capital.

### 1.2. The Fund and legal status of its property

The mutual fund is the aggregate of assets comprised of the investments made in return for the Investment Certificates, as well as items obtained from transactions in the mutual fund's property and based on the ensuing rights.

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

The base currency of the subfund ABLV High Yield CIS USD Bond Fund is USD.

The base currency of the subfund ABLV High Yield CIS RUB Bond Fund is RUB.

**All provisions included in this Prospectus regarding the principles of the Fund management, the investment policy, payments for the management services, assessment of the Fund's value, rights of the Investors, liability of the Investors, the Fund's reports, risks, transactions in the Investment Certificates, costs of the Fund management, management of the Fund, the procedure of calculating remuneration to the Company and third parties, sale, repurchase, and reacceptance of the Investment Certificates, and distribution of income shall be applicable to each Subfund individually, unless stated otherwise in the Prospectus.** Requirements and restrictions set forth in the Prospectus and legal acts regarding the Mutual Fund, a share or Investment Certificates of the Mutual Fund shall be applicable to each Subfund, a share or Investment Certificates of the Subfund individually.

The Mutual Fund is not a legal entity.

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

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

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

### 1.3. The Fund's economic year

The Fund's reporting period is 12 months, and the same is equal to the Company's reporting year. The Fund's reporting year is equal to calendar year.

## 2. Investment policy

### 2.1. Investment objective

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

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

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

The Subfund's investment policy is determined by the Investment Strategy Committee, established by the Company, in accordance with the Regulations. The Investment Strategy Committee determines the list of financial instruments in which the Subfund's assets are planned to be invested, and the Subfund's investment limits. Tactic investment decisions are taken by the Fund manager in accordance with the Regulations, decisions of the Investment Strategy Committee and set limits.

The Subfund management combines passive and active management strategies. Therefore, the Subfund's assets may be invested in both short-term and medium-term debt securities to hold those to maturity, as well as in long-term debt securities, which are usually sold before maturity.

The Subfund's assets are managed in accordance with its investment policy, and its performance is not compared against some previously chosen securities market index dynamics. The Subfund's performance is evaluated based on achieved investment growth.

### 2.2. Structure of the Subfund's investment portfolio

According to the Subfund's policy, the investment portfolio structure is as follows:

- up to 100% of the Subfund's assets may be invested in debt securities or money market instruments issued or guaranteed by commercial companies or credit institutions of the CIS states;
- up to 20% of the Subfund's assets may be invested in debt securities or money market instruments issued or guaranteed by central banks, governments and municipalities of the CIS states;
- up to 10% of the Subfund's assets may be invested in debt securities or money market instruments issued or guaranteed by central banks, governments, municipalities, as well as commercial companies and credit institutions of the countries that are not CIS states;
- up to 100% of the Subfund's assets may be invested in debt securities and money market instruments issued or guaranteed by issuers registered in one CIS state;
- up to 20% of the Subfund's assets may be invested in term deposits with credit institutions;
- up to 10% of the Subfund's assets may be invested in investment certificates or equivalent securities of open-end funds or similar collective investment undertakings (hereinafter referred to as the mutual fund investment certificates) or in such ETF securities that invest in debt securities or money market instruments.

### 2.3. Investment objects and types of investments

The Subfund's assets may be invested in the following financial instruments:

- 1) debt securities and money market instruments issued or guaranteed by commercial companies or credit institutions;
- 2) debt securities and money market instruments issued or guaranteed by central banks, governments, and municipalities;
- 3) ETF securities;
- 4) deposits with credit institutions licensed in the member states;
- 5) investment certificates (shares) of open-end funds or similar collective investment undertakings registered in the member states;
- 6) investment certificates (shares) of open-end funds or similar collective investment undertakings registered in other states.

For the sake of protection against the risk of fluctuation of the market value of the Subfund's assets, which may arise due to changes in the respective asset's price, the Fund manager is entitled to make investments in derivative financial instruments at the expense of the Subfund. Since transactions in derivative financial instruments are associated with additional risks, see section 3 herein, "Risks".



The Subfund's investments in derivative financial instruments may be performed for the sake of risk hedging only, i.e., hedging market risks of other financial assets.

The Fund manager is entitled to hold the Subfund's assets in the form of liquid assets, also in cash, and the amount of those shall be equal to that needed for the Subfund's operations.

## 2.4. Investment restrictions

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

- 1) those are traded on a member state's regulated market or other trading venue (regulated market, multilateral trading facility, or systematic internalizer operating in this status accordingly, or, on respective instances, a facility having functions similar to those of a regulated market or a multilateral trading facility);
- 2) those are included in official listings of the OECD member state's stock exchange or are traded on the OECD member state's or the CIS member state's regulated market or other trading venue;
- 3) those are not included in official listing of stock exchanges or are not traded on regulated markets, but in the rules of issuing those securities or money market instruments it is supposed to include those in the official listing of stock exchanges or regulated markets mentioned in subclauses 1 and 2 of clause 2.4.1 above, and those securities will be included within one year after the day on which subscription to those securities or money market instruments was started.

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

- 1) those are issued or guaranteed by a member state or a member state's municipality, other state (in a federation – one of the federation members), or an international institution, where one or more member states are members of the same;
- 2) those are issued or guaranteed by a member state's central bank, the European Central Bank, or the European Investment Bank;
- 3) those are issued by a commercial company the securities of which are traded in accordance with the procedure stated in subclauses 1 and 2 of clause 2.4.1 above;
- 4) those are issued or guaranteed by a credit institution registered in a member state and supervised by a financial services supervisory institution according to the requirements set in the European Union or an issuer the requirements regulating the operations of which are at least as strict as those set in the European Union, provided this issuer meets at least one of the following requirements:
  - a) it is registered in the Organization for Economic Co-operation and Development member state that is included in the Group of Ten;
  - b) Investment grade rating is assigned to it;
  - c) according to comprehensive analysis of the legal regulation of the issuer's operations, the requirements regulating operations of the same are at least as strict as those set in the European Union.
- 5) those are issued by a commercial company the capital and reserves of which amount to EUR 10 million or more and which prepares and publishes audited annual report in accordance with requirements for preparing and publishing annual reports that are equal to those set in the European Union. Such commercial company is included in a group in which one or more commercial companies the stocks of which are traded on a regulated market are included, and it is supposed for raising funds for the group, or such commercial company is a special-purpose entity specializing in debt securitization and having arrangement on liquidity provision made with a bank that complies with requirements to credit institutions stated in subclause 4 of clause 2.4.2 above. Investor protection equal to that mentioned in subclauses 1, 2, 3, and 4 of clause 2.4.2 above shall be applicable to investments in such money market instruments.

2.4.3. The Subfund may invest in transferable securities and money market instruments apart from those described in clauses 2.4.1 and 2.4.2 above, provided the investment amount does not exceed 10 percent of the Subfund's assets.

2.4.4. The Subfund's assets may be invested in investment certificates (shares) of open-end funds or similar collective investment undertakings registered in a member state, provided the operations of those are regulated in a way equal to that required by the Law.

2.4.5. The Subfund's assets may be invested in investment certificates (shares) of open-end funds or similar collective investment undertakings registered in countries apart from those mentioned in clause 2.4.4 above, provided the open-end funds or similar collective investment undertakings meet the following requirements:

- 1) those are registered in a foreign state in which legal regulation ensures supervision of such undertakings that is equal to the supervision stated in the Law, and the supervisory institutions of the respective foreign state cooperate with the FCMC;
- 2) the requirements regulating their operations, including investor protection, investment and transaction restrictions, are equal to the Law provisions on operations of open-end mutual funds;



- 3) those prepare and publish six-month and annual reports to ensure the possibility to assess their assets, liabilities, income, and performance over the reporting period.
- 2.4.6. The Subfund's assets may be invested in investment certificates (shares) of open-end funds and collective investment undertakings mentioned in clauses 2.4.4 and 2.4.5 above, provided the prospectus, management regulations, or similar document of the open-end fund or collective investment undertaking (the investment certificates (shares) of which are supposed to be purchased) stipulates that investments in other funds or collective investment undertakings may not exceed 10 percent of the fund's or collective investment undertaking's assets.
  - 2.4.7. The Subfund's investments in investment certificates of one open-end mutual fund may not exceed 10 percent of the Subfund's assets. The Subfund's total investments in investment certificates of mutual funds may not exceed 10 percent of the Subfund's assets.
  - 2.4.8. The Subfund's investments in transferable securities, ETF securities or money market instruments of one issuer may not exceed 5 percent of the Subfund's assets. The said restriction may be increased to 10 percent of the Subfund's assets, but this being the case the total amount of investments above five percent may not exceed 40 percent of the Subfund's assets.
  - 2.4.9. The Subfund's assets may be invested in derivative financial instruments that are traded on markets mentioned in subclauses 1 and 2 of clause 2.4.1 above, provided their underlying asset is a financial instrument, financial index, interest rate, currency rate or currency (on instances mentioned in clause 2.1) in which the Subfund's assets are invested or are supposed to be invested as mentioned in this Prospectus.
  - 2.4.10. The overall risks arising out of transactions in derivative financial instruments, including derivative financial instruments embedded in transferable securities or money market instruments, may not exceed the Subfund's value.
  - 2.4.11. The Subfund's deposits with credit institutions may be made for a term up to 12 months. The Subfund's deposits with one credit institution may not exceed 20 percent of the Subfund's assets. The said restriction shall be not applicable to demand claims to the Custodian Bank.
  - 2.4.12. Disregarding investment restrictions specifically set forth in clauses 2.4.8 and 2.4.11 above, the total Subfund's investments in transferable securities and money market instruments, as well as the Subfund's investments the issuer, guarantor or investment attractor of which is the same person, may not exceed 20 percent of the Subfund's assets. When applying investment restrictions set forth in this clause, the commercial companies included in one group shall be deemed the same person.
  - 2.4.13. The Subfund's investments in specific investment objects may not exceed the following indicators:
    - 1) 10 percent of the total amount of debt securities issued by one issuer;
    - 2) 10 percent of the total value of money market instruments issued by one issuer;
    - 3) 25 percent of the number of investment certificates (shares) of one open-end fund or collective investment undertaking.
  - 2.4.14. Neither total investments of all funds managed by the company, nor investments of each Subfund may directly or indirectly exceed 10 percent of any of the following indicators:
    - 1) share capital of one issuer;
    - 2) total voting rights of one issuer.
  - 2.4.15. The Subfund's assets may not be used for granting loans and investing in real estate, as well as the Subfund's assets may not be invested in precious metals and derivative financial instruments the underlying assets of which are precious metals or commodities.

## 2.5. Exceeding of the investment restrictions

The restrictions set forth in the Prospectus may be exceeded if the same is caused by exercising the subscription rights ensuing from the transferable securities or money market instruments included in the Subfund's property or by other conditions that the Company was unable to foresee. In order to eliminate exceeding of the investment restrictions, the Company shall immediately perform sale transactions in accordance with the risk reduction principle and the Investors' interests.

The investment restrictions mentioned in subclauses 1, 2, and 3 of clause 2.4.13 above may be exceeded at the moment of investing if it is then impossible to determine or calculate total quantity or value of all issued securities that secure the debt obligations, or value of shares or quantity of the Investment Certificates issued or put into circulation.

The Company shall immediately inform the FCMC about exceeding the investment restrictions and about measures aimed at elimination of the same.

## 2.6. Loans raised at the expense of the Subfund

To ensure liquidity of the Subfund and discharge of obligations related to the Subfund's operations, the Fund manager may raise additional financing (borrow funds) at the Subfund's expense for a period of up to three months, provided the total amount of the same does not exceed 10 percent of the Subfund's value.

The decision on borrowing at the expense of the Subfund may be taken by the Fund manager in accordance with the Prospectus, the Regulations, and decisions of the Company's Board.

## **2.7. General provisions**

The Company shall perform transactions in the Subfund's property in accordance with the Law, this Prospectus, the Regulations, and other effective legal acts of the LR.

The Company may not undertake obligations at the expense of the Subfund's property unless those obligations are directly related to the Subfund. The Company may not perform transactions without consideration in the Subfund's property. The claims to the Company and claims included in the Subfund's property may not be netted off.

The Subfund's property may not be pledged or otherwise encumbered, except instances stipulated in the Law and the Prospectus.

The Company may not sell securities or undertake obligations to sell securities at the expense of the Subfund if those securities are not included in the Subfund's property at the moment of concluding such transaction.

For assessing compliance of the Subfund's investment portfolio with the investment restrictions, the investment value determined in accordance with the procedure set forth in section 8 "Principles and procedure of determining the Subfund's value" shall be applied.

## **2.8. Selection of the investment objects**

The investment objects are chosen in accordance with the principles of the Subfund's investment policy and investment restrictions set forth in this Prospectus and following the procedure stipulated in the Regulations, complying with the diversification and risk reduction principles.

The Fund manager shall deal with the Subfund's property, take decisions and make orders complying with the Prospectus provisions, decisions of the Company's Board, the Subfund's investment policy, and following the procedure set forth in the LR effective legal acts and the Regulations.

Choosing the investment objects, the manager shall permanently analyze current political and economic situation, perform comparative and technical analysis, analysis of various macroeconomic indicators, as well as analysis of the issuers' financial status.

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

### 3. Risks

Pursuant to provisions of the Prospectus and the Regulations, the assets are mainly invested in debt securities or money market instruments issued or guaranteed by commercial companies or credit institutions registered in the CIS states. Therefore the Fund's investments are subject to several risks.

#### 3.1. Fund risk profile

##### 3.1.1. Operational risks of the Fund

Operations of the Fund are associated with risks that arise due to several factors. Each risk type might adversely affect performance of each Subfund and the value of each share of the Subfund accordingly. Therefore, the following risk types should be distinguished:

**Market risk** – the risk of the Fund's losses due to revaluation of financial instruments included in the investment portfolios that is related to changes in market value because of such factors as currency rates, interest rates, prices of capital securities and commodities, or issuer's creditworthiness.

**Market liquidity risk** – the risk of impossibility to sell or liquidate the financial instruments included in the Fund's investment portfolios, or impossibility to perform a transaction resulting in the position closing within the desired term and without material losses, and the risk of the Fund's consequent limited ability to satisfy requests for repurchase of Investment Certificates.

**Currency risk** – since investments of the Fund are performed in base currency of each Subfund (USD, RUB), there is no currency risk. To perform transactions in derivative financial instruments, exchange of the Subfund's base currency into other currency might be required in order to comply with the rules of respective regulated markets regarding security deposit. The said exchange might cause additional risk, although it is not considered to be material.

**Credit risk** – the risk of the Fund's losses due to the issuer being unable or unwilling to perform its obligations to the Company in accordance with the agreement provisions. Planning the Fund's investment policy, the Company considers safety of investments in each particular country and particular securities and term deposits with banks, including, credit ratings assigned to the respective country, bank, or company are analyzed. Realization of this risk might cause partial or complete default on obligations under particular financial instrument and adversely affect each Subfund's value and each share of the Subfund respectively.

**Concentration risk** – the risk that appears given substantial amount of claims to persons and/or institutions that bear joint credit risk (form a group of related persons) or perform equal or similar operations, or are located in the same region or country. This being the case, default on obligations to the Company might be associated with adverse effects that are peculiar exactly to this group of related persons, particular branch, region, or country.

**Legal or legislative risk** – the risk of possible amendments to the local and foreign legal acts (including taxation policy), which might cause additional expenses for the Fund.

**Information risk** – the risk related to unavailability or lack of complete information on persons involved in asset management, investment objects or their issuers.

**Liquidity risk** – the risk of lacking available funds at the disposal of the Fund investment portfolios for discharge of current obligations.

**Overall risk of the Fund** – the amount of possible losses that the Fund might sustain under transactions in derivative financial instruments (including derivative financial instruments embedded in transferable securities or money market instruments) for the sake of ensuring efficient management of the Fund's investment portfolios, i.e., risk reduction. To calculate overall risk, the Company applies the commitment approach.

**Derivative financial instruments risk** – investments in derivative financial instruments are associated with high degree of risk: risk of unlimited losses (losses can exceed the invested amount due to price changes); risk of coercive closing of the position, etc. If loans are used to discharge obligations under derivative financial transactions, the risk of losses might be increased.

##### 3.1.2. Major foreign investment risks

The Fund's focusing on investments in the CIS states causes increased risk. The most significant risks arising under the Fund's investments in foreign countries are as follows:

- **political risk** – the risk arising where events affecting political or economic stability take place in the country or region in which the Fund's assets (or part thereof) are invested, and therefore the Fund might incur losses or be lost;
- **economic risk** – the risk associated with changes in economic situation in the investment regions, e.g., economic recession, excessive inflation, banking crisis, etc.;
- **accounting and double taxation risk** – the risk associated with applying different accounting principles in securities accounting and registration systems of different countries, which might cause additional troubles for investments, as well as higher taxation rates might be applied to investments of non-residents abroad, and therefore the Fund's property might be more encumbered than when investing in local market.

Taking into account the Fund's investment policy and structure, the major risks associated with the Fund's investments are the economic risk, political risk, concentration risk, interest rate risk, market risk as well as credit risk. The impact of other risks on the Fund's operation is comparatively insignificant.

### 3.2. Risks associated with business of the investment management company

Risk of investment management companies, like that of any other business operating for the sake of profit generation, is associated with profit decrease or occurrence of losses.

Possible appearance of risks associated with investment management companies is considerably and positively influenced by provisions of the LR legal acts that regulate operations of investment management companies. It should be specifically emphasized that the LR legal acts contain provisions stipulating that the investment management companies may only perform management of mutual funds and individual management of investors' financial instruments, including management of assets of pension funds, and these provisions determine and limit the range of possible risks of the Company.

The legal acts regulating operations of investment management companies contain provisions for investor protection and facilitate risk reduction, as well as authorize the state executive body, the FCMC, to act on behalf of the LR regulating operations of the securities market players, including investment management companies, and supervising public circulation of financial instruments, including investment certificates, in the Republic of Latvia.

The LR legal acts contain important investor protection provision, pursuant to which on instance the rights of the investment management company to manage the fund are terminated (e.g., due to insolvency or bankruptcy), the mutual funds managed by the same are not liquidated, but their management company is changed.

Risks associated with business of the investment management company are as follows:

- state regulation – external risk associated with stability of the state legislation and legal acts;
- material risk-posing factor of state regulation is constituted by amendments to legal acts regulating business of the investment management companies;
- changes of political situation – an investment management company is a company which operates in the Republic of Latvia and the operations of which are closely related to the political situation in the country. Changes of the political situation might have indirect effect on operations of the investment management company;
- changes of economic situation – these are external risks that might deteriorate attractiveness of the investment management company's area of operations – banking crisis, changes in consumer requirements, changes in the rate of inflation;
- reputational risk – the risk of decrease of the Company's income/occurrence of additional expenses, as well as threatened further operations due to negative opinion on the Company formed by the Company's customers, transaction partners, or supervisory authorities. Performing its operations, the Company takes care of maintaining and strengthening its reputation. The Company pays most attention to the risk of being involved in money laundering and resulting possible reputation loss;
- strategy risk – the possibility of incurring losses due to taking wrong investment decision or adopting wrong plan. The customer shall bear the losses under strategy risk if the Company acted honestly and reasonably when taking the investment decision;
- competition risk – competition with Latvian investment management companies and foreign fund management companies should be taken into account, and this competition might increase alongside development of this market sector. Consequently, the investment management company might cease to operate, and therefore the Fund management might be transferred to other investment management company or the Custodian Bank;
- counterparty risk – the risk of incurring losses due to the counterparty ceasing to perform its obligations before making the last payment under the settlement cash flow;
- operational risk – the risk of losses incurred by the Fund due to nonconformity or imperfection of internal processes, human or system activities or external circumstances, which also includes legal and document-related risk, as well as the risk of losses arising out of trade, settlement and evaluation procedures performed on behalf of the Fund;
- other risks – operations of the investment management company might be also subject to other risks, e.g., natural disasters, environmental degradation, crime, etc., which the investment management company is unable to completely foresee or control.

### 3.3. Description of possible risk reduction measures

The Company shall strictly follow the provisions and restrictions set forth in the prospectuses, agreements, and the LR legal acts, and shall regularly assess investment compliance with those. Where the Company's actual performance indicators comply with standards set in normative documents, but value of investments has decreased, the reasons for such decrease shall be detected, actions aimed at limiting decrease of the investment value shall be performed, and proposals on amendments to investment policy or risk management shall be prepared.

Derivative financial instruments shall be used for the sake of reducing risks only, and their use for profit generation is prohibited.

To avoid additional risk burden for the Fund portfolios, the transactions in derivative financial instruments may be performed on regulated stock exchanges only, thus avoiding the risk of the transaction counterparty and ensuring immediate closure of the derivative financial instruments position, if necessary.

In order to reduce investment risks, the Fund management shall be performed complying with the diversification and risk reduction principles. The Company shall use **qualitative** and **quantitative** assessment for financial risk management as follows:

- 1) According to **qualitative assessment**, investments shall be made in investment objects that meet certain parameters. Planning the Fund's investments, the Company considers safety of investments in each particular country and particular financial instruments and term deposits with banks, i.e., credit ratings assigned to the respective country, bank, or company are analyzed. Developing the Fund's investment plan, the Company shall analyze made investments according to their distribution into maturity bands, geographic location, etc., assessing risk degree of each of those factors.
- 2) **Quantitative assessment** shall be performed by setting the following limits:
  - for particular investment types;
  - for countries and regions;
  - for sectors;
  - for particular issuers;
  - for agency companies.

In case of detecting limit violation, the decision on actions aimed at violation elimination shall be taken, e.g., on changing structure of the Fund's assets, in compliance with requirements of the LR legal acts, the Prospectus, and the Regulations.

In case of detecting violation of restrictions set forth in normative documents, the Fund manager shall immediately inform the FCMC of the same and shall take all actions aimed at reduction and liquidation of risk effect.

External audit of the Company shall be performed regularly in order to identify possible mistakes and deficiencies in risk control system.

The Fund's investment strategy shall be set up so that risks are minimized as much as possible, however the Company shall not guarantee that those risks can be completely avoided in the future.

#### **4. Investors, their rights and liability**

##### **4.1. Typical investor's profile**

The Fund is intended for the following Investors:

- investing in debt securities market with moderate risk in order to achieve capital growth and willing to receive return on their investments that is comparable to that ensured by investments in debt securities with low and moderate risk;
- focusing on medium-term investments, i.e., willing to invest for a period of 2 years at least;
- being the insurance companies or pension funds that invest in debt securities in order to diversify investment portfolio.

##### **4.2. Rights of the Investors**

Rights and obligations of owners of the Investment Certificates are set in accordance with the Financial Instrument Market Law, the Law, and other LR legal acts.

The Investors shall have the following rights:

- 1) to alienate their Investment Certificates without restraints, through the intermediary of a stock exchange or over the counter;
- 2) to have income gained from transactions in the Fund's property distributed to them in proportion to the quantity of their Investment Certificates;
- 3) to have the Fund's liquidation revenues distributed to them in proportion to the quantity of their Investment Certificates;
- 4) to request that the Company repurchases their Investment Certificates;
- 5) to request that the Company reaccepts the Investment Certificates issued by the latter, where information provided in the Prospectus that is substantial for evaluation of the Investment Certificates is incorrect through the Company's fault;
- 6) to request and receive the Fund's annual and six-month reports free of charge, to get acquainted with all publicly available information on the Company and the persons involved in the Fund's operations. The scope of such information and the procedure of receiving the same are set forth in the Regulations.

The Investor may not request division of the Fund. The pledgee of the property pledged by the Investor, creditor or administrator under the Investor's insolvency process may not request division of the Fund as well.

##### **4.3. Liability of the Investors**

The Investor shall not be liable for the Company's obligations. The Investor shall be liable under claims that might be lodged against the Subfund's property to the extent of the Subfund's shares owned by the Investor only.

The arrangements contradicting the said provision shall be void from inception. Execution of the claims to the Investor regarding the Investor's obligations may be levied on the Investor's Investment Certificates, but not the Fund's property.

**5. Summary of transactions in the Investment Certificates and the Fund management costs**

**5.1. Fee for transactions in the Investment Certificates**

<b>Fee type</b>	<b>Maximum fee amount</b>
Investment Certificates sale fee	1.5% of the value of the Subfund's share
Repurchase of the Investment Certificates	Not applied

**5.2. Remuneration to the Company, Custodian Bank and third parties payable from the Subfund's property**

<b>Person</b>	<b>Maximum remuneration amount</b>
Company	Not more than 1.75% of the Subfund's average value per annum
Custodian Bank	Not more than 0.20% of the Subfund's average value per annum
Auditor	Not more than 0.125% of the Subfund's average value per annum
Third parties (for holding financial instruments, fee to the LCD, fee for admitting the investment certificates to, and quoting them in, stock exchange listings, etc.)	According to supporting documents

Total annual remuneration paid for managing the Subfund may not exceed 3.0% of the Subfund's average value per annum.

The Company, pursuing the Investor's interests and at its own discretion, may reduce the amount of the remuneration to the Company, as well as pay remuneration to the Custodian Bank, Auditor, and payments to third parties at the Company's expense.

Current amount of the remuneration to the Company is stated at the Company's website [www.ablv.com](http://www.ablv.com).

**5.3. Other payments payable from the Subfund's property**

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

Payments related to performing transactions, purchase of financial instruments, and borrowing shall be included in other payments. The Company, pursuing the Investor's interests and at its own discretion, may make other payments at the Company's expense.

This information is aimed at supplying the Investors with general overview of total expenses that the Investors will have to cover directly or indirectly, having purchased the Investment Certificates. More detailed information about determining these expenses and the procedure of paying them is available in the Prospectus below, as well as in the Regulations.



## 6. Fund management

### 6.1. Company

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

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

Date of establishment: 30 March 2006  
Registration No.: 40003814724  
Licences: Licence for rendering investment management services No. 06.03.07.263/458, issued in Riga, on 4 August 2006 and re-registered on 9 May 2017

The Company's registered and paid-in capital is equal to EUR 650 000.

The Company's shareholders: ABLV Bank, AS  
Registration No.: 50003149401  
Share in the voting share capital: 100.00%

#### 6.1.1. Council of the Company

The Company's Council is an institution elected by shareholders, and as at the moment of preparing the Prospectus, the Council consists of 3 persons.

Chairman of the Council – Ernests Bernis, ABLV Bank, AS, Chairman of the Board

Deputy Chairman of the Council – Andris Kovaļčuks

Member of the Council – Aldis Paegle

#### 6.1.2. Board of the Company

The Company's Board is the Company's executive body, which manages and represents the Company.

The Board consists of 3 Members of the Board. The Chairman of the Board is appointed by the Council from among the Members of the Board.

Chairman of the Board – Leonīds Kijs

Deputy Chairman of the Board – Jevgenijs Gžibovskis

Member of the Board – Sergejs Gačenko

#### 6.1.3. Fund manager

The Fund manager is Sergejs Gačenko. The Fund manager is appointed by the Board. The Fund manager deals with the Fund's property in accordance with the Company's articles of association and the Regulations. The Fund manager may work in one investment management company only and may manage several funds under management of one investment management company.

#### 6.1.4. Remuneration policy

Existing Company's remuneration policy is based on the business objectives, long-term interests, and performance results. The remuneration policy establishes the remuneration system, which ensures recruitment of employees possessing appropriate qualifications and their motivation, meanwhile not encouraging assumption of excessive risks, as well as includes evaluation of long-term impact of the transactions performed by the employees. The powers of the Company's institutions under personnel management, remuneration system, bonus scheme and other remuneration-related matters are determined in the ABLV group's personnel policy as well.

The remuneration policy provides for variable remuneration part, which depends on compliance with values and ethical standards, cooperation between structural units, and also performance over a quarter, a half of the year, or a year. Variable remuneration part is expressed in monetary form (bonuses). Variable remuneration part (bonuses) includes incentives for the employees to maintain acceptable level of risk in their work. When determining the variable remuneration part, it is ensured that the same does not exceed the fixed remuneration part set for the particular employee during the reporting period. The deferred part of the variable remuneration part is set to be between 25% and 60%.

Effective Company's remuneration policy is available upon request of Investors at the Company's office, Elizabetes Street 23, Riga, LV-1010, or in the Statement of Information Disclosure, which is available at the ABLV Bank, AS website: [www.ablv.com/en/about/financial-reports](http://www.ablv.com/en/about/financial-reports).

6.1.5. Names of other funds managed by the Company

- Open-end mutual fund ABLV Global Stock Index Fund.
- Open-end mutual fund ABLV Emerging Markets Bond Fund.
- Open-end mutual fund ABLV European Corporate EUR Bond Fund.
- Open-end mutual fund ABLV Global Corporate USD Bond Fund.
- Open-end mutual fund ABLV European Industry EUR Equity Fund.
- Open-end mutual fund ABLV US Industry USD Equity Fund.
- Open-end mutual fund ABLV Multi-Asset Total Return USD Fund.
- Open-end mutual fund ABLV Emerging Markets Corporate USD Bond Fund.

**6.2. Custodian Bank**

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

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

Date of establishment: 17 September 1993  
 Registration No.: 50003149401  
 Licences: Licence for credit institution operations No. 06.01.05.001/313

6.2.1. The Custodian Bank's duties

The Custodian Bank has the following duties:

- 1) to keep the Fund property in accordance with the Law and the Custodian Bank agreement;
- 2) to follow that the issue, sale, repurchase, cancellation and revocation of investment certificates of the Fund takes place in accordance with the Law, Prospectus and Regulations;
- 3) to follow that the value of the Fund's investment certificates is calculated in accordance with the Law, FCMC regulations, Prospectus and Regulations;
- 4) to fulfil orders of the Company if they are not contrary to the Law, FCMC regulations, Prospectus, Regulations and the Custodian Bank agreement;
- 5) to ensure that the Fund's income is allocated in accordance with the Law, Prospectus and Regulations;
- 6) to ensure timely payment of remuneration to the Fund in transactions with the Fund's property;
- 7) in case of a merger of investment funds, to certify that the information to be included in the draft general rules on a type of the merger and involved funds, a day when the merger is planned to come into effect and the rules applied accordingly to the transfer of assets and exchange of certificates, in respect of a fund whose Custodian Bank it is complies with the requirements of the Law, the respective fund prospectus and management regulations;
- 8) upon the request of the FCMC, to provide information received by the Custodian Bank while performing the functions of a Custodian Bank of the Fund.

The Custodian Bank has a duty to bring claims of Fund Investors against the Company on its own behalf, if required under relevant circumstances. This provision shall not restrict the rights of Fund Investors to bring such claims on behalf thereof.

The Custodian Bank has a duty to bring a counterclaim, if recovery proceedings are directed against the Fund property in connection with liabilities thereof.

6.2.2. Conflicts of interest related to the performance of the Custodian Bank's duties

While performing the duties set forth in the Law, the Custodian Bank shall act honestly, fairly, professionally, independently from the Company and in the sole interest of the Fund and Investors.

The Custodian Bank shall not perform such actions and duties on behalf of the Fund or the Company that may give rise to a conflict of interest between the Custodian Bank and the Fund, the Investors or the Company.

The Custodian Bank shall take all necessary measures to timely identify and prevent conflicts of interest that may occur in the course of the provision of the Custodian Bank's services.

#### 6.2.3. Custody of the Fund's assets with Agency Companies

The Custodian Bank is entitled to keep the Fund's assets with Agency Companies.

Keeping the Fund's assets taken into custody by the Custodian Bank with Agency Companies shall not release the Custodian Bank from the liability set forth in the Law and the agreement with the Custodian Bank.

The Custodian Bank shall use services of the following Agency Companies for the custody of the Fund's assets:

- 1) EUROCLEAR BANK, registration number 0429875591, legal address: 1 Boulevard du Roi Albert II, Brussels 1210, Belgium;
- 2) Joint Stock Company "Latvijas Centrālais depozitārijs", registration number 40003242879, legal address: Valņu Street 1, Riga, LV-1050, Latvia;
- 3) "OTKRITIE CAPITAL INTERNATIONAL LIMITED", registration number 4621383, legal address: 88 Wood Street, London, EC2V 7RS, United Kingdom;
- 4) "KIT FINANCE EUROPE AS (CYPRUS BRANCH)", registration number AE 2340, Nafpliou 18, 1st floor, Flat/Office 102, P.C. 3025, Limassol, Cyprus.

The relevant list of the Agency Companies is available at the Investors' request, in the Company's office at 23 Elizabetes Street, Riga, LV-1010, phone (+371) 6700 2777, fax (+371) 6700 2770 or at the Distributors.

Should the Agency Companies referred to in the Prospectus change or the use of services of a new Agency Company begin, the Company shall update this information when introducing next changes to the Prospectus.

#### 6.2.4. Conflicts of interest related to the custody of the Fund's assets with an Agency Company

The Custodian Bank has not detected any conflicts of interest situations between the Custodian Bank and the Agency Companies listed in clause 6.2.3 that may be related to the custody of the Fund's assets with a respective Agency Company.

### 6.3. Auditor

Name of the Auditor:	KPMG Baltics, SIA
Registration No.:	40003235171
Legal address:	7 Vesetas Street, Riga, LV-1013, Latvia

KPMG Baltics, SIA, executive body is located at KPMG Baltics, SIA, legal address.

Licences: licence No. 55 of the Latvian Association of Certified Auditors for rendering audit services.

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

**7. Procedure for remuneration calculation and payment**

**7.1. Amount of the remuneration payable to the Company, procedure for determining and paying the remuneration**

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

The sale fee shall be determined in accordance with section 9 of the Prospectus, and the remuneration to the Distributors shall be paid out of the same.

The remuneration to the Company for managing the Subfund shall be calculated each calendar day and accrued during a month. This remuneration shall be covered out of the Subfund's property once per month, after the end of current calendar month. The remuneration shall be calculated by the Company, then the Custodian Bank shall verify and accept the calculation and transfer the remuneration to the Company.

When the amount of remuneration payable to the Company for managing the Subfund is calculated on current day of calculating the Subfund's value, the Company shall assume that the Subfund's reporting year consists of 360 days.

$$SA_t = FAV_t * ( ALs / ( 360 * 100 ) ) * N$$

where

*SA<sub>t</sub>* – amount of remuneration payable to the Company for managing the Subfund as at the current day of calculating the Subfund's value;

*FAV<sub>t</sub>* – the Subfund's value as at the current day of calculating the Subfund's value;

*N* – number of calendar days since the last day of calculating the Subfund's value, including holidays;

*ALs* – rate or remuneration payable to the Company.

The Subfund's value shall be calculated in accordance with section 8 of this Prospectus.

The amount of remuneration payable to the Company for managing the Subfund for a month shall be calculated by summing up the remuneration payable to the Company for managing the Subfund for each day of calculating the Subfund's value.

$$SAM = \sum_{t=1}^M SA_t$$

where

*SAM* – amount of the Company's remuneration for a month;

*SA<sub>t</sub>* – amount of the Company's remuneration as at the day of calculating the Subfund's value;

*M* – the number of (calendar) days of calculating the Subfund's value, including holidays.

**7.2. Amount of the remuneration to the Custodian Bank, procedure for determining and paying the remuneration**

The remuneration to the Custodian Bank shall be paid out of the Subfund's property in accordance with this Prospectus, the Regulations, and the agreement with the Custodian Bank.

The Custodian Bank shall receive remuneration for keeping the Subfund's assets, the maximum amount of which may not exceed 0.20% of the Subfund's average value per annum.

The remuneration to the Custodian Bank shall be calculated and accrued each calendar day based on the Subfund's value determined in accordance with the procedure set forth in clause 8.1 of the Prospectus. The amount of the remuneration to the Custodian Bank as at the current day of calculating the Subfund's value shall be determined in accordance with the following formula, assuming that a year consists of 360 days:

$$TA_t = FAV_t * ( ALT / ( 360 * 100 ) ) * N$$

where

*TA<sub>t</sub>* – amount of the Custodian Bank's remuneration as at the day of calculating the Subfund's value;

*FAV<sub>t</sub>* – the Subfund's value as at the day of calculating the Subfund's value;

*ALT* – rate of remuneration to the Custodian Bank;

*N* – number of calendar days since the last day of calculating the Subfund's value, including holidays.

This remuneration shall be paid to the Custodian Bank out of the Subfund's property once per month, after the end of current calendar month. The remuneration to the Custodian Bank for a month shall be calculated according to the following formula:

$$TAM = \sum_{t=1}^M TA_t$$

where

*TAM* – amount of the Custodian Bank's remuneration for a month;

*TAt* – amount of the Custodian Bank's remuneration as at the day of calculating the Subfund's value;

*M* – the number of (calendar) days of calculating the Subfund's value, including holidays.

### **7.3. Amount of the remuneration to the Auditor, procedure for determining and paying the remuneration**

The total remuneration to the Auditor may not exceed 0.125% of the Subfund's average value per annum. Calculating the maximum amount of the remuneration payable to the Auditor, the Company shall assume that the Fund's reporting year consists of 360 days.

The planned amount of remuneration payable to the Auditor for a year shall be included in the calculation of the Subfund's value.

The remuneration to the Auditor shall be calculated each calendar day, taking into account the Subfund's value as at the respective day, constituting the planned amount of remuneration payable to the Auditor in total over a year.

The remuneration for audit of the Fund shall be accrued each day and paid to the Auditor pursuant to the procedure set forth in the agreement made between the Company and the Auditor, based on the invoice issued by the Company.

Calculating the planned amount of remuneration payable to the Auditor, the Company shall take into account the actual number of days in the Fund's reporting year.

### **7.4. Amount of the remuneration to third parties, procedure for determining and paying the remuneration**

All payments to third parties shall be made out of the Fund's property in accordance with the supporting documents.

### **7.5. Procedure for determining the Subfund's permanent fee index**

The following payments shall be included in the Subfund's permanent fees: remuneration to the Company for managing the Subfund, remuneration to the Custodian Bank for keeping the Subfund's assets, as well as remuneration to the Auditor for audit of the Fund.

The Subfund's permanent fee index is stated in the basic information for investors, and it is equal to the ratio of the total amount of the Subfund's permanent fees to the Subfund's average net asset value per annum, expressed in percentage terms.

The Subfund's permanent fee index calculated for particular periods and stated in the basic information for Investors may be lower than the Subfund's maximum possible permanent fee index that could be gained applying maximum allowed rates of remuneration to the Company, Custodian Bank, and Auditor, specified in clauses 7.1–7.3 above (the maximum total amount of those remunerations is stated in clause 5.2 of the Prospectus).

## 8. Principles and procedure of determining the Subfund's value

The Subfund's value is equal to the difference between value of the Subfund's assets and liabilities.

Value of the Subfund's share is equal to the Subfund's value divided by the quantity of the Investment Certificates issued and not repurchased.

The Fund accounting shall be maintained in accordance with the Law, the FCMC "Regulations on the Preparation of Annual Reports of Investment Funds" and the "Regulations on the Preparation of Reports of Investment Funds", as well as other legal acts of the Republic of Latvia. For evaluation of the financial report items, the International Accounting Standards published by the International Accounting Standards Board shall be applied.

### 8.1. Principles and methods of evaluating the Subfund's assets

The Subfund's assets shall be evaluated in accordance with the following accounting principles:

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

The Company may deviate from the said accounting principles due to substantial reasons. Any such instance shall be described in notes to the financial report, indicating the influence it will have on the Subfund's assets and liabilities, financial status, and financial results.

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

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

The Subfund's value and the value of the Subfund's share shall be determined every working day according to the closing prices of the previous working day.

#### 8.1.1. Evaluation of debt securities and money market instruments

The fair value of held-for-trading debt securities shall be determined at BID prices as at the end of previous trading day.

Where it is impossible to apply BID prices as at the end of previous trading day when the Company determines the market value of financial instruments included in the Subfund, the value of financial instruments shall be determined based on maximum price that financial market players are ready to pay for financial instruments. If the financial instruments cannot be evaluated using the above method due to some reasons, the value of financial instruments shall be determined in accordance with the International Accounting Standards.

The held-to-maturity debt securities and debt securities that are not publicly traded on stock exchanges or other regulated markets shall be evaluated at amortized acquisition cost calculated applying the effective interest rate method, according to which the securities are accounted at total of their acquisition cost and amortized discount or premium value (Agio, Disagio), and applying the rate that precisely discounts the future cash flow expected till maturity of the financial asset or next date of interest rate change to current accounting value of the financial asset for recognition of income and reduction of accounting value.

If return on securities or money market instruments is paid in coupon form, the accrued interest or coupon part shall be added to the evaluation price to the amount corresponding to the period from the date of starting coupon accrual till the next working day following the day of calculating the Subfund's value.

#### 8.1.2. Evaluation of term deposits

All term deposits with credit institutions shall be evaluated based on the deposit principal, which is increased by the amount of accrued interest each day.

### 8.1.3. Evaluation of investment certificates of mutual funds

The value of investment certificates of open-end mutual funds or investment certificates (shares) of similar collective investment undertakings shall be determined based on the last investment certificate repurchase price available on the day of calculating the value of the mutual fund.

### 8.1.4. Evaluation of ETF securities

The market value of ETF securities shall be determined at BID prices as at the end of previous trading day. If the previously mentioned is not possible or it is justified by the existing market conditions, it is permissible to use the available (known) market price (TRADE price as the end of the trading day) of the last transaction with this financial instrument.

### 8.1.5. Evaluation of derivative financial instruments

The value of derivative financial instruments shall be determined based on the last available (known) market price of a transaction in this instrument (TRADE price as at the end of the trading day).

To determine market prices of exchange-traded derivative financial instruments, the prices of stock exchanges on which the particular derivative financial instruments are quoted shall be used.

### 8.1.6. Revaluation of assets denominated in a currency other than the Subfund's base currency

According to the International Accounting Standards and the International Financial Reporting Standards, the assets denominated in a currency other than the Subfund's base currency shall be daily revaluated into the Subfund's base currency applying the official reference rate published by the European Central Bank (ECB) or in case if due to some reasons the official ECB reference rate is not available, applying the currency rate published in market data system (Reuters, Bloomberg, etc.) as at the moment of trading day closing. The procedure of choosing the respective market data system by the Company is set forth in the Company's normative documents.

## 8.2. Evaluation of the Subfund's liabilities

Value of the liabilities shall be calculated by summing up all payments due at the expense of the Subfund, including remuneration to the Company, Custodian Bank, Auditor, and third parties payable out of the Subfund's property, liabilities under the Subfund's borrowings, and other liabilities.

## 8.3. Accounting of income and expenses

Income and expenses related to the reporting period are presented in the Fund's investment income report regardless the date of their receipt or payment. The accrued income shall be included in the Fund's investment income report only if there are no doubts regarding receipt of the same.

## 8.4. Frequency of the Subfund's evaluation and disclosure of information about the Subfund's value to the public

The value of the Subfund and the Subfund's share shall be determined each working day according to the closing prices of the previous working day and this information can be found out by calling the Company at the phone numbers mentioned in the Prospectus or visiting the Company's office, or contacting the Distributors, as well as at the Company's website [www.ablv.com](http://www.ablv.com). This information is available also by meditation of Custodian Bank.



## 9. Sale of the Investment Certificates

### 9.1. Procedure and places of submitting the Applications for Purchase of the Investment Certificates

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

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

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

The Investment Certificates shall be sold at the Investment Certificates sale price, which is calculated on the working day following the day of submitting the application for purchase of the investment certificates (hereinafter also referred to as the Application for Purchase of the Investment Certificates), but published on the second working day after the day of submitting the application.

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

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

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

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

The Applications for Purchase of the Investment Certificates may be submitted to the Company or the Distributors each working day, during their set working hours.

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

If the Application for Purchase of the Investment Certificates is received and accepted by the Company before 17:45 (Latvian time), then the Company shall consider such application to be received on the day of submitting the application.

If the Application for Purchase of the Investment Certificates is received and accepted by the Company after 17:45 (Latvian time), then the Company shall consider such application to be received on the following working day.

The Application for Purchase of the Investment Certificates submitted to, and accepted by, the Company or the Distributor may be revoked by the Investor on the day of submitting the application only, before 17:45 (Latvian time). Unless the submitted Application for Purchase of the Investment Certificates is revoked on the day of submitting the application, the Company shall issue the Investment Certificates following the procedure set forth in the Prospectus and Regulations.

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

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

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

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

The Applications for Purchase of the Investment Certificates shall be received and registered in accordance with provisions of the Regulations.

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

### 9.2. Methods and frequency of calculating the Investment Certificates sale price

The sale price of the Investment Certificates is variable, and it is determined each working day together with the value of the Subfund's share.

The Investment Certificate sale price is constituted by value of the Subfund's share and the amount of fee for sale of the Investment Certificates.

The value of the Subfund's share is determined each working day, and information on the same is available at the Company's office or calling the Company at its phone numbers during its working hours. This information can be also obtained through the intermediary of the Distributors, contacting the Distributor at the specified address or calling the Distributor at its phone numbers stated in clause 9.1 above.

Value of the Subfund's share is equal to the Subfund's value divided by the quantity of the Investment Certificates issued and not repurchased. The Subfund's value is equal to the difference between value of the Subfund's assets and liabilities.

The amount of fee for sale of the Investment Certificates is calculated in percentage terms of the value of the Subfund's share.

The maximum amount of sale fee is set to be 1.50% of the value of the Subfund's share. The decision on the amount of the sale fee shall be taken by the Company, and the same may not exceed the abovementioned maximum amount. The Company shall be entitled to apply a discount to the Investment Certificates' sale fee for different groups of clients (including institutional clients, pension funds, etc.) as well as to employees of ABLV group and their related persons.

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

The Investment Certificate sale price shall be calculated based on the value of the Subfund's share which will be calculated on the working day following the day of receiving the Application for Purchase of the Investment Certificates, but published on the second working day after receiving the application.

### **9.3. Settlement procedure**

The Investment Certificates shall be issued only against paying full price of those certificates in monetary form.

The Investment Certificates shall be sold at the price calculated on the working day following the day on which the Company receives and accepts the Application for Purchase of the Investment Certificates, but published on the second working day.

Pursuant to clause 9.1 of the Prospectus, the Company or the Distributor shall calculate the quantity of the Investment Certificates corresponding to the amount of funds stated in the Investor's Application for Purchase of the Investment Certificates.

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

The Application for Purchase of the Investment Certificates submitted to the Company or the Distributor shall be deemed equal to an order for purchasing financial instruments. Pursuant to the Application for Purchase of the Investment Certificates, the Custodian Bank shall perform settlements in monetary form and in financial instruments.

The Custodian Bank shall debit the amount of funds necessary for purchasing the Investment Certificates from the respective cash account with the Custodian Bank and credit the same to the Subfund's account with the Custodian Bank. After receiving the funds in the Subfund's account with the Custodian Bank, the Company shall issue new Investment Certificates and immediately credit those to the respective financial instruments' account with the Custodian Bank.

The settlements under the Investment Certificates may be performed following other procedure, as agreed upon by the Investor and the Company or the Distributor.

The settlements under the Investment Certificates shall be performed in the Subfund's base currency (USD or RUB).

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

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

## **10. Repurchase and reacceptance of the Investment Certificates**

### **10.1. Procedure and places of submitting the Applications for Repurchase of the Investment Certificates**

Following the Investor's request, the Company shall repurchase the Investment Certificates. The Company shall repurchase the Investment Certificates according to the order of submission and registration of the applications for repurchase (hereinafter also referred to as the Application for Repurchase of the Investment Certificates).

To request repurchase of the Investment Certificates, the Investor shall submit the Application for Repurchase of the Investment Certificates to the Company or the Distributor. If the financial instruments' account of the Investor is opened with the Account Custodian, the Application for Repurchase of the Investment Certificates shall be completed and submitted by the Account Custodian on behalf of the Investor pursuant to the order of the Investor.

The Investor may submit the Applications for Repurchase of the Investment Certificates to the Company or the Distributors at the addresses stated in clause 9.1 of the Prospectus above, during the Distributors' set working hours.

If the Application for Repurchase of the Investment Certificates is received and accepted by the Company before 17:45 (Latvian time), then the Company shall consider such application to be received on the day of submitting the Application.

If the Application for Repurchase of the Investment Certificates is received and accepted by the Company after 17:45 (Latvian time), then the Company shall consider such application to be received on the following working day.

The Application for Repurchase of the Investment Certificates submitted to, and accepted by, the Company or the Distributor may be revoked by the Investor on the day of submitting the application only, before 17:45 (Latvian time). Unless the submitted Application for Repurchase of the Investment Certificates is revoked on the day of submitting the application, the Company shall cancel the Investment Certificates following the procedure set forth in the Prospectus and Regulations.

In the Application for Repurchase of the Investment Certificates, the Investor shall state the particular quantity of the Investment Certificates to be repurchased.

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

Only applications that are duly completed shall be valid. The Investor shall be responsible for the information stated in the application being true and complete.

### **10.2. Methods and frequency of calculating the Investment Certificates repurchase price**

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

The value of the Subfund and the Subfund's share shall be determined each working day, and information on the same shall be available at the Company's office or calling the Company at its phone numbers during its working hours as well as at the Company's website [www.ablv.com](http://www.ablv.com). This information can be also obtained through the intermediary of the Distributors, contacting the Distributor at the specified address or calling the Distributor at its phone numbers stated in clause 9.1 above.

The repurchase price of the Investment Certificates shall be paid in the Subfund's base currency (USD or RUB).

No fee shall be charged for repurchase of the Investment Certificates.

### **10.3. Settlement procedure**

The Investment Certificates shall be repurchased at the price calculated on the working day following the day on which the Company receives and accepts the Application for Repurchase of the Investment Certificates, but published on the second working day after receiving the application.

Pursuant to clause 10.1 of the Prospectus, the Company or the Distributor shall calculate the amount of funds corresponding to the quantity of the Investment Certificates stated in the Investor's Application for Repurchase of the Investment Certificates.

The Application for Repurchase of the Investment Certificates submitted to the Company or the Distributor shall be deemed equal to an order for selling financial instruments. Pursuant to the Application for Repurchase of the Investment Certificates, the Custodian Bank shall perform settlements in securities and in monetary form.

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

The Custodian Bank shall debit the Investment Certificates being repurchased from the respective financial instruments' account at the Custodian Bank and credit those to the Custodian Bank's issue account. After the Investment Certificates are credited to the Custodian Bank's issue account, the Company shall immediately cancel those and shall credit the amount of funds corresponding to the quantity of the Investment Certificates being repurchased in the base currency of the Subfund to the respective cash account within 5 (five) working days at the latest.

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

The settlements under the Investment Certificates may be performed following other procedure, as agreed upon by the Investor and the Company or the Distributor.

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

The Company shall execute only those applications in which all requested information is stated correctly.

The Investor shall be responsible for the information stated in the application being true and complete.

After the Investment Certificates are withdrawn from circulation, all the Investor's rights ensuing from the Investment Certificates shall be terminated, except the rights of claim for the amount equal to the Investment Certificates repurchase price.

#### **10.4. Rules and procedure of the Investment Certificates reacceptance**

If information provided in the Prospectus and the enclosed documents that is substantial for evaluation of the Investment Certificates is incorrect or incomplete through the Company's fault, the Investor shall be entitled to request that the Company reaccepts the Investor's Investment Certificates and reimburses the Investor for all resulting losses.

Such claim may be filed within 6 (six) months from the day when the Investor finds out that the information is incorrect or incomplete, however within 3 (three) years from the day when the Investment Certificate is purchased at the latest.

#### **10.5. Instances on which repurchase and reacceptance of the Investment Certificates may be suspended**

Where extraordinary situation is present on financial market (stock exchanges, banks, brokerage companies are temporarily closed or transactions in financial instruments cannot be performed due to other reasons) or other force majeure circumstances occur, the Company may suspend trading in the Investment Certificates for the duration of such circumstances. The Company shall immediately inform each investor personally or publish a respective notification in one of daily newspapers.

Repurchase and reacceptance of the Investment Certificates may be suspended on instances where the FCMC exercises its right to limit the Company's rights to manage the Fund's bank accounts, as well as in case of the Fund's liquidation.

Repurchase and reacceptance of the Investment Certificates may not be performed after liquidation of the Mutual Fund is initiated.

In case of the Fund's liquidation, the claims of the Fund's creditors and Investors shall be satisfied pursuant to the procedure set forth in legislation.

**11. Taxes and duties applicable to the Investors**

The information provided in this section is general, and the same is true as at the moment of compiling this Prospectus, and the Company shall not be liable for the taxation procedure in any specific case. The Investor should consult with his tax advisor regarding tax application procedures.

Pursuant to legal acts effective in Latvia, the mutual fund is not considered a payer of the enterprise income tax, and therefore the assets accrued in the Fund by the Investors, alongside the Fund's property are exempt from enterprise income tax.

The Investors shall pay the personal income tax or enterprise income tax on the respective income on their own, following the procedure set forth in the laws "On Personal Income Tax" and "On Enterprise Income Tax".

**12. Distribution of the Fund's income**

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

The investor's income is taken (expressed) as increase or decrease in the Investment Certificates' value. Value of the Subfunds' share shall be determined each working day, in accordance with the LR legal acts, and provisions of this Prospectus and the Regulations.

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

**13. Statement of the Company's Board on authenticity of the information provided in the Prospectus**

We hereby confirm that according to the data available to us the information provided in the Prospectus is true and there are no concealed facts that might affect the meaning of the information provided in the Prospectus or the decision to purchase the Investment Certificates by the potential Investor.

**ABLV Asset Management, IPAS**

Chairman of the Board

\_\_\_\_\_

Leonīds Kijs

**ABLV Asset Management, IPAS**

Deputy Chairman of the Board

\_\_\_\_\_

Jevgenijs Gžibovskis



**Appendix. The Fund's performance indicators over previous three years**

**Performance description**

During previous three years (the end of 2016 compared with the end of 2013), assets of ABLV High Yield CIS USD Bond Fund Subfund have decreased by 22% and the return over three years amounted to 15.38%.

During previous three years (the end of 2016 compared with the end of 2013), assets of ABLV High Yield CIS RUB Bond Fund Subfund have increased by 15% and the return over three years amounted to 12.87%.

**Financial indicators**

ABLV High Yield CIS USD Bond Fund

<b>USD</b>	<b>31.12.2014.</b>	<b>31.12.2015.</b>	<b>31.12.2016.</b>
Net assets, USD	21 524 661.20	24 573 551.07	23 197 079.60
Quantity of the Investment Certificates	1 787 567.6736	1 628 696.6417	1 393 099.9762
The Investment Certificate's value, USD	12.041313	15.087863	16.651411

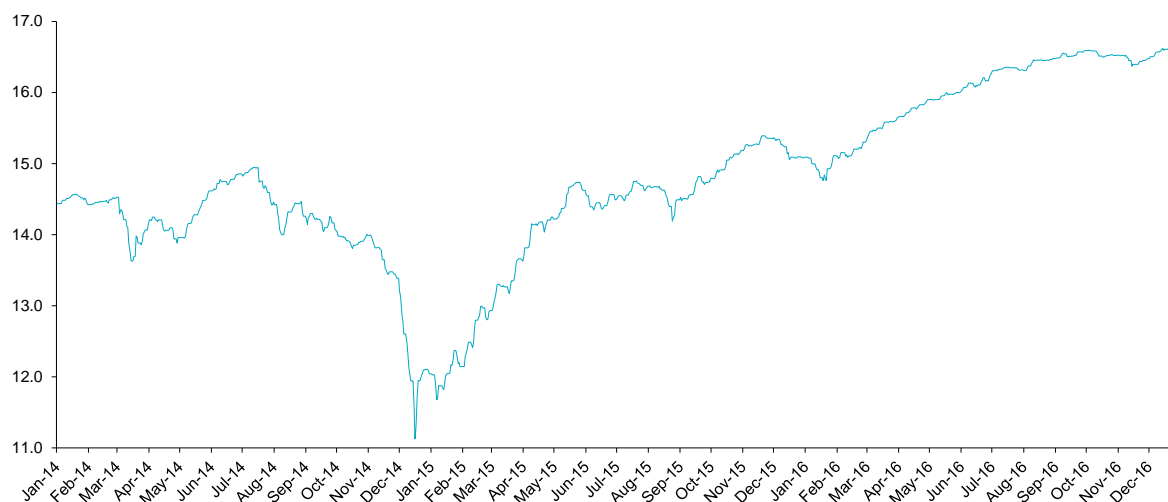
ABLV High Yield CIS RUB Bond Fund

<b>RUB</b>	<b>31.12.2014.</b>	<b>31.12.2015.</b>	<b>31.12.2016.</b>
Net assets, RUB	83 461 669.20	93 394 294.00	103 104 179.00
Quantity of the Investment Certificates	271 561.3812	267 064.8821	266 886.9577
The Investment Certificate's value, RUB	307.339995	349.706404	386.321501

**Movements of the Investment Certificate's value**

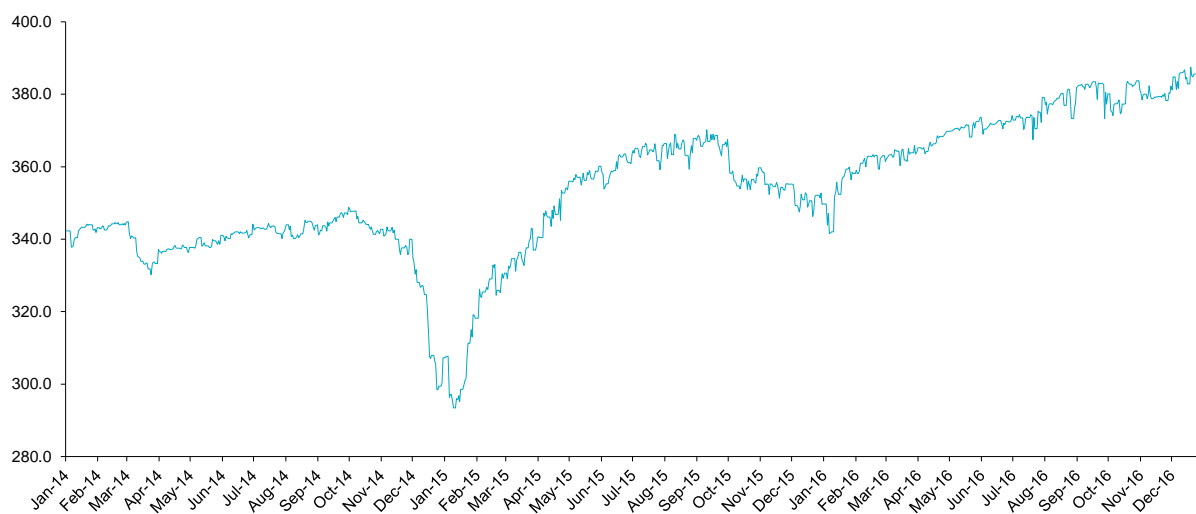
ABLV High Yield CIS USD Bond Fund

<b>Time period</b>	<b>31.12.2014. / 31.12.2013.</b>	<b>31.12.2015. / 31.12.2014.</b>	<b>31.12.2016. / 31.12.2015.</b>
Increase / decrease in the Investment Certificate's value	-16.58%	25.30%	10.36%



ABLV High Yield CIS RUB Bond Fund

Time period	31.12.2014. / 31.12.2013.	31.12.2015. / 31.12.2014.	31.12.2016. / 31.12.2015.
Increase / decrease in the Investment Certificate's value	-10.21%	13.78%	10.47%



Previous Subfund's performance indicators do not determine future performance of the Subfund. Historical movements do not guarantee similar movements in the future. The Subfund's value can increase or decrease, and when investing in the Subfund's certificates, the investor should take into account the possibility of getting back less than the invested amount.