



# Avaron Eastern Europe Fixed Income Fund

Open-ended public contractual investment fund registered in the Republic of Estonia. The Fund complies with the provisions laid out in the Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009.

## PROSPECTUS

6 October 2017

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**Subscription to the Fund should be made on the basis of this Prospectus, the fund rules and the latest available annual or semi-annual report. These documents can be obtained from Avaron. Past performance is not indicative of future results. The value of investments and any income derived from the Fund may fall as well as rise and investors may not get back the amount invested. An investment in the Fund entails risks, some of which are described in this Prospectus. Investors should be aware of the high risks associated with investments in emerging markets such as Central and Eastern Europe.**

**Any dispute, controversy or claim arising out of or in connection with the information provided in this material, shall be settled in accordance with Estonian law, exclusively in Estonian courts. Information provided in this material has originally been prepared in the Estonian language and has been translated into English. In case of any discrepancy between the two versions, the Estonian version shall prevail.**

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## GENERAL INFORMATION

This prospectus is the issue prospectus of the units of Avaron Eastern Europe Fixed Income Fund (hereafter: “**Fund**”) in the meaning of the Investment Fund Act of the Republic of Estonia (hereafter: “**Prospectus**”). The fund rules of the Fund (hereafter: “**Fund Rules**”) are an integral part of this Prospectus and have been included in Appendix 1.

**The Fund is an open-ended public contractual investment fund registered in the Republic of Estonia. The Fund complies with the provisions laid out in the Council Directive 2009/65/EEC of 13 July 2009.**

## MAIN INFORMATION ABOUT THE FUND

Fund management company	AS Avaron Asset Management, registered address: Narva mnt 7D, 10117 Tallinn, Estonia (hereafter: “ <b>Management Company</b> ”)
Fund management contact for the investor	Phone: +372 664 4208, +372 511 2242 E-mail: <a href="mailto:invest@avaron.com">invest@avaron.com</a>
Members of management board of the Management Company	Kristel Kivinurm-Priisalm, Valdur Jaht
Location of the Fund	Narva mnt 7D, 10117 Tallinn, Estonia
Fund managers’ web page	Estonian <a href="http://www.avaron.ee">www.avaron.ee</a> and English <a href="http://www.avaron.com">www.avaron.com</a> (hereafter together: “ <b>Website</b> ”)
Legal status	Open-ended public contractual investment fund registered in the Republic of Estonia
Depository	Swedbank AS, registered address: Liivalaia 8, 15040 Tallinn, Estonia (hereafter: “ <b>Depository</b> ”)
NAV calculation and Fund accounting	Swedbank AS, registered address: Liivalaia 8, 15040 Tallinn, Estonia
Transfer Agent	Swedbank AS, registered address: Liivalaia 8, 15040 Tallinn, Estonia
Registrar	The register of Units is kept by Swedbank AS, registered address: Liivalaia 8, 15040 Tallinn, Estonia (hereafter: “ <b>Registrar</b> ”)
Auditor	KPMG Baltics OÜ, registered address: Narva mnt 5, 10117 Tallinn, Estonia, register code 10096082
Financial supervision	Financial Supervision Authority, registered address: Sakala 4, 15030 Tallinn, Estonia (website: <a href="http://www.fi.ee">www.fi.ee</a> )
Launch of the Fund	10 July 2012
Registration of the Fund Rules	The effective Fund Rules were registered on 4 July 2012 and entered into force 4 July 2012.
Fund units	The Fund unit (hereafter: “ <b>Unit</b> ”) represents the unit-holder’s share in the assets of the Fund. A Unit is an electronically registered security. The Fund has two classes of Units. Units can be subscribed and switched every banking day. Units can be redeemed every Monday submitting the redemption order a week in advance.
Launch dates of Unit Classes	A Units: 10 July 2012, B Units: 10 July 2012.
Unit prices	The Management Company calculates the net asset value of the Fund, and the net asset value, the subscription and redemption price of a Unit at least once for each banking day on the following banking day no later than 4.30 PM and discloses the information at the Website.
Publication of information	The important information and documents relating to the Fund are available at the web site of the Management Company at <a href="http://www.avaron.com">www.avaron.com</a> and at the registered address of the Management Company.
Financial year	1 January – 31 December
Distribution of income	The income of the Fund shall not be distributed to unit-holders but shall be reinvested. A unit-holder’s profit or loss shall be reflected in changes in Unit’s net asset value.

## THE BASES AND OBJECTIVE OF THE ACTIVITIES OF THE FUND, INVESTMENT POLICY OF THE FUND

### THE BASES FOR THE ACTIVITIES OF THE FUND

The Fund is a pool of money raised through a public issue of Units, and of other assets acquired from investing this money that belongs jointly to the Fund's unit-holders and that is managed by the Management Company. The bases of the Fund's activities and the relations between unit-holders and the Management Company have been laid down in the legislation of the Republic of Estonia and the Fund Rules.

**Various risks relate to investing in the Fund that may influence the performance of the Fund and the value of the unit-holder's investment. A detailed overview of risks related to investing in the Fund is disclosed in the section "Risks".**

### THE OBJECTIVE OF THE FUND'S ACTIVITIES

The objective of the Fund's activities is long term capital growth from investing primarily in government and corporate fixed income instruments of Emerging Europe, Russia and the countries within the Commonwealth of Independent States (CIS).

**Achieving the Objective of the Fund is not guaranteed. Past performance is not a guarantee or indicative of future results.**

### INVESTMENT POLICY OF THE FUND

#### Investment Region and Authorised Instruments

The Management Company shall invest the Fund's assets mainly into high yield and non-investment grade fixed income instruments of governments and companies of Emerging Europe, Russia and the countries within the Commonwealth of Independent States (CIS). The investment region encompasses among others the following countries: Estonia, Latvia, Lithuania, Poland, Hungary, the Czech Republic, Slovakia, Slovenia, Romania, Bulgaria, Croatia, Macedonia, Albania, Bosnia and Herzegovina, Serbia, Montenegro, Turkey, the Russian Federation, Moldova, Ukraine, Georgia, Azerbaijan, Armenia, Belarus, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan. Companies with registered offices elsewhere that have substantial business interest in the region or securities nominated in currencies of the investment region are also considered part of the investment universe.

Fixed income instruments are bonds, money market instruments, commercial papers, covered bonds, convertible bonds and other tradable debt securities, depository receipts, subscription rights and other tradable rights that entitle to acquisition of securities. The Fund's assets may also be invested in derivative instruments, units of investment funds. Exceptionally (for example in case of exiting an investment, restructuring of instruments, exercising conversion option of convertible bonds, participating in takeovers or mergers or in

other exceptional situations) the Fund's assets may also be invested in shares and other similar instruments of up to 10% of the Fund's assets.

There are no restrictions regarding the type of issuers when investing the assets of the Fund. The Management Company does not follow a sector approach when investing the Fund's assets. The precise division between asset classes, types of issuer, regions and sectors in the assets of the Fund shall be determined in the course of day to day activities of the Fund.

#### Transactions with Derivative Instruments

The Fund's assets may be invested in derivative instruments for the purpose of hedging risks as well as for the purpose of achieving the Fund's investment objectives. The Fund's total exposure relating to derivative instruments may not exceed the total net asset value of the Fund. According to the judgement of the Management Company, investing into derivative instruments does not significantly increase the risk level of the Fund as derivatives are mostly used for hedging purposes. Detailed information on allowed underlying instruments of derivatives is disclosed in the Fund Rules in the appendix.

#### Other Authorised Transactions

The Management Company may on behalf of the Fund guarantee issues of securities, borrow, enter into repurchase and reverse repurchase agreements and make other transactions of borrowing and lending securities. The Fund may borrow and assume other liabilities referred to in the amount of up to 10% of the Fund's assets. Maturity of loans and other liabilities of the Fund may not exceed three months. It is not allowed to give out loans on behalf of the Fund.

#### Diversification of Investments

The value of securities issued by one entity may not exceed 10% of the market value of the Fund's assets. If the value of securities issued by one entity exceeds 5% of the market value of the Fund's assets, the aggregate value of such securities may not exceed 40% of the market value of the Fund's assets. The aggregate value of securities issued by entities belonging to the same group may not exceed 20% of the market value of the Fund's assets.

The value of securities and money market instruments issued by the same person may form up to 35% of the market value of the Fund's assets if they are issued or guaranteed by a Contracting State of the European Economic Area, the United States of America, Australia, Croatia, Japan, Canada, Kazakhstan, Switzerland, Turkey, Ukraine, the Russian Federation or an international organisation to which at least one Contracting State of EEA belongs to.

According to Fund Rules the value of securities and money market instruments issued by the same person may in some cases exceed 35% of the market value of the Fund's assets. It is allowed to invest more than 35% of the Fund's assets in debt securities or money market instruments issued or guaranteed by the Russian Federation, Poland or Turkey.

Further information on the principles of the Fund's investment policy and the rules for diversification of risks is provided in the Fund Rules.

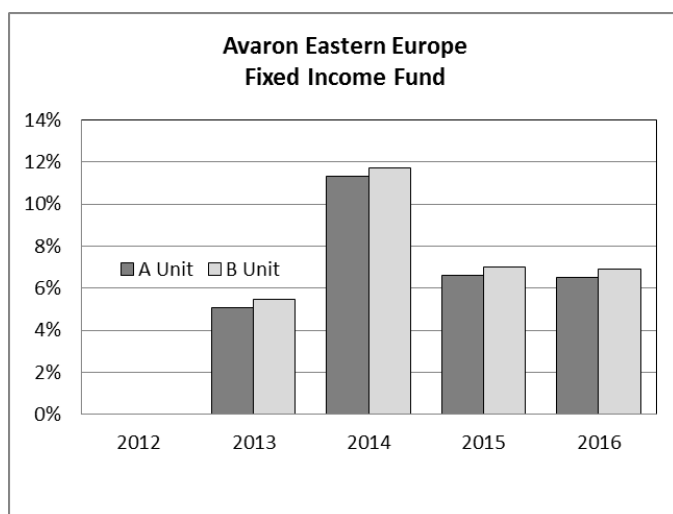
## SHORT OVERVIEW OF INVESTMENT AND RISK MANAGEMENT TECHNIQUES

The Management Company is an active stock-picker with focus on top down and bottom up fundamental analysis. In the course of active investment management the Management Company is actively searching for higher yielding securities among equal risk and quality parameters or lower risk instruments among equal yields.

The Management Company actively monitors maturity of single securities and the full portfolio and makes relevant changes to the portfolio based on its view on the macroeconomic and interest rate developments. The Management Company diversifies investments between countries, sectors and currencies and may base on its view on currency movements use derivatives to either hedge currency exposure or take additional currency risks.

The Management Company has established internal risk management procedures, with the aim to identify, monitor and assess and hedge the risks related to investing the Fund's assets. The Management Company regularly monitors the investment restrictions and diversification of risks.

## PAST PERFORMANCE OF THE FUND



*NB! Past return is not a guarantee or indicative of future performance*

## RISKS

### GENERAL RISK WARNING

Various risks that may affect the return from the investment are related to investing into the Fund. The activities of the Fund may or may not be profitable. There is no guarantee to unit-holders that they will get back the amount invested in the Fund or that it will grow. In case the risk factors materialise, it is possible that the investor will lose a substantial part of the investment in the Fund. Past performance of the Fund is not a guarantee or indicative of

future results. Due to the Fund's investment policy, the net asset value of a Unit may be highly volatile. The Fund is opened to foreign exchange risk and the development of the foreign exchange rates may affect substantially the outcome of the investment.

### RISK WARNING RELATED TO EMERGING MARKETS

Assets of the Fund shall be fully invested in financial instruments in Eastern Europe. The fixed income markets in Eastern Europe have low liquidity and higher volatility compared to developed markets. Therefore it might prove to be more difficult to exit positions, thus bringing along higher risk of volatile prices. Emerging markets' legal, political and economic infrastructure is still at an early stage of development. In such countries it is more likely that social, economic or political instability will occur. As a result, investing in the Eastern Europe region is accompanied by higher risks compared to investing in developed markets. Investors of the Fund should accept that the positive developments and successful reforms that have taken place in some countries may not necessarily happen in other countries. Market capitalisation of Eastern Europe markets is relatively small. These markets are often volatile and have low liquidity. The currency exchange rates of the investment region may substantially fluctuate against the Fund's reference currency and this may have a significant impact on the Unit's net asset value. The Management Company does not generally hedge foreign currency exchange rate risks. Countries may impose restrictions on capital flows and currency export restrictions. This may result in difficulties for the Fund in drawing sales proceeds and may harm the ability of the Fund to redeem Units regularly. Financial supervision may be ineffective in the countries of the investment region. Accounting, auditing and reporting standards accepted in Eastern Europe may not be equivalent to the standards accepted in developed markets. The systems for settlement and registering of securities and the regulations applicable to and supervision of settlement bodies, registrars and custodians may not be up to the standards assumed in developed countries.

### RISK LEVEL OF THE FUND

The Management Company classifies the managed UCITS funds according to the methodology described in guidelines issued by the Committee of European Securities Regulators no CESR/10-673. The funds are classified into 7 risk and reward categories where category 7 represents the highest risk category and category 1 the lowest. The lowest category does not mean a "risk free investment".

The basis of the classifications is volatility of the Fund or benchmark index with a similar investment strategy. Volatility shall be estimated using the weekly past returns of the Fund, or if otherwise not possible, using the weekly returns of the benchmark index covering the last 5 years.

The assets of the Fund shall be invested in financial instruments of Eastern Europe countries and mainly into high yield and non-investment grade fixed income instruments.

Therefore, the Fund is considered a medium high risk investment product.

The Fund falls into the risk category 3 which means that the volatility of the Fund is between 2-5%.

**Risk category shown is not guaranteed and may shift over time.**

### PROFILE OF TYPICAL INVESTOR

The Fund is suitable for an investor with a high risk tolerance who seeks long-term capital growth through investing in fixed income markets within the Eastern European region. The investor should acknowledge that there is no guarantee that the capital invested into the Fund will be preserved or that it will grow. The recommended investment horizon is 5 years and the investor should be able to tolerate substantial volatility in the net asset value of the Unit during this period. The investor should have prior experience with investing into investment products or knowledge of the functioning of the financial markets. Being regional fixed income Fund investing into emerging markets, the Fund is suitable as one constituent of a diversified investment portfolio. The investor's financial position should be sufficiently strong to endure substantial volatility in the value of the investment. Each investor is required to independently evaluate the risks related to investing in the Fund and the effects and possible consequences of such risks in the light of the investor's investment experience and knowledge as well as the investor's financial and economic circumstances, and the time period and the objectives of the investment. The Management Company recommends that potential investors consult with a professional investment advisor before making the decision to invest.

### OVERVIEW OF MAJOR RISK FACTORS RELATED TO THE INVESTMENT

Various risks relate to investing into the Fund. Such risks may have a negative effect on the outcome of the investment. A list of risks that could influence the return on the investment into the Fund has been presented below. **Investment risks shall be borne by the investor.** When investing into Emerging Europe markets, the investor should take into account that any risk factor listed below is more likely to materialise compared to investing into developed markets.

Taking into account the investment objectives and investment policy of the Fund, the most critical risks that are most likely to have an impact on the market value of the assets of the Fund include market risk, issuer's price risk, liquidity risk, foreign currency risk, political risk, credit risk, interest rate risk and the risk arising from the concentration of asset classes or markets. In addition to the abovementioned risks, other risks as described below are related to investing in the Fund.

**Market risk** – the risk of suffering losses due to adverse price movements at a specific securities' market or at a market for other assets. Adverse price movements may be caused by a country's weak macroeconomic data, poor financial results of

an industry sector, unstable securities' market, investor behaviour and psychology and other factors.

**Issuer-specific price risk** – price risk is closely related to market risk but mainly affects a specific security or investment. Price risk is the risk of suffering losses due to adverse price movements of a specific stock or another investment. The price of an issuer's securities is affected by developments in the issuer's financial results, changes in competitive environment, analyst estimates and commentaries, etc.

**Foreign currency risk** – the risk that the value of an investment denominated in a foreign currency shall change in an adverse direction due to fluctuations in exchange rates.

**Political risk** – the risk that unfavourable trends or (political) events (e.g. changes in economic policy or legal environment, nationalisations, riots, war) take place in a country where the Fund's assets have been invested that affect the country's political or economic stability or future development thereby causing the loss of the Fund's investments in the country or diminishing the value of such investments.

**Credit risk** – the risk that the issuer of securities where the Fund has invested or the counterparty to a transaction on account of the Fund fails to perform its obligations either fully or partially (e.g. an issuer fails to redeem issued debt obligations, a counterparty to a trade does not deliver securities or cash during the settlement, a counterparty defaults on a loan granted by the Fund) causing damage to the Fund.

**Settlement risk** – the risk that the counterparty of the transaction fails to transfer the cash amount or securities to the Fund although the contractual obligation to the counterparty has been fulfilled.

**Custody risk** – the risk that the Fund suffers losses due to actions or inactions or bankruptcy of the Depositary, sub-custodians or local depositaries. Such losses may include losses due to the bankruptcy of a person holding securities, the person losing securities or its inability to fulfil orders.

**Liquidity risk** – the risk that a financial instrument cannot be sold due to low liquidity at the time desired or at a reasonable price, or that it is not possible to sell the asset at all. Liquidity risk is particularly relevant in cases when investing into small cap companies and in instruments not traded on a regulated securities market.

**Interest rate risk** – the risk that interest rates, yield curves or volatility of interest rates change in an adverse direction for the Fund.

**The risk arising from the concentration of asset classes or markets** – the risk that a particular event or circumstance shall have a pervasive effect on the Fund's return because the Fund's investments are concentrated on one or a small number of markets, a specific asset class or a small number of issuers.



**Legal risk** – the risk that the Fund suffers losses or that penalties are imposed on the Fund due to the possibility that the Management Company does not have a sufficient knowledge of the legislation and its statutory obligations that are applied in the target countries of the Fund’s investments. Additionally, amendments in legislation after the investment has been made could result in restrictions for the Fund’s activities or create obligations for the Fund.

**Systemic risk** – the risk that the non-performance of securities depositaries, stock exchanges, market places, clearing houses or other counterparties could cause losses for the Fund due to failed trades, delayed settlement, mistakes in recorded transactions etc.

**Tax risk** – a tax could be imposed on the Fund’s profit and withholding taxes could be applied on income received by the Fund in the Republic of Estonia or in other countries where the Fund’s assets have been invested.

**The risk related to valuing the assets of the Fund** – the assets of the Fund may be invested in securities with low liquidity and in securities that are not traded on regulated markets. For such securities, a valid market price may not be available. Determining the fair value of such assets may be complex and depends on assessments made by the Management Company. The price of such financial instruments used in NAV calculation may be substantially different from a later market transaction price that may lead to significant downward adjustment of the price of the financial instrument and a sizeable change in the net asset value of the Unit.

**Registrar risk** – the risk of suffering losses due to actions or inaction of the registrar of Units (e.g. Due to failed trades arising from technical faults, delayed settlement, erroneous transaction, unauthorised disclosure of confidential information etc.).

In addition to customary investment risks, investors have to take into account the possibility of changes taking place in the governance of the Fund. Such changes could have a significant impact on an investment in the Fund. For example, redemption of Units may be suspended based on the terms and conditions set out in the Fund Rules and in legislation; the Fund could be reorganised, merged with another investment fund or liquidated. Additionally, the fees and expenses payable on account of the Fund or the unit-holder may be changed; the Fund Rules may be substantially amended, etc. Some of the abovementioned events may take place without giving prior notice to the unit-holder.

## **RISKS RELATED TO DERIVATIVE INSTRUMENTS**

The Management Company may invest the Fund’s assets in derivative instruments for the purpose of hedging risks as well as for the purpose of achieving the Fund’s investment objectives. The market value of a derivative instrument depends on the price or value of another underlying asset (e.g. share, stock index, foreign exchange rate). Using derivative instruments entails leverage, i.e. a small change in the price of the underlying asset may lead to a large change

in the price of the derivative instrument. Therefore, an investment in derivative instruments leads to relatively larger profit or larger loss (higher risk) compared to a similar investment in the underlying asset. In case of certain derivative instruments, the potential loss is larger than the initial investment made. Since the value of derivative instruments depends on the price of the underlying asset, a derivative instrument is subject to the same risks as the underlying. In addition, counterparty risk, interest rate risk and changes in the volatility of the underlying asset affect the value of the derivative. In order to determine the value of the derivative, complex valuation models are often used. Thus, investing in derivatives also entails valuation risk.

## **RISKS RELATED TO SECURITIES NOT TRADED ON REGULATED MARKETS**

Part of the assets of the Fund may be invested in securities not traded on regulated securities’ markets. In addition to ordinary investment risks, such investments entail higher liquidity risk and higher risk related to valuing such assets.

## **UNIT OF THE FUND**

### **UNIT**

A Unit represents the unit-holder’s share in the assets of the Fund. A Unit is electronically registered security. The Fund has two classes of Units:

- Avaron Eastern Europe Fixed Income Fund A, nominal value 10 EUR, launched July 10<sup>th</sup>, 2012 (hereafter „**A Unit**“)
- Avaron Eastern Europe Fixed Income Fund B, nominal value 10 EUR, launched July 10<sup>th</sup>, 2012 (hereafter „**B Unit**“)

### **RIGHTS ATTACHED TO UNITS**

The right of ownership of a Unit and the rights and obligations of a Unit-holder and of the Management Company attached to the Unit shall enter into force when a relevant entry is made in the register of Units.

A Unit does not grant to the unit-holder the right to make decisions regarding the transactions made on behalf of the Fund. The unit-holders of the Fund do not hold general meetings. No unit-holder is entitled to demand termination of the community of unit-holders. A unit-holder has the following rights: to demand that the Management Company redeem the Units pursuant to the provisions of the Fund Rules and legislation; to transfer Units held by the unit-holder to third parties; to receive, pursuant to the Fund Rules, a share of the assets remaining upon liquidation of the Fund and of any distributions made from the Fund in proportion to the number of Units and the class of Units held by the unit-holder; to access at the location of the Management Company the Fund Rules, the Fund’s most recent annual or semi-annual report, Prospectus, simplified prospectuses and other documents and information regarding the activities of the Fund as provided for in the legislation; to demand a document certifying the unit-holder’s ownership of Units; to perform other acts prescribed by legislation or the Fund Rules.

## OBLIGATIONS ATTACHED TO UNITS

A unit-holder must exercise the rights attached to a Unit in good faith and in accordance with legislation and the Fund Rules. The objective of exercising the rights by a unit-holder must not cause damage to other unit-holders, the Management Company, the Depositary or third party. A unit-holder is not personally liable for the obligations of the Fund assumed by the Management Company on behalf of the Fund, or for obligations the performance of which the Management Company has the right to demand pursuant to the Fund Rules. A unit-holder's liability for performance of such obligations is limited to the unit-holder's share of the Fund's assets. The Management Company shall not assume obligations on behalf of unit-holders. In order to satisfy a claim against a unit-holder, a claim for payment may be made against the Units of the unit-holder but not against the assets of the Fund.

## TAXATION

According to the legislation of Estonia, the Fund is not a taxable person and does not therefore pay taxes in Estonia. Depending on the tax systems of the countries where the assets of the Fund are invested, the Fund could be liable to pay taxes in these countries.

If a unit-holder is a taxable person, gains from Units may be taxable. The Management Company does not withhold any taxes on gains earned from Units. Declaring such gains in the tax declaration of accounting period is an obligation of a unit-holder. The tax system applicable to an investor may depend on the investor's residence for tax purposes, legal set-up and other circumstances. Investors are advised to consult a professional tax advisor.

## NET ASSET VALUE OF THE UNIT AND TRANSACTIONS WITH UNITS

### NET ASSET VALUE OF THE FUND AND UNIT

The net asset value of the Fund and of a Unit depends on the income or loss from the Fund's activities. The Fund's income shall not be distributed to unit-holders but shall be reinvested. Unit-holder's profit or loss shall be reflected in the changes of a Unit's net asset value.

The Management Company shall calculate the net asset value of the Fund and of a Unit based on the provisions of the internal rules and legislation. In order to determine the net asset value of the Fund, the value of the liabilities of the Fund is deducted from the value of the assets of the Fund. The value of the assets of the Fund is determined primarily based on their market value. If market value cannot be established, the value of the assets of the Fund is determined based on another method for establishing fair value as set out in Avaron internal rules. The total net asset value of a class of Units shall be determined by deducting the value of the liabilities of the Fund attributable to that class of the unit from the value of the Fund's assets attributable to that class. The net asset value of a Unit is determined by dividing the total net asset value of a class of Units by the number of Units

of that class that have been issued and not redeemed (adjusted by the number of Units from unsettled subscription and redemption orders that have been received by the Management Company). The net asset value, the subscription price and redemption price of a Unit shall be published in the currency of the respective class of Unit.

The Management Company shall calculate and publish the net asset value of the Fund, and the net asset value, the subscription and the redemption price of a Unit at least once for each banking day on the following banking day by 4.30 PM CET+1. This information shall be published at the web site of the Management Company at [www.avaron.com](http://www.avaron.com). A Unit's net asset value, issue and redemption price shall be rounded up to four decimal points.

## FEES AND EXPENSES

	A Unit	B Unit
<b>Expenses paid by the unit-holder</b>		
Subscription fee	none	none
Redemption fee	none	none
<b>Fees and expenses paid by the Fund</b>		
Management fee	0.95%	0.60%
Performance fee	none	None
Depositary fee	0.108%-0.288%	
Other expenses	According to the price list of the service provider	

### Other Fees and Expenses

The Management Company is entitled to reduce or waive subscription and redemption fees at its discretion. The rates of the management and depositary fee as provided in the above table are calculated as a percentage of the net asset value of the Fund. The rate of the depositary fee includes value added tax. Management and depositary fees are accrued daily and paid monthly for the previous month. Other expenses include the following: expenses related to holding the Fund's assets and making transactions therewith such as brokerage fees, interest expenses, settlement charges and transaction fees; expenses related to auditing the Fund; fund administration fees to the service provider (the service includes keeping the Fund's accounts and calculating the net asset value); expenses related to keeping the register of the Units, based on the price list of the registrar (including the registrar's charges related to receiving and processing the subscription and redemption orders of the Units). The total fees and expenses paid on behalf of the Fund may not exceed 5% of the weighted average market value of the Fund's assets per year.

## PRINCIPLES FOR FEE REDUCTION AND REMISSIONS

During a certain period of time the Management Company may at its discretion pay rebates from fees received by the Management Company to investors meeting certain criteria, based on their investment size or other criteria. For example,



the Management Company may return a portion of the management fees to the investors meeting the criteria.

### **TRANSACTIONS WITH FUND UNITS**

The issue, redemption and switch of Units is organised by Swedbank AS ("Transfer Agent"). In order to do transactions with Units, an investor must have a securities account and a corresponding cash account in Swedbank AS or a registry account open in Swedbank AS and a cash account in another credit institution.

An investor can open a segregated account in its own name or agree with a third party (e.g. distributor of Units) on keeping the Units on a nominee account opened in the name of such third party. If the Units are kept on a nominee account, the orders for making transactions with Fund Units on the nominee account shall be submitted to the Management Company by the owner of the nominee account. Transfers of securities and cash shall be made in such case to the nominee account and to the current account of the owner of the nominee account.

Transactions with Units shall be settled in euro.

By submitting a subscription or switch order, the investor confirms that he or she has sufficiently acquainted himself or herself with the Fund Rules, accepts the Fund Rules and shall act in accordance with the Fund Rules. An investor is not permitted to revoke or make changes to a subscription, redemption or switch order after submitting it. Upon subscription of Units, the investor shall pay the subscription amount within the prescribed time limit to the Fund's cash account. In case of non-performance of the investor's duties, the Management Company is entitled to use any legal remedy prescribed in the law (including the right of withdrawal from the transaction and claiming damages from the unit-holder that it has caused to the Fund and other unit-holders).

Issue and redemption fees and all other direct expenses related to making transactions with Units shall be borne by a unit-holder.

### **ISSUE OF UNITS AND ISSUE PRICE**

The Units shall be issued every day.

The issue price of a Unit is equal to the net asset value of the Unit as of the Trade Date to which the subscription fee may be added.

In order to subscribe Units, an investor shall submit a subscription order to the Transfer Agent Swedbank AS. A Unit shall be issued upon receiving the subscription amount by the Fund to its cash account on settlement date. The settlement date shall be no later than the third banking day from the Trade Date (T+3) unless the Management Company and the investor agree on a different settlement cycle.

### **REDEMPTION OF UNITS AND REDEMPTION PRICE**

Upon redemption of Units a monetary payment corresponding to the number of Units redeemed and the redemption price shall be made out of the assets of the Fund to the unit-holder's cash account. On the day of making the redemption payment (on settlement date) the Unit shall be deleted from the register and the rights and obligations attached to the Unit shall terminate.

The redemption price shall be fixed every Monday for the previous banking day (hereafter "**Redemption Date**"). If the Redemption Date is not a banking day the redemption price shall be fixed on the following banking day.

In order to redeem Units an investor shall submit a redemption order to the Transfer Agent Swedbank AS. The deadline for submitting the redemption order is on Monday a week before the Redemption Date (hereafter "**Order Date**"). If the Order Date is not a banking day the deadline for the redemption order shall be the following banking day.

The redemption price of a Unit is equal to the net asset value of the Unit as of the Redemption Date from which the redemption fee may be deducted.

Settlement date shall be no later than the third banking day after the Redemption Date (T+3) unless the Management Company and the investor agree on a different settlement cycle. The term for making the redemption payment does not include the time for executing the transfer by the beneficiary bank.

### **SWITCHING UNITS**

A unit-holder is entitled to switch the Units of the Fund for the units of another class of the Fund. B Units may be acquired through switch transaction provided that the value of the B Units owned by the unit-holder (including the B Units to be acquired through the switch transaction) shall be equal to or exceed 1 million EUR.

In order to switch Units the unit-holder shall submit a switch order to the Transfer Agent, Swedbank AS. Upon switching Units, no payments shall be made to the unit-holder. Based on the number of Units to be switched and their net asset value, Units shall be redeemed. Based on the net asset value of the Units to be acquired new Units shall be issued. Upon switching units, the net asset value of Units that shall be calculated as of the Trade Date shall be used.

No subscription or redemption fees shall be charged when switching Units. The settlement date of the switch transaction shall be the third banking day from the Trade Date (T+3).

### **SUBSCRIBING UNITS**

The minimum initial subscription amount of B Units is 1 million EUR. The Management Company is entitled to make exceptions for some investors from the minimum initial subscription amount of B Units at its sole discretion.

There is no minimum subscription requirement in case of A Units.

By submitting a subscription order, the investor gives consent to the Management Company for processing the investor's personal data in the scope that is necessary for carrying out the Management Company's statutory obligations and for developing the client relationship.

The Management Company is entitled to decline from executing a subscription order or a switch order for acquisition of Units, if the Management Company deems that it is necessary to protect the interests of existing investors of the Fund.

### **DEADLINES FOR SUBMITTING ORDERS**

A subscription or switching order is considered to have been submitted on a given Trade Date if it is received by the Transfer Agent on the Trade Date by 11 AM EET (GMT+2).

A redemption order is considered to have been submitted on a given Order Date if it is received by the Transfer Agent on the Order Date by 11 AM EET (GMT+2). Transaction orders that are received by the Transfer Agent later than the deadline are considered to have been received on the following Trade Date or Order Date.

### **NB! SUSPENDING AND POSTPONING TRANSACTION**

If one unit-holder's redemption request exceeds 5% or unit-holders' aggregated redemption request exceeds 20% of the market value of assets of the Fund on one Order Date, the Management Company has the right to pay the redemption amounts on the fifteenth banking day after the Redemption Date (T+15). In case the Management Company has decided to defer paying the redemption amounts submitted on that certain Order Date it does not influence the redemption orders received on the following Order Date. These redemption amounts shall be paid out under normal circumstances provided that the facts described in this section are not repeated.

The Management Company is entitled to suspend the redemption of Units under the conditions and according to the procedures provided for in legislation. The Management Company is entitled to suspend the redemption of Units for up to three months if the cash available on the Fund's accounts is not sufficient for payment of redemption proceeds or if the regular management of the Fund would be harmed thereby and if the securities and other assets of the Fund cannot be promptly sold or if such sale materially harmed the interests of other unit-holders. The Management Company shall promptly inform the Financial Supervision Authority, the Depositary and the financial supervision authorities of all the contracting states where the Units are offered of suspension of the redemption of Units and the reasons for it. The Management Company shall promptly publish a notice concerning suspension of the redemption of Units on the website of the Management Company and in at least one daily national newspaper.

## **INFORMATION ON THE FUND**

### **PUBLISHING INFORMATION CONCERNING THE FUND**

Any person has the right to access the following information and documents at the Management Company's registered address and at its web page [www.avaron.com](http://www.avaron.com): the Fund Rules, the most recent annual reports of the Fund, the semi-annual report of the Fund if it has been approved later than the most recent annual report, the Prospectus and key investor information, the name and contact details of the Management Company, the name of the Fund managers, the name and contact details of the Depositary, the rules for calculating the net asset value of the Fund and the internal rules for making derivative transactions on the account of the Fund, information on the size of the Management Company's holding in the Fund, the annual reports of the Management Company for the three latest years.

On request, unit-holders shall receive a copy of the Fund Rules, the Fund's most recent annual or semi-annual report, the Prospectus and the key investor information free of charge. On request, the Fund Rules will be sent to an investor via mail, e-mail or fax.

Annual reports of the Fund shall be made available at the Management Company's registered address 4 months after the end of the Fund's financial year, and semi-annual reports 2 months after the end of the half-year.

The Management Company shall daily publish the Unit's net asset value and subscription and redemption price at its web site. In case of circumstances that substantially affect the activities or the financials of the Fund managed by the Management Company or the net asset value of the Unit should become evident, respective information shall be published without delay at the web page of the Management Company at [www.avaron.com](http://www.avaron.com).

### **AMENDING FUND RULES**

The supervisory board of the Management Company may adopt a decision to amend the Fund Rules. Following the registration of the amendments by the Financial Supervisory Authority, the Management Company shall without delay publish a notice regarding amending the Fund Rules in at least one daily national newspaper and at the web page of the Management Company. The amendments to the Fund Rules shall take effect in one month after publishing the corresponding notice unless the notice prescribes a later date.

### **LIQUIDATION OF THE FUND**

Liquidation of the Fund shall be effected in the instances and according to the procedures provided for in the Investment Fund Act. Liquidation of the Fund shall be decided by the supervisory board of the Management Company. In the cases provided for in the Investment Fund Act, the Depositary can act as the liquidator.

Subsequent to obtaining approval for liquidation of the Fund from the Financial Supervisory Authority, the Management Company shall without delay publish a notice regarding the liquidation of the Fund in at least one daily national newspaper and at the web page of the Management Company. Upon liquidation of the Fund the Management Company shall transfer the assets of the Fund as soon as possible and in accordance with the interests of the unit-holders, shall collect the debts of the Fund and satisfy the claims of the creditors of the Fund. The Management Company shall distribute the assets remaining after the liquidation between the unit-holders according to the class, the number and the net asset value of the Units held by a unit-holder. The Management Company shall publish a notice regarding the distribution of assets to be distributed in at least one daily national newspaper.

## MANAGEMENT COMPANY, DEPOSITARY, AUDITOR

### MANAGEMENT COMPANY

The Fund is managed by AS Avaron Asset Management, registered address Narva mnt 7D, 10117 Tallinn, Estonia. The Management Company is a public limited liability company registered in Estonia (date of foundation resolution September 14, 2006, register code 11341336). The Management Company has been granted an activity license for managing investment Fund by resolution No. 119 dated December 28, 2006 of the Financial Supervision authority. The Management Company is being supervised by the Financial Supervision Authority. The shares of Management Company AS Avaron Asset Management are 82.41% owned by OÜ Avaron Partners. The share capital of the Management Company totals 271,383.30 EUR. AS Avaron Asset Management manages the following Funds: Avaron Emerging Europe Fund and Avaron Flexible Strategies Fund. The members of the supervisory board of the Management Company are Priit Sander (independent member), Peter Priisalm and Maris Viire. The members of the management board of the Management Company are Kristel Kivinurm-Priisalm and Valdur Jaht. Valdur Jaht, Peter Priisalm and Kristel Kivinurm-Priisalm have been appointed as fund managers in AS Avaron Asset Management. They have all been appointed as the fund managers for all funds managed by the Management Company.

#### The Activities of the Management Company

The Management Company is entitled, in accordance to the Fund Rules, to dispose of and possess the assets of the Fund and has other rights arising therefrom. The Management Company invests the assets of the Fund in its own name and on behalf of the unit-holders collectively, i.e. on behalf of the Fund. Upon investing the assets of the Fund the Management Company shall obtain sufficient information on the assets which the Management Company intends to acquire or has acquired on behalf of the Fund; monitor the financial situation of the issuer whose securities the Management Company intends to acquire or has acquired on behalf of the Fund; obtain sufficient information with regard to the

solvency of the persons with whom they transact on behalf of the Fund.

The Management Company shall manage the assets of the Fund separately from its own assets, from the assets of other funds and pools of assets managed by the Management Company. The assets of the Fund do not form a part of the bankruptcy estate of the Management Company and the claims of creditors of the Management Company shall not be satisfied out of such assets.

The Management Company has the right and obligation to submit a claim in its own name on behalf of unit-holders or the Fund against the Depositary or other persons if failure to submit such claim will result or may result in significant damage to the Fund or its unit-holders. The Management Company is not required to submit such claim if the Fund or unit-holders have already submitted a claim. The Management Company shall be liable for damage caused to the Fund or unit-holders by the non-performance of its duties.

The Management Company has established a remuneration policy for employees of the Management Company regulating practices regarding fixed (monthly) and variable remuneration. The remuneration principles are adopted by the Management Company's Supervisory Board. No remuneration committee is established at the Management Company. The total remuneration of the Management Company's employees consists of a fixed and variable remuneration. The total remuneration is based on the conditions prevalent on the labour market and devised so as to achieve a reasonable balance between its fixed and variable components. Details of the Management Company's up to date remuneration policy are disclosed at the Website and shall be made available to an investor upon request in form of a paper copy at the registered office of the Management Company.

#### Inducements

The Management Company may receive from or provide to third parties benefits (including non-monetary benefits) in relation to the provision of fund management services. Paying or providing such inducements are acceptable only in case it enhances the quality of the service to the Fund and does not harm the best interests of the Fund. The Management Company discloses to the unit-holders the existence, nature and amount or methodology of calculation of the inducement prior to the provision of the relevant service. As of the date of compiling this Prospectus, the Management Company receives research reports from brokerage firms the price of which is included in the commission charges for securities transactions.

#### Outsourcing the Activities of the Management Company

The Management Company has the right to outsource to third parties for the purpose of better conduct of the Management Company's activities, including carrying out on behalf of the Management Company the following functions related to managing the Fund pursuant to the Investment Fund Act: investing the Fund's assets; organising the issue

and redemption of Units; if necessary issuing evidence of title to the unit-holders of the Fund; providing necessary information to the Fund's unit-holders and other customer services; organising the distribution of Units; keeping account of the Fund's assets and organising accounting of the Fund; determining the Fund's net asset value; keeping the register of Units; accounting for the Fund's income; monitoring the compliance of the activities of the Management Company and the Fund with the Investment Fund Act and other legislation, including organising a relevant internal audit system; other functions related to the functions referred to. The Management Company's liability related to managing the Fund shall not be affected by the fact that the Management Company outsourced any functions to third parties.

The Management Company has outsourced keeping the register of Units, organising the issue and redemption of Units and carrying out due diligence of investors as prescribed in the Prevention of Money Laundering and Financing of Terrorism Act to Swedbank AS, registered address Liivalaia 8, 15040 Tallinn, Estonia, register code 10060701. In addition, the Management Company has outsourced to Swedbank AS the keeping account of the Fund's assets and organising the accounting of the Fund and determining the Fund's net asset value. The provisions of the agreements entered into between Swedbank AS and the Management Company, the rules for calculating the net asset value of the Fund and the legislation shall be applied to outsourcing the function. Swedbank AS is supervised by the Financial Supervision Authority. Swedbank AS is a licensed credit institution and it provides various financial services.

## **DEPOSITARY**

**The Depositary of the Fund is Swedbank AS**, with registered address Liivalaia 8, 15040 Tallinn, Estonia. The Depositary was established on 6 January 6 1993 and its commercial register code is 10060701. Swedbank AS is a licensed credit institution and it provides various financial services. The activities of the Depositary are supervised by the Financial Supervision Authority.

### The Activities of the Depositary

**The Depositary shall safekeep the cash, securities and other liquid assets of the Fund.** The Depositary does not safekeep other assets of the Fund, unless it is agreed otherwise between the Management Company and the Depositary. The Depositary shall also carry out other duties entrusted to it by legislation. The Depositary shall act independently of the Management Company and in the best interests of the Fund and the unit-holders of the Fund.

The Depositary has the right, in accordance to the policies provided for in the depositary agreement, to enter into agreements for delegating to third parties the safekeeping of the Fund's assets, performing settlements therewith and fulfilling other functions. The Depositary shall keep the assets of the Fund segregated from its own assets and shall keep separate accounting of the assets of Fund. The Depositary shall choose third parties safekeeping the Fund's assets or securities with due care to ensure the reliability of such third

parties. The Depositary shall assess before delegating its functions and perform ongoing monitoring to ensure that the organisational and technical arrangement of the delegate as well as its financial condition is sufficient for performing its contractual obligations. The Depositary shall be liable for the direct proprietary damage caused to the Fund and unit-holders as a result of breach of its duties.

The Depositary may offer its services to the Fund or to the Management Company which do not entail conflicts of interest between the Fund, the Management Company, Fund investors and the Depositary. In case of existing conflicts of interest situation the Depositary is only allowed to offer services if the organisational set up and the level of technical systems of the Depositary enable the Depositary to separate the depositary functions from the services that create conflicting interests.

Conflicts of interest may occur in a situation where Swedbank AS offers different services in addition to the depositary service to the Management Company or to the Fund. Detailed information regarding the conflict of interest's situations and the Management of the conflict situations can be found at the Webpage.

The organisational set up and the arrangement of the technical systems enable the Depositary to keep separately the depositary function from the services causing conflicts of interest. Efficient internal control systems, division of responsibilities and reporting lines enable the Depositary to identify, manage and avoid conflicts of interests.

The Depositary has the right, in accordance to the policies provided for in the depositary agreement and in the applicable regulations, to delegate to third parties the safekeeping of the Funds' assets. Where the law of a third country requires that certain financial instruments be held in custody by a local entity and no local entities satisfy the delegation requirements laid down in that point, the Depositary may delegate its functions to such a local entity only to the extent required by the law of that third country, only for as long as there are no local entities that satisfy the delegation requirements, and only where the unit-holders of the Fund are duly informed, prior to their investment, of the fact that such a delegation is required due to legal constraints in the law of the third country, of the circumstances justifying the delegation and of the risks involved in such a delegation. By delegating the safekeeping of the Fund's assets the Depositary ensures that it has sufficient internal procedures for identifying, managing and avoiding conflicts of interests. For example, the conflicts of interest situation could arise in an event where safekeeping of assets has been delegated by the Depositary to an entity belonging to the same group within the Depositary.

Detailed information regarding the Sub-custodians used to delegate the safekeeping of the Fund's asset can be found at the Webpage.

Upon request of the unit-holder, an updated information of the conflict of interests and delegating the safekeeping of the

Fund's assets shall be provided by the Management Company.

**AUDITOR**

The auditor of the Management Company and of the Fund is KPMG Baltics OÜ, registered address Narva mnt 5, 10117 Tallinn, Estonia, register code 10096082.

**The members of management board of the Management Company:**

Valdur Jaht

Kristel Kivinurm-Priisalm



## APPENDIX 1. FUND RULES

These Fund Rules have been registered with the Estonian Financial Supervision Authority on 4 July 2012.

### Fund Rules of Avaron Eastern Europe Fixed Income Fund

(Hereafter: “Fund Rules”)

#### 1. General Provisions

- 1.1 These Fund Rules set out the bases for the activities of the contractual investment fund Avaron Eastern Europe Fixed Income Fund and the relations of the unit-holders with the fund management company. The Fund Rules have been set out in accordance with the effective legislation. In case the Fund Rules conflict with the provisions of legislation, the provisions of legislation will be applied. In case the different provisions of the Fund Rules conflict with each other or in case the Fund Rules include misleading provisions, such provisions will be interpreted in accordance with the best interests of the unit-holders of the investment fund.
- 1.2 Avaron Eastern Europe Fixed Income Fund (hereafter: “Fund”) is a contractual investment fund established by AS Avaron Asset Management. In Estonian, the name of the Fund is: *Avaron Ida-Euroopa Völakirjafond*.
- 1.3 The Fund is managed by AS Avaron Asset Management (hereafter: “Management Company”), with registered address at Narva mnt 7D, 10117 Tallinn, Estonia. Official website of the Management Company is [www.avaron.com](http://www.avaron.com).
- 1.4 The Fund is situated at the registered address of the Management Company.
- 1.5 The depositary of the Fund is Swedbank AS (hereafter: “Depositary”), with registered address Liivalaia 8, 15040 Tallinn, Estonia. The register of Units is also kept by Swedbank AS (hereafter: “Registrar”)
- 1.6 The Fund is a public open-ended fund.
- 1.7 The Fund is a UCITS Fund which means that the Fund complies with the provisions laid out in the Council Directive 2009/65/EC and the sale of the Units may be promoted to the public in the contracting states of the European Economic Area (hereafter: “Contracting States”).
- 1.8 A banking day is a day when credit institutions are generally open in Estonia, excluding Saturdays, Sundays, national and public holidays.

#### 2. The Bases and Objective of the Fund’s Activities

- 2.1 The Fund is a pool of money raised through public issue of units, and of other assets acquired from investing this money that belongs jointly to the Fund’s unit-holders and that is managed by the Management Company.
- 2.2 The bases of the Fund’s activities and the relations between unit-holders and the Management Company have been laid down in the legislation of the Republic of Estonia and the Fund Rules.
- 2.3 The objective of the Fund’s activities is long term capital growth from investing primarily in government and corporate high yield and non-investment grade fixed income instruments of Emerging Europe, Russia and countries within the Commonwealth of Independent States (CIS). The Fund also invests in deposits of credit institutions, derivative instruments and other financial instruments.
- 2.4 The activities of the Fund may or may not be profitable. There is no guarantee to unit-holders that they will get back the amount invested in the Fund or that it will grow. Various risks that may affect the return from the investment are related to investing into the Fund. If the risk factors materialise, it is possible that the investor will lose a substantial part of the investment in the Fund. The list of risks related to investing in the Fund is available in more detail in the Fund prospectus.

#### 3. The Fund’s Investment Policy

- 3.1 The Management Company shall manage the Fund’s assets according to the investment restrictions as provided for in the Investment Funds Act, other legislation issued in accordance with it and the Fund Rules.
- 3.2 To achieve the objective of the Fund the Management Company invests the Fund’s assets in debt securities of governments, municipalities and companies, in money market instruments, deposits of credit institutions and other financial instruments provided in the Fund Rules of Emerging Europe, Russia and countries within the Commonwealth of Independent States (CIS) (hereafter: “Investment Universe”). The Management Company may in exceptional circumstances invest up to 10% of the assets of the Fund in shares or other similar securities (e.g. in case of exiting investment, restructuring instruments, conversion of convertible bonds, participating in takeovers or mergers or other exceptional situations). The Fund’s assets may be invested into debt securities and money market instruments of the

issuers outside the Investment Universe if the issuers have substantial business interests in the region or these instruments are nominated in the currency of the countries of the Investment Universe.

- 3.3 The Fund may invest in derivative instruments for the purpose of hedging risks as well as for the purpose of achieving the Fund's investment objectives.
- 3.4 The Fund's assets may be invested into different types of issuers and sectors. The precise breakdown of asset classes, types of issuers, regions and sectors in the Fund's assets shall be determined as part of the ongoing management activities of the Fund.

#### 4. Investment Restrictions

- 4.1 The Fund's assets may be invested in:
  - a) deposits of credit institutions;
  - b) bonds, commercial papers, covered bonds, convertible bonds and other tradable debt securities (hereafter: "**debt securities**"), shares and other similar tradable instruments, money market instruments and subscription rights and other tradable rights that entitle to acquire abovementioned securities;
  - c) derivative instruments;
  - d) shares and units of investment funds;
- 4.2 Up to 100% of the Fund's assets may be invested in debt securities and up to 10% of the Fund's assets may be invested in shares that are freely transferable and meet at least one of the following requirements:
  - a) the securities are traded on any regulated market which operates regularly and is recognised and open to the public;
  - b) the securities are not traded on any regulated market specified in a) but, pursuant to their conditions of issue, the securities shall be admitted to the regulated market specified in a) within 12 months from the issue of such securities.
- 4.3 The Fund's assets may be invested in money market instruments in addition the securities specified in Article 4.2 which meet the requirements set in the Investments Fund Act.
- 4.4 Up to 10% of the market value of the Fund's assets may be invested in securities not specified in Article 4.2 and 4.3
- 4.5 The assets of the Fund shall not be invested in real estate, precious metals, securities which grant rights with regard to precious metals, or derivative instruments related to commodities. The assets of the Fund may be invested in securities related to real estate.
- 4.6 The Fund may invest up to 100% of its assets in deposits of credit institutions given that their term does not exceed 12 months. Up to 20% of the Fund's assets may be invested in deposits of a single credit institution. Up to 100% of the Fund's assets may be invested in deposits of credit institutions. The abovementioned restriction is not applied to the Fund's cash account and overnight deposits held with the Depositary.
- 4.7 The value of securities issued by one entity may not exceed 10% of the market value of the Fund's assets. If the value of securities issued by one entity exceeds 5% of the market value of the Fund's assets, the aggregate value of such securities may not exceed 40% of the market value of the Fund's assets. The aggregate value of securities issued by entities belonging to the same group may not exceed 20% of the market value of the Fund's assets.
- 4.8 The restrictions in Article 4.7 do not apply when investing into debt securities, money market instruments and covered bonds issued or guaranteed by states and international organisations. The value of securities or money market instruments issued by the same person may form up to 35% of the Fund's assets if the securities are issued or guaranteed by a Contracting State of the European Economic Area, the United States of America, Australia, Croatia, Serbia, Japan, Canada, Kazakhstan, Switzerland, Turkey, Ukraine, the Russian Federation or an international organisation to which at least one Contracting State belongs to.
- 4.9 The Fund may invest more than 35% of its assets into debt securities, money market instruments or covered bonds issued or guaranteed by the persons specified in Article 4.8 if:
  - a) sufficient protection of the interests of the shareholders or unit-holders of the Fund is ensured;
  - b) the Fund's assets comprise of at least six different issues of securities, issued or guaranteed by such person, and the value of securities acquired in a single issue does not exceed 30% of the market value of the Fund's assets;
  - c) issuer names to which securities issued or guaranteed the Fund intends to invest in or has invested in over 35% of the Fund's assets, are disclosed in the Fund rules and prospectus.

The Fund may invest more than 35% of its assets into debt securities, money market instruments or covered bonds issued by the Russian Federation, Poland and Turkey.

- 4.10 The Fund may invest only into covered bonds issued by credit institutions of Contracting States of European Economic Community as laid out in the legislation. Up to 25% of the market value of the Fund's assets may be invested in covered bonds issued by the same person. If the value of covered bonds issued by one person is more than 5% of the market value of the Fund's assets, the aggregate value of such bonds shall total not more than 80% of the market value of the Fund's assets.
- 4.11 The Fund may invest up to 10% of its assets in shares and units of other investment funds, taking into account the limitations provided for in legislation. The restriction shall not be applied to such shares and units of investment funds that are traded on a regulated market specified in Article 4.2.
- 4.12 The value of debt securities and money market instruments issued by and deposits and open positions of derivatives held by the same person shall not total more than 20% of the market value of the Fund's assets. The aggregate value of debt securities, money market instruments, derivative instruments and covered bonds issued by the same person may account for up to 35% of the Fund's market value of assets. The abovementioned restriction is not applied to the Fund's cash account and overnight deposits held with the Depositary and debt securities and money market instruments issued by the states or international organisations provided in Articles 4.8 and 4.9.
- 4.13 It is allowed to make transactions with derivative instruments on behalf of the Fund provided that the limitations set out in the Investment Funds Act, other legislation issued in accordance with it, the internal rules and the Fund Rules are complied with. The assets of the Fund may be invested only in such derivative instruments the underlying of which is:
- a) deposits of credit institutions;
  - b) securities set out in Articles 4.1 to 4.4;
  - c) units or shares of other investment funds;
  - d) securities' indices, interest rates or currencies as set out in the Appendix of the Fund Rules;

The Fund may invest in derivative instruments for the purpose of hedging risks as well as for the purpose of achieving the Fund's investment objectives. The Fund's total exposure relating to derivative instruments may not exceed the total net asset value of the Fund.

- 4.14 The Management Company may on behalf of the Fund guarantee issues of securities, borrow, enter into repurchase and reverse repurchase agreements and make other transactions of borrowing and lending securities. It is allowed to borrow and assume other liabilities referred to on behalf of the Fund in the amount of up to 10% of the market value of the Fund's assets. The maturity of loans and other liabilities taken on behalf of the Fund may be no more than three months. It is not allowed to give out loans on behalf of the Fund.
- 4.15 In addition to the investment restrictions set out above, the Management Company shall comply with all other limitations and requirements for diversifying risks provided for in legislation when investing the assets of the Fund. A short overview of the risks related to investing the Fund's assets has been provided in the Fund's prospectus.

## 5. Fund Units, the Rights and Obligations Attached to Units

- 5.1 A unit of the Fund (hereafter: "**Unit**") represents the unit-holder's share in the assets of the Fund. A Unit is an electronically registered security.
- 5.2 A Unit is divisible. The fractions of Units that emerge from dividing Units are rounded up to three decimal points. The following rules are applied for rounding: numbers NNN.NNN0 until NNN.NNN4 are rounded to NNN.NNN and numbers NNN.NNN5 to NNN.NNN9 are rounded to NNN.NN(N+1).
- 5.3 The Fund has two classes of Units:
- a) Avaron Eastern Europe Fixed Income Fund A, nominal value 10 EUR (hereafter "**A Unit**")
  - b) Avaron Eastern Europe Fixed Income Fund B, nominal value 10 EUR (hereafter "**A Unit**")
- 5.4 The register of Units is kept by Swedbank AS (hereafter: "**Registrar**"), register code 10060701, registered address Liivalaia 8, 15040 Tallinn, Estonia.
- 5.5 The agreement and data processing rules agreed between the Management Company and the Registrar shall be applied to keeping the register of Units, making entries into the register, maintaining register data and the liability of the Registrar. The Registrar shall issue an excerpt relating to the Units held by the unit-holder at the request of the

unit-holder. The processing of the register data shall be done electronically. The Registrar shall make an entry into the register based on an order issued by an entitled person (unit-holder, unit-holders' representative, Management Company). Judicial decision or another basis accepted by the Registrar and the Management Company may also form the basis for an entry. The Registrar shall retain the data and documents received for making a register entry for at least ten years from making the entry.

5.6 A Unit does not grant to unit-holder the right to make decisions regarding the transactions made on behalf of the assets of the Fund. The unit-holders of the Fund do not hold general meetings. No unit-holder is entitled to demand termination of the community of unit-holders.

5.7 A unit-holder is entitled to do the following:

- a) to demand that the Management Company redeem the Units pursuant to the provisions of the Fund Rules and legislation;
- b) to transfer Units held by the unit-holder to third parties;
- c) to receive, pursuant to the Fund Rules, a share of the assets remaining upon liquidation of the Fund and of any distributions made from the Fund in proportion to the number of Units and the class of Units held by the unit-holder;
- d) to access at the location of the Management Company the Fund Rules, the Fund's most recent annual or semi-annual report, the prospectus of the Units, simplified prospectuses and other documents and information regarding the activities of the Fund as provided for in the legislation;
- e) to demand a document certifying the unit-holder's ownership of Units;
- f) to perform other acts prescribed by legislation or the Fund Rules.

5.8 A unit-holder must exercise the rights attached to Units in good faith and in accordance with legislation and the Fund Rules. The objective of exercising the rights by a unit-holder must not cause damage to other unit-holders, the Management Company, the Depositary or third party.

5.9 Obligations of a unit-holder:

- a) A unit-holder is not personally liable for the obligations of the Fund assumed by the Management Company on behalf of the Fund nor for the obligations of the performance, which the Management Company has the right to demand pursuant to the Fund Rules. A unit-holder's liability for performance of such obligations is limited to the unit-holder's share in the Fund's assets.
- b) The Management Company shall not assume obligations on behalf of unit-holders.
- c) In order to satisfy a claim against a unit-holder, a claim for payment may be made against the Units of the unit-holder but not against the assets of the Fund.
- d) All unit-holders are recommended to consult with a professional tax advisor with regards to potential tax liabilities.

5.10 The right of ownership of Units and the rights and obligations of a unit-holder and of the Management Company attached to a Unit shall enter into force when a relevant entry is made in the register of Units. By submitting the declaration of intention for acquiring Units, the unit-holder grants permission for processing the data (including personal data) related to him or her, within the scope necessary for keeping the register of Units.

## **6. Calculating Unit's Net Asset Value**

6.1 The Management Company shall calculate the net asset value of the Fund and of a Unit based on the provisions of the internal rules and legislation.

6.2 In order to determine the net asset value of the Fund, the value of the liabilities of the Fund is deducted from the value of the assets of the Fund. The value of the assets of the Fund is determined primarily based on their market value. If market value cannot be established, the value of the assets of the Fund is determined based on another method for establishing fair value as set out in Avaron internal rules. The total net asset value of a class of Units shall be determined by deducting the value of the liabilities of the Fund attributable to that class of the unit from the value of the Fund's assets attributable to that class.

6.3 The net asset value of a Unit is determined by dividing the total net asset value of a class of Units by the number of Units of that class that has been issued and not redeemed (adjusted by the number of Units from unsettled subscription and redemption orders that have been received by the Management Company).

- 6.4 The Management Company shall calculate and publish the net asset value of the Fund, and the net asset value, the subscription and the redemption price of a Unit at least once for each banking day on the following banking day no later than 4.30 PM. A Unit's net asset value, issue and redemption price shall be rounded up to four decimal points.
- 6.5 In case an event or a fact occurs or becomes evident after the net asset value of the Fund or the Unit has been calculated and if such event or fact substantially affects the net asset value of the Fund and the Unit based on the professional judgement of the Management Company, the Management Company has the right to re-calculate the market value of the Fund's assets and the net asset value of the Fund and the Unit if not doing so would harm the interests of unit-holders.
- 6.6 The presentation currency of the Fund's financial statements and of the calculation of the net asset value shall be the official currency of Estonia. The net asset value of a Unit shall be published in the denomination currency of the relevant Unit.
- 6.7 The income of the Fund shall not be distributed to unit-holders but shall be reinvested. Unit-holders' profit or loss shall be reflected in the changes of a Unit's net asset value.

## 7. Issue and Redemption of Units

- 7.1 The issuer of Units is the Management Company.
- 7.2 The time period for issuing Units is not restricted. The size of the issue or the number of Units to be issued shall not be fixed.
- 7.3 A Unit shall be issued only upon a monetary payment into the assets of the Fund, corresponding to the number of Units to be issued and a Unit's net asset value. When issuing a fraction of a Unit an amount corresponding to the fraction of a Unit's net asset value must be paid into the assets of the Fund.
- 7.4 The procedure and deadlines relating to the issue of Units:
- a) Units are issued on every banking day.
  - b) The subscription fee of a Unit is up to 0.5% of the Unit's net asset value.
  - c) The minimum initial subscription amount of B Units is 1 million EUR. The Management Company is entitled to make exceptions for some investors from the minimum initial subscription amount of B Units at its sole discretion. There is no minimum subscription requirement in case of A Units.
  - d) In order to subscribe Units, an investor shall submit a subscription order to the Transfer Agent. A Unit shall be issued upon receiving the subscription amount by the Fund to its cash account on settlement date. The settlement date shall be first banking day from the Trade Date (T+1) unless the Management Company and the investor agree on a different settlement cycle. By submitting a subscription or switch order, an investor confirms that he or she has sufficiently acquainted himself or herself with the Fund Rules, accepts the Fund Rules and shall act in accordance with the Fund Rules.
  - e) The issue price of a Unit is equal to the net asset value of the respective Unit that is calculated as of the day of receiving the subscription order (hereafter: "**Trade Date**") to which the subscription fee may be added.
  - f) The Management Company is entitled to decline from executing a subscription order or a switch order for acquisition of Units, if the Management Company deems that it is necessary to protect the interests of existing investors of the Fund.
  - g) By submitting a subscription or switch order, an investor confirms that he or she has sufficiently acquainted himself or herself with the Fund Rules, accepts the Fund Rules and shall act in accordance with the Fund Rules.
- 7.5 The procedure and deadlines relating to the redemption of Units:
- a) The redemption fee of a Unit shall be equal to up to 0.5% of the Unit's net asset value.
  - b) In order to redeem Units an investor shall submit a redemption order to the Transfer Agent. Upon redemption of Units a monetary payment corresponding to the number of Units redeemed and the redemption price shall be made out of the assets of the Fund to the unit-holder's cash account. On the day of making the redemption payment (on settlement date) the Unit shall be deleted from the register and the rights and obligations attached to the Unit shall terminate.
  - c) The redemption price shall be fixed every Monday for the previous banking day (hereafter "**Redemption Date**"). If the Redemption Date is not a banking day the redemption price shall be fixed on the following banking day. The deadline for submitting the redemption order is on Monday, a week before the Redemption Date (hereafter "**Order Date**"). If the Order Date is not a banking day the deadline for the redemption order shall be the following banking



day. Settlement date shall be no later than the third banking day after the Redemption Date, (T+3) unless the Management Company and the investor agree on a different settlement cycle. The term for making the redemption payment does not include the time for executing the transfer by the beneficiary bank.

d) The redemption price of a Unit is equal to the net asset value of the Unit as of the Redemption Date from which the redemption fee may be deducted.

e) If one unit-holder's redemption request exceeds 5% or unit-holders' aggregated redemption request exceeds 20% of the market value of assets of the Fund on one Order Date, the Management Company has the right to pay the redemption amounts on the fifteenth banking day after the Redemption Date (T+15). In case the Management Company has decided to defer paying the redemption amounts submitted on that certain Order Date, it does not influence the redemption orders received on the following Order Date. These redemption amounts shall be paid out under normal circumstances (Article 7.5c) provided that the facts described in this section are not repeated.

f) The Management Company is entitled to suspend the redemption of Units under the conditions and according to the procedures provided for in legislation. The Management Company is entitled to suspend the redemption of Units for up to three months if the cash available on the Fund's accounts is not sufficient for payment of redemption proceeds or if the regular management of the Fund would be harmed thereby and if the securities and other assets of the Fund cannot be promptly sold or if such sale materially harmed the interests of other unit-holders. The Management Company shall promptly inform the Financial Supervision Authority, the Depositary and the financial supervision authorities of all the contracting states where the Units are offered of the suspension of the redemption of Units and the reasons for it. The Management Company shall promptly publish a notice concerning suspension of the redemption of Units on the website of the Management Company and in at least one daily national newspaper.

g) In case there is a need to liquidate Units (redeem) to cover the claims from reverse repurchase agreements entered into on behalf of the Fund, the redemption price shall be the net asset value calculated as of the day of the liquidation decision.

7.6 The Management Company is entitled to reduce or waive subscription and redemption fee at its discretion.

7.7 Subscription and redemption fees and all other expenses related to subscribing and redeeming Units shall be paid by the unit-holder. The valid rates of subscription and redemption fee are available in the prospectus of the Fund. On request, the Management Company shall issue a statement indicating the amount of subscription and redemption fees paid by a person acquiring or redeeming Units in a format which can be reproduced in writing.

7.8 If Units are kept in a nominee account, the owner of the nominee account shall submit orders to the Management Company for transactions on the nominee account. Transfers of securities and payments of cash shall be made to the nominee account and to the cash account of the owner of the nominee account. The transfers and payments to the investor's account shall be executed by the owner of the nominee account according to agreements with the unit-holder.

7.9 The procedure and deadlines relating to the switching of Units:

a) A unit-holder is entitled to switch the Units of the Fund for the units of another class of the Fund. B Units may be acquired through switch transaction provided that the value of the B Units owned by the unit-holder (including the B Units to be acquired through the switch transaction) shall be equal to or exceed 1 million EUR.

b) In order to switch Units the unit-holder shall submit a switch order to the Transfer Agent, Swedbank AS. Upon switching Units, no payments shall be made to the unit-holder. Based on the number of Units to be switched and their net asset value, Units shall be redeemed. Based on the net asset value of the Units to be acquired new Units shall be issued. Upon switching units, the net asset value of Units that shall be calculated as of the Trade Date shall be used. No subscription or redemption fees shall be charged when switching Units. The settlement date of the switch transaction shall be the third banking day from the Trade Date (T+3).

c) A unit-holder is not entitled to switch the Units of the Fund for the units of another fund managed by the Management Company.

7.10 An investor is not permitted to revoke or make changes to a subscription, redemption or switch order after submitting it. The investor who has submitted a subscription, redemption or switch order shall ensure that the conditions necessary for the settlement of the trade are fulfilled in time. Upon subscription of Units, the investor shall pay the subscription amount within the prescribed time limit to the Fund's cash account. In case of non-performance of the investor's duties, the Management Company is entitled to use any legal remedy prescribed in legislation (including the right of withdrawal from the transaction and claiming damages from the unit-holder that it has caused to the Fund and other unit-holders).

7.11 Additional details on making transactions with Units, including the cut-off times for submitting trade orders to the Management Company are available in the Fund's prospectus.

## **8. The Activities of the Management Company**

- 8.1 The bases of the activities of the Management Company are laid down with the articles of association of the Management Company, legislation and the Fund Rules.
- 8.2 The Management Company is entitled, in accordance to the Fund Rules, to dispose of and possess the assets of the Fund and has other rights arising therefrom.
- 8.3 The Management Company invests the assets of the Fund in its own name and on behalf of the unit-holders collectively, i.e. on behalf of the Fund.
- 8.4 Upon investing the assets of the Fund the Management Company shall:
- a) obtain sufficient information on the assets which the Management Company intends to acquire or has acquired on behalf of the Fund;
  - b) monitor the financial situation of the issuer whose securities the Management Company intends to acquire or has acquired on behalf of the Fund;
  - c) obtain sufficient information of the solvency of the persons with whom it transacts on behalf of the Fund.
- 8.5 The Management Company shall manage the assets of the Fund separately from its own assets, from the assets of other funds and pools of assets managed by the Management Company. The assets of the Fund do not form a part of the bankruptcy estate of the Management Company and the claims of creditors of the Management Company shall not be satisfied out of such assets.
- 8.6 The Management Company has the right and obligation to submit a claim in its own name on behalf of unit-holders or the Fund against the Depositary or other persons if failure to submit such claim will result or may result in significant damage to the Fund or its unit-holders. The Management Company is not required to submit such claim if the Fund or unit-holders have already submitted a claim.
- 8.7 The Management Company shall be liable for damage caused to the Fund or unit-holders by violation of its obligations.
- 8.8 The Management Company may acquire Units. Upon acquiring Units, the provisions set out in the Investment Funds Act shall be followed. Information regarding the size of the Management Company's ownership in the Fund is available at the location of the Management Company.
- 8.9 The Management Company has the right to outsource to third parties, for the purpose of better conduct of the Management Company's activities, the carrying out on behalf of the Management Company the following functions related to managing the Fund pursuant to the Investment Funds Act:
- a) investing the Fund's assets;
  - b) organising the issue and redemption of Units;
  - c) if necessary issuing evidence of title to the unit-holders of the Fund;
  - d) providing necessary information to the Fund's unit-holders and other customer services;
  - e) organising the distribution of Units;
  - f) keeping account of the Fund's assets and organising accounting;
  - g) determining the Fund's net asset value;
  - h) keeping the register of Units;
  - i) accounting for the Fund's income;
  - j) monitoring the compliance of the activities of the Management Company and the Fund with the Investment Funds Act and other legislation, including organising a relevant internal audit system;
  - k) other functions related to the functions referred to.

The Management Company's liability related to managing the Fund shall not be affected by the fact that the Management Company may have outsourced some of its functions to third parties.

## **9. Activities of the Depositary**

- 9.1 The Depositary shall safe-keep the cash, securities and other liquid assets of the Fund. The Depositary does not safekeep other assets of the Fund, unless it is agreed otherwise between the Management Company and the Depositary. The Depositary shall also carry out other duties entrusted to it by legislation.
- 9.2 The Depositary has the right, in accordance to the policies provided for in the depositary agreement, to enter into agreements for delegating to third parties the safekeeping of the Fund's assets, performing settlements therewith and fulfilling other functions.
- 9.3 The Depositary shall be liable for direct damages caused to the Fund, the unit-holders or the Management Company due to its non-performance.
- 9.4 The Depositary shall choose the third parties safe-keeping the Fund's assets or securities with due care to secure the reliability of such third parties. The Depositary shall assess before and following the delegation of its functions if the standards of administration and technological solutions and the financial situation of a third party are sufficient for performing the contractual obligations.

## **10. Fees and Expenses Paid by the Fund**

- 10.1 The Management Company shall be paid a fee for managing the Fund. The rate of the management fee shall be:
- a) A Units: up to 0.95% per year of the Fund's net assets.
  - b) B Units: up to 0.60% per year of the Fund's net assets.
- 10.2 The Depositary shall be paid a fee for its services. The maximum annual rate of the depositary fee is 0.24% of the Fund's assets. Value added tax shall be added to the abovementioned rate.
- 10.3 Management and depositary fee are accrued daily and paid out monthly for the previous month.
- 10.4 The Fund shall also pay the following expenses:
- a) expenses related to holding the Fund's assets and making transactions therewith such as brokerage fees, interest expenses, settlement charges and transaction fees;
  - b) expenses related to auditing the Fund;
  - c) fund administration fees to the service provider (the service includes keeping the Fund's accounts and calculating net asset value);
  - d) expenses related to keeping the register of the Units, based on the price list of the Registrar (including the Registrar's charges related to receiving and processing the subscription and redemption orders of the Units).
- 10.5 Total fees and expenses paid on behalf of the Fund may not exceed 5% of the weighted average market value of the Fund's assets per year.
- 10.6 All the other costs shall be paid by the Management Company.

## **11. Accounting and Reporting of the Fund**

- 11.1 The accounting and reporting of the Management Company and of the Fund shall be organised based on the Accounting Act, the Investment Funds Act, other legislation and the internal rules for accounting of the Management Company, unless provided otherwise by the Investment Funds Act.
- 11.2 The accounting of the Fund shall be organised by the Management Company.
- 11.3 The books of the Fund shall be kept separate of the books of the Management Company and of that of other funds.
- 11.4 The financial year of the Fund shall be the same as the financial year of the Management Company which matches the calendar year.
- 11.5 The Fund's annual and semi-annual report shall be approved by the management board of the Management Company. The reports shall be signed by all members of the management board of the Management Company.
- 11.6 The annual report of the Fund shall be audited before its approval. The auditor's report shall be attached to the Fund's annual report.
- 11.7 The annual reports of the Fund shall be made available at the Management Company's registered address four months after the end of the Fund's financial year, and semi-annual reports two months after the end of the half-year.

## **12. Releasing Information Concerning the Fund**

12.1 Any person has the right to access the following information and documents at the Management Company's registered address and at its web page:

- a) Fund Rules;
- b) The most recent annual report of the Fund;
- c) The most recent semi-annual report of the Fund, if it has been approved later than the most recent annual report;
- d) Prospectus and simplified prospectuses;
- e) Name and contact details of the Management Company;
- f) Name of the fund manager;
- g) Name and contact details of the Depositary;
- h) rules for calculating the net asset value of the Fund and the internal rules for making derivative transactions on the account of the Fund;
- i) information about the size of the Management Company's holding in the Fund;
- j) annual reports of the Management Company for the three most recent years.

On request, unit-holders shall receive a copy of the Fund Rules, the Fund's most recent annual or semi-annual report, the Prospectus and the simplified prospectuses free of charge.

12.2 The Management Company shall on each banking day release the net asset value, subscription and redemption price of the Unit at its web page.

12.3 In case circumstances that substantially affect the activities or the financials of the funds managed by the Management Company (including the Fund) or the net asset value of the Unit, should become evident, the respective information shall be published without delay at the web page of the Management Company.

12.4 The Management Company is entitled to send notices and reports relating to the Fund to a unit-holder's known mailing address or e-mail address.

## **13. Amending the Fund Rules**

13.1 The supervisory board of the Management Company may adopt a decision to amend the Fund Rules.

13.2 Following the registration of the amendments by the Financial Supervisory Authority, the Management Company shall without delay publish a notice regarding amending the Fund Rules in at least one daily national newspaper and at the web page of the Management Company.

13.3 The amendments to the Fund Rules shall take effect in one month after publishing the corresponding notice unless the notice prescribes a later date.

## **14. Liquidation of the Fund**

14.1 Liquidation of the Fund shall be effected in the cases and according to the procedures provided for in the Investment Funds Act.

14.2 Liquidation of the Fund shall be decided by the supervisory board of the Management Company. In the cases provided for in the Investment Funds Act, the Depositary can act as the liquidator.

14.3 Subsequent to obtaining approval for liquidation of the Fund from the Financial Supervisory Authority, the Management Company shall without delay publish a notice regarding the liquidation of the Fund in at least one daily national newspaper and at the web page of the Management Company.

14.4 Upon liquidation of the Fund the Management Company shall transfer the assets of the Fund as soon as possible and in accordance with the interests of the unit-holders, shall collect the debts of the Fund and satisfy the claims of the creditors of the Fund. The liquidation proceedings must be finished within six months starting from publishing the liquidation notice. The time period may be extended based on an authorisation by the Financial Supervisory Authority if requested by the Management Company; however, as a result of the extension, the period of liquidation must not exceed 18 months.

- 14.5 Up to 2% of the net asset value of the Fund may be used to cover the expenses of liquidation of the Fund. If the actual liquidation expenses exceed the specified amount, the Management Company or the person acting as the Management Company shall assume responsibility for the expenses exceeding the amount.
- 14.6 The Management Company shall distribute the assets remaining upon liquidation between unit-holders on the basis of the class, number and net asset value of Units owned by each unit-holder. The Management Company shall publish a notice concerning distribution of the assets subject to distribution in at least one daily national newspaper.



## Appendix 1 to Fund Rules of Avaron Eastern Europe Fixed Income Fund

### List of financial indices that are allowed as underlying instruments for derivatives into which the Fund's assets may be invested

Name of the Index	Description
Markit iTraxx	Tradable synthetic credit risk index (CDS)
Markit iTraxx SovX	Tradable synthetic credit risk index (CDS)
Markit iBoxx	Fixed income index

### List of interest rates that are allowed as underlying instruments for derivatives into which the Fund's assets may be invested

Maturity	Name of the Interest Rate	Description
3M, 6M, 12M	Euribor	Euro Interbank Offered Rate
2YR, 5YR, 10YR, 30YR	Euro Schatz, Bobl, Bund, Buxl	German Eurobond interest rate
90 days	US T-bill	US short-term bond interest rate
2YR-10YR	US T-note	US bond interest rate
15YR	US T-bond	US min 15-year bond interest rate
1M, 3M	WIBOR	Polish money market interest rate
1YR, 3YR, 5YR, 10YR	Poland government bond	Polish government bond interest rate
1M, 3M	PRIBOR	Czech money market interest rate
1YR, 3YR, 5YR, 10YR	Czech Republic government bond	Czech government bond interest rate
1M, 3M	BUBOR	Hungarian money market interest rate
1YR, 3YR, 5YR, 10YR	Hungarian government bond	Hungarian government bond interest rate
1M, 3M	MOSPRIME	Russian money market interest rate
Yield curve	Euro Swapnote	Euro swap interest rate
Yield curve	USD Swapnote	USD swap interest rate
Yield curve	PLN Swap	PLN swap interest rate
Yield curve	HUF Swap	HUF swap interest rate
Yield curve	CZK Swap	CZK swap interest rate
Yield curve	TRY Swap	TRY swap interest rate
Yield curve	RON Swap	RON swap interest rate
Yield curve	BGN Swap	BGN swap interest rate
Yield curve	HRK Swap	HRK swap interest rate
Yield curve	RUB Swap	RUB swap interest rate

### List of currencies that are allowed as underlying instruments for derivatives into which the Fund's assets may be invested

EUR, USD, GBP, JPY, CHF, SEK, LVL, LTL, PLN, HUF, CZK, TRY, RUB, RON, BGN, RSD, MKD, BAM, HRK, UAH, KZT