



**PAREX BALTIC SEA EQUITY FUND
SIMPLIFIED PROSPECTUS**

1. Headline	
<i>Prospectus' publishing date</i>	The date of approval with the Republic of Lithuania Securities Commission
2. Short description of the Fund	
<i>Name of the investment fund</i>	Parex Baltic Sea Equity Fund
<i>Licence</i>	Approved by the Securities Commission of the Republic of Lithuania on July 8, 2004.
<i>Legal form</i>	Investment fund without the rights of a legal person
<i>Operating duration</i>	Unlimited
<i>Name of the Management Company:</i>	UAB „Parex investicijų valdymas” (hereinafter, the Management Company)
<i>Custodian</i>	AB “Parex Bankas”
<i>Name of the Auditor</i>	UAB „Ernst & Young Baltic”
<i>Names of Distributors</i>	UAB „Parex investicijų valdymas”; AB “Parex bankas”
<i>Financial group</i>	Parex group
3. Information about investments	
<i>Fund's type</i>	Equity fund (hereinafter – the Fund)
<i>Base currency of the Fund</i>	The Fund's base currency is the monetary unit of the Republic of Lithuania - Lithuanian litas. If another currency is ever adopted as the national currency in the territory of the Republic of Lithuania, the Fund's net assets will be re-valued to the new currency at the official exchange rate determined for the date of introduction of the new currency.
<i>Investment specialisation</i>	The Fund will limit its operations with a geographical zone investing only in the Baltic sea countries.
<i>Short description of the Fund's objectives</i>	The purpose of the Fund's activities is to achieve long-term capital growth by investing the Fund's assets in the securities markets of the Baltic Sea countries in accordance with the Fund rules and effective normative acts. The main investment object is equity securities (stocks). In order to ensure stable return and to decrease the degree of investment risk the Fund's assets can be invested also in debt securities (bonds), as well as other financial instruments, changing the structure of portfolio in accordance with the Fund rules and effective normative acts of the Republic of Lithuania.
<i>Investment strategy</i>	The Fund's property may comprise only:
<i>Investment objects</i>	1. securities and money market instruments traded in markets which, pursuant to the Republic of Lithuania Securities Market Law, are regulated and operate in the Republic of Lithuania or in a Baltic Sea country that is a member of the European Union,;

	2. securities and money market instruments that are not traded in the Republic of Lithuania, but are traded in another Baltic Sea country's regulated market, which operates in accordance with approved regulations, in an open and publicly accessible market (where such market is a Baltic Sea country that is not an EU member, it is provided for in the Fund Rules: Oslo Stock Exchange, Norway, and Moscow Inter-bank Currency Exchange, RTS Stock Exchange, Russia).
	3. new securities to be issued that are not traded in the regulated market, if their terms of issue provide an obligation to include these securities in the official list of the stock exchange or in the trading list of a regulated market and if securities to be issued shall be included in this list not later than within a year after registration of the issue (where such stock exchange or market is registered in a Baltic Sea country that is not a member of the European Union, it is provided for in the Fund rules: Oslo Stock Exchange, Norway, and Moscow Inter-Bank Currency Exchange, RTS Stock Exchange, Russia).
	4. Investment units or shares of other collective investment subjects referred to in the Fund Rules;
	5. Term deposits with maturity less than 12 months and on-demand deposits with credit institution registered in the Republic of Lithuania, a Baltic Sea country (if a Baltic Sea Country is not an EU member – under provision that prudential supervision of such subjects shall be at least as strict as in the European Union);
	6. Derivatives specified in the Fund Rules;
	7. Money market instruments specified in the Fund Rules;
	8. other securities and (or) money market instruments if not more than 10 percent of the net assets has been invested in such securities and (or) instruments.
<i>Allowance of derivative transactions</i>	In order to hedge risk related to possible negative market movements or, in order to increase portfolio's return, it is allowed to invest in derivatives.
<i>The possibility that portfolio structure or investment strategy will result in large volatility in asset value</i>	The Fund's property can be invested only in liquid securities which are regularly traded in organised markets. Nevertheless, there is a small possibility that fluctuations of the Fund's net asset value will be substantial (especially if there are sharp market fluctuations).
<i>Information about the Fund's management methods</i>	The Fund's portfolio is often adjusted in view of changes in securities and capital markets.
<i>Profile of a typical investor</i>	We recommend the Fund to investors with little or some experience with investments in securities markets, who are inclined to take on more than a minimum degree of risk, thus, the recommended investment horizon is more than one year.
4. Risk characteristics of the Fund:	<p>The value of the Fund's investment certificates can increase as well as decrease, and no guarantee can be provided that an investor will receive back the amount of initially invested capital.</p> <p>Detailed description of the below risks is provided in the full prospectus.</p>

Risk factors

Specific risks:

Market volatility risk

Market volatility risk – the basic risk, the possibility that SC price or price of other financial instruments will increase or decrease thus affecting the Fund’s return.

Credit risk

Credit risk – that means that SC included in the Fund’s investment portfolio, issuer, or the counterparty acting on behalf of the Fund partially or fully defaults on his liabilities (for example, the Company is not capable to repay its bonds upon maturity).

Counterparty and settlement risk

Counterparty and settlement risk means that there is a possibility that a party to a transaction will fail to fulfil its liabilities on time or fully, will not make SC or money transfer, due to default of the counterparty.

Market liquidity risk

Market liquidity risk – there is a possibility that due to low market liquidity the Fund will not be able at any time to sell assets of the Fund for a fair price, or will not be able to sell them at all, thus incurring a loss.

Exchange rate fluctuations

Risk of exchange rate fluctuations relates to the possibility that due to exchange rate fluctuations the value of investments in foreign currency will deteriorate. There is a certain risk of loss if the LTL rate against the base currency was changed or transfer to another base currency was made. There is also a risk related to the introduction of the euro.

Deposit rates change risk

Changes in deposit rates can directly affect the value of SC in the Fund’s portfolio. Risk of changes in deposit rates can be reduced by the use of derivatives or by immunization of the portfolio.

General risk factors

Issuer’s default risk

Issuer’s default risk can arise due to specifics of issuer’s operations and/or successful/unsuccessful performance that can influence the price of issued SC.

Inflation risk

Inflation risk means that the growth in the Fund’s assets can diminish due to inflation.

Political/country risk

Political/country risk means that there is a possibility that in the country in which the Fund's assets are invested there are negative changes in growth and/or negative events (of political, economic and legal nature, uprisings, war) that may affect investment management.

5. Historical performance

Net asset value

Please note that the Fund has been in operation for less than a year.

According to operative un-audited financial statements for 2004, the Fund’s net asset value as of December 31, 2004 was LTL 5,213,624.3657, but the Fund’s net asset value per investment certificate was LTL 106.84444.

The Fund's historical performance does not guarantee similar performance in the future.

<i>Annual net investment income</i>	Over the period from July 8, 2004 to December 31, 2004 investment income was 4.08 % of the investment amount, i.e., LTL 170,066.00.
<i>Please specify (if any) sales and redemption commissions, which are taken into account in calculation of investment income, thus reducing the actual investment income for the client</i>	Commission for the distribution is included in the price of investment certificates sold, thus, commission for the distribution is taken into account in calculation of the investment income. No commission for redemption is charged. Thus, investment income attributable to the client is not reduced.
<i>Does the Fund capitalise or distribute the profits?</i>	The profits earned by the Fund are capitalised.
6. State tax policy relating to the Fund	
<i>Tax regime, rates</i>	The Fund is not a legal person, therefore, it does not pay taxes applicable to legal persons.
<i>Please specify if the investors will have to pay taxes from distributions from the Fund and from capital growth</i>	Upon redemption, resident investors (natural persons) pay 15 percent of the increase in value of investment certificates. However, this tax is applicable to those investment certificates whose redemption is requested sooner than 366 days from their acquisition. Upon redemption, non-resident investors (natural persons) do not pay tax on the increase in value of investment certificates. Where the Investor is a resident in country with whom the Republic of Lithuania has entered into an Agreement on the prevention of double taxation and tax avoidance, the rates and conditions prescribed in such agreement shall be applicable. Investors (legal persons), both residents and non-residents, shall pay all mandatory taxes applied to legal persons. The tax is declared and paid after the end of the calendar year. The Fund's investors themselves shall be responsible for correct declaration and payment of applicable taxes. Application of taxes to income and capital growth incurred by an Investor, natural person, may vary depending on the personal circumstances of such investor and (or) location where the capital is invested, therefore, whenever an Investor is in doubt about his tax situation, he should seek professional advice or information from the local organisations.
7. Expenses <i>Previous year's total expense ratio as a percentage from NAV</i>	0,74 % In calculation of this ratio for the Fund, all expenses and taxes paid directly by investor are not taken into account.
<i>Previous year's expenses that are not taken into account when calculating the total expense ratio for the Fund, and their magnitude</i>	1. Transaction expenses – 0.47% of the average net asset value per year; 2. Distribution fee – 0.26% of the net asset value per year.
<i>Portfolio turnover ratio</i>	0,15 This ratio describes the activity of instruments forming the Fund's trading portfolio, thus – the higher the ratio, the higher transaction expenses are incurred by the Fund.
<i>Distribution and redemption commissions as well as other expenses covered directly by an investor</i>	The Distribution fee shall not exceed 5 percent of the amount invested in the Fund by an investor. Specific distribution fees are decided by the Executive Board of the Management Company. When submitting the application for redemption of investment certificates, participant does not pay any other commissions for the sale of investment certificates. There are no other direct expenses.
<i>Expected cost structure</i>	Commissions Maximum amount

	<p>Determined amount</p> <p>Fund management fee 2 percent of the average net asset value per year 2 percent of the average net asset value per year</p> <p>Commission for distribution of the investment certificates 5 percent of the amount invested</p> <ol style="list-style-type: none"> 1. If the value of investments is from LTL 1000.00 (one thousand litas) to LTL 50000.00 (fifty thousand litas) – 2 percent from the Fund’s value. 2. If the value of investments is from LTL 50000.00 (fifty thousand litas) to LTL 100000.00 (hundred thousand litas) – 1.5 percent from the Fund’s value. 3. If the investment value exceeds LTL 100,000.00 (hundred thousand litas) – 1 percent of the Fund’s value – fee for the services of the Custodian; <p>Fee for the services of the Custodian 0.5 percent of the average net asset value per year</p> <ol style="list-style-type: none"> 1. 0.15 percent per year if the Fund’s NA value is from 0 to 2,500,000 LTL; 2. 0.125 percent per year from the Fund’s NA value if it exceeds 2,500,000 LTL; 3. Minimum fee to the Custodian for custody of the Fund's property shall be 1,000 LTL. <p>Fee for intermediation services 1 percent of the amount of transaction</p> <ol style="list-style-type: none"> 1. 0.2 percent for purchases-sales of the Republic of Lithuania securities, but not less than 15 LTL. 2. 0.35 percent for purchases-sales of other securities, but not less than 15 LTL. <p>Fee for the services of the Fund’s auditors 0.75 percent of the average net asset value per year 0.26 percent of the average net asset value per year</p>
8. How to purchase, sell securities	
<i>Minimum amount of investment</i>	1 000 LTL
<i>Commission payable by Investors for purchase and sale of securities</i>	The Fund’s investment certificates are sold for the Fund's NA value, applying no more than a 5% fee from the amount invested for distribution expenses. The exact amount of the fee to the Distributor is specified in the Distribution Agreement between the Management Company and the Distributor. If the Management Company performs the distribution of the Fund’s investment certificates, specific amount of the fee, which may not exceed 5 percent of the amount invested, is determined by the Executive Board of the Management Company. The fee for distribution of investment certificates is described in Article 7 of the Prospectus.
9. Additional important information	
<i>Is it possible to switch from one fund to another managed by the same Management Company?</i>	Participant can not switch to another fund, because the Management Company does not administer other collective investment subjects (funds).
<i>How, where and how often is purchase</i>	The price of the Fund’s investment certificates is disclosed every

<i>(sales) price, net asset value per investment certificate disclosed?</i>	time when they are sold or redeemed, but at least twice a month. The value of a Fund's investment certificate is disclosed on each business day until 17.00 in a website with the address www.parex.lt .
<i>Management Company's contact information</i>	UAB „Parex investicijų valdymas” K.Kalinausko street 13, LT-03107 Vilnius Tel.: +370 5 2649730
<i>Custodian's contact information</i>	AB “Parex Bankas” K.Kalinausko street 13, LT-03107 Vilnius Tel.: +370 5 264 97 30
<i>Distributors' contact information</i>	UAB „Parex investicijų valdymas” K.Kalinausko street 13, LT-03107 Vilnius Tel.: +370 5 2649730 AB “Parex Bankas” K.Kalinausko street 13, LT-03107 Vilnius Tel.: +370 5 2664600 Gedimino pr. 26, LT-01104, Vilnius Tel.: +370 5 266 48 05 Geležinkelio street 6, LT-02001, Vilnius Tel.: +370 5 213 54 54 Sausio iela 13-osios 2, LT-04343 Vilnius Tel.: +370 5 270 52 75 Savanoriu pr. 16, LT-03116, Vilnius Tel.: +370 5 235 40 33 Konstitucijos pr. 16, LT-09308 Vilnius Tel.: +370 5 273 05 34 Dariaus ir Gireno/Savanoriu street 3/1, LT-62137, Alitūs Tel.: +370 315 55 560 K.Donelaičio street 24, LT-44239, Kaunas Tel.: +370 37 40 93 00 Danes street 21, LT-92111, Klaipeda Tel.: +370 46 39 73 00 Danes street 15, LT-92117, Klaipeda Tel.: +370 46 397 300 Vilniaus street 114a, LT-76290, Šiauliai Tel.: +370 41 59 66 04 Vilniaus street 8, LT-76290, Šiauliai Tel.: +370 41 52 59 62
	Stoties street 42, LT-35106, Panevežis Tel.: +370 45 50 116 22 Ukmerges street 23, LT-35177, Panevėžis Tel.: +370 45 57 01 73
<i>Auditor's contact information</i>	UAB „Ernst & Young Baltic” Subačiaus street 7, LT-01127 Vilnius Tel.: +370 5 274 22 00
<i>Supervisory institution's contact information</i>	Securities Commission of the Republic of Lithuania Konstitucijos pr. 23 B korp., LT-08105, Vilnius Tel.: +370 5 2725091
<i>The Fund has been in operation since</i>	August 25, 2004
<i>Delegation of administration functions</i>	The Management Company delegates the functions to administer personal accounts of the Fund's investors to AB “Parex Bankas”.
10. Information about the place and time of availability of the prospectus, registration documents, annual and semi-annual reports and information about the subject of collective investments (the fund)	
<i>Reporting to investors</i>	Upon investor's request, prior to and upon signing of the contract, investor receives, free of charge, full prospectus as well as annual and semi-annual reports. A copy of the simplified prospectus is provided, free of charge, to the buyer of the Fund's investment certificates prior to signing the contract.
<i>Place</i>	K.Kalinausko street 13, LT-03107 Vilnius

<i>E-mail address</i>	invest@parex.lt
<i>Internet address</i>	www.parexinvest.lt and www.parex.lt
<i>Time</i>	The Prospectus, registration documents, annual and semi-annual financial reports and other information about the Fund is available at the registered office of the Management Company in K.Kalinausko street 13, Vilnius during business hours from 9.00 to 15.00.
<i>Information about the possibility to receive additional explanations</i>	K.Kalinausko street 13, LT-03107 Vilnius Tel.: +370 5 2649730 +370 5 2649735
<i>Additional services to investors</i>	Consultations

President Renata Bagavičiene

Danute Griežiene
