



IMJSC "Parex Asset Management"
Basteja boulevard 14, Riga, LV 1050, Latvia

Open-end investment fund
"Parex Balanced Fund"
SIMPLIFIED PROSPECTUS

Registered in Latvia with the Financial and Capital Market Commission:
The Fund was registered on August 30, 2002
The Funds' registration number: 11
Number of Certificate of Issue: 176

Amendments to the Prospectus:

Registered on March 13, 2003, effective as of April 14, 2003
Registered on June 4, 2003, effective as of June 5, 2003
Registered on January 20, 2004, effective as of January 21, 2004
Registered on August 19, 2004, effective as of September 19, 2004
Registered on December 2, 2004, effective as of December 2, 2004
Registered on December 21, 2004, effective as of January 21, 2005
Registered on February 17, 2005, effective as of February 17, 2005
Registered on August 19, 2005, effective as of September 19, 2005
Registered on December 8, 2005, effective as of December 9, 2005

Custodian: JSC "Parex Bank"

Auditor: SIA "Ernst & Young Baltic"

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

Basteja boulevard 14, Riga, LV 1050, Latvia
On business days from 10:00 to 18:00

Distributors of Investment Certificates:

JSC "Parex Bank"
Smilšu street 3, Riga, LV 1522, Latvia

The Financial and Capital Market Commission is not responsible for information stated in the Prospectus of the Fund, and the fact of registration does not express the opinion of the Financial and Capital Market Commission regarding the publicly issued securities.

Fund Manager (Investment management company), the Company

IMJSC “Parex Asset Management”
Basteja boulevard 14, Riga, LV-1050, Latvia

Custodian

JSC “Parex Bank”
Smilšu street 3, Riga, LV-1522, Latvia

Auditor

SIA “Ernst & Young Baltic”
Riga, Kronvalda boulevard 3, LV-1010, Latvia

Distributor of the Fund’s Certificates

JSC “Parex Bank”
Smilšu street 3, Riga, LV-1522, Latvia

Supervisory Authority

Financial and Capital Market Commission
Kungu street 1, Riga, LV-1050, Latvia

Investment Objective

The objective of the open-end investment fund “Parex Balanced Fund” is to achieve long-term capital growth by investing primarily in securities of European Union member countries and Eastern European countries – debt and equity securities issued or guaranteed by governments, central banks, financial institutions and corporations – as well as in short-term bank deposits.

The Fund’s investment portfolio is balanced between investments in debt and equity securities, thus ensuring high returns at the same time retaining investment security and protection against movements in the value of the Fund’s portfolio characteristic to investments in securities of a single class.

Investment Policy

The policy of the investment fund sets out the following investment portfolio allocation:

- Up to 85% of the Fund’s assets can be invested in debt securities issued or guaranteed by government, municipalities and credit institutions as well as debt securities issued by corporations;
- Up to 50% of the Fund’s assets can be invested in money market instruments issued or guaranteed by government, municipalities and credit institutions as well as money market instruments issued by corporations;
- Up to 50% of the Fund’s assets can be invested in equity securities issued by corporations;
- Up to 25% of the Fund’s assets can be invested in term deposits with credit institutions;
- Up to 10% of the Fund’s assets can be invested in investment certificates of open-end funds or similar collective investment undertakings or similar investment certificates (hereinafter, the investment certificates of investment funds).
- Up to 50% of the Fund’s assets can be invested in securities and money market instruments issued or guaranteed by issuers registered in the same country, including securities and money market instruments issued or guaranteed by this country’s government and municipalities;
- Up to 20% of the Fund’s assets can be invested outside the EU countries and the Eastern European countries.

The average maturity of the Fund’s investment portfolio is determined and from time to time adjusted by the Fund Manager, in line with interest rates and their changes in the market and in accordance with the Prospectus, the Fund Rules, and resolutions of the Executive Board of the Company.

Investor Profile

The Fund was set up for investors that are not familiar with capital market opportunities as well as for professional and experienced investors who wish to participate in the rapid development of the Eastern European economies. Such strategy comprises risk of issuer’s default, political risk, economic risk and currency risk that can adversely affect the value of investment certificates. In view of the Fund’s long-term strategy, it is recommended to invest with at least a 3-year investment horizon.

Investment-Related Risks

The operations of the Investment Fund involve risks that arise from various factors. Each type of risk can adversely affect the operational results of the Fund and, thus, the value of each of the Fund’s shares. The following risks must be distinguished in this respect:

Basic risk – Investors should be aware that the price of securities as well as income from securities is subject to fluctuations that directly affect the value of investment certificates owned by the investor.

Liquidity risk – refers to the ability at any point in time to dispose of (sell or liquidate) any of the Fund’s assets. If financial instruments or other assets can be sold or liquidated so that the average bid (in comparison to transaction volume in the particular market) does not create significant movements in price, this market can be regarded as liquid.

Investments in the Eastern European markets are subject to increased risk that markets for various assets are illiquid in the short-term. Consequently, a situation may occur that financial instruments or other assets cannot be sold or must be sold for a reduced value.

Issuer’s default risk – related to the securities issuer’s inability to fulfil its obligations against the securities holder. While planning the Fund’s investment policy the Company takes into account investment safety of each particular country, security and bank term deposit, i.e., analyses credit ratings of each country, bank or enterprise. Occurrence of this risk can create partial or full default on liabilities with respect to a particular financial instrument and affect the Fund’s net asset value and, thus, the value of each share of the Fund.

Legal or regulatory risk – risk of possible changes in national and foreign laws and regulations (including tax policy) resulting in additional expenses to the Fund.

Information risk – inaccessibility or lack of securities market information on issuer’s true condition.

As there may not always be a common standard for disclosure in the Eastern European markets, there is an increased risk that despite prudent management the Fund Manager may receive insufficient information and consequently take an adverse investment decision.

Financial risk – financial risk of Investment funds is primarily related to situations when, due to external factors beyond the Company’s control, Investors simultaneously request redemption of their investment certificates which results in decreased efficiency of the Fund’s operations.

Derivatives risk – Investors should be aware that investments in derivatives are subject to high risk. Liabilities or claims from such transactions may decrease or cease to exist. The risk of loss in certain situations may not be estimated and may exceed the value of collateral. If loans are used to cover liabilities arising from derivatives or if liabilities or claims from such transactions are denominated in foreign currency, the risk of loss may increase.

Derivatives transactions may result in insolvency and encumber the Fund’s properties, without the possibility to estimate losses in advance.

Main Foreign Investment Risks:

- **Political risk** – risk of investment countries’ involvement in military conflicts and war, as well as changes in political environment of investment countries, for example, forcible overthrow of government, coups. Such factors usually have a profound impact also on financial markets of the respective country and may affect the Fund’s operations;
- **Economic risk** – risk of changes in economic situation of investment regions, such as economic recession, excessive inflation, banking crisis, etc.;
- **Accounting risk and risk of double tax collection** – use of different accounting principles for securities accounting and registration systems in different countries may cause additional burdens on investments, such as higher tax rates being set for non-resident investments abroad; thus, the Fund’s property may be burdened more than if investments were made on the local market;
- **Currency risk** – as investments in the Fund are denominated in LVL, but the Fund’s assets are placed also in other currencies, there is a risk that foreign currency may fluctuate against the LVL.

See the full Prospectus for more detailed information about the risks.

Particular Risks Related to Investments in the Eastern European Countries

The Fund’s specialisation in investments in the Eastern European countries provides broad opportunities, but is subject to increased risks. Asset prices in markets and stock exchanges are rather volatile. Moreover, investments may also be subject to fluctuations of local currencies against the Fund’s base currency. Even with accurate securities markets information on the actual situation of the issuer, investments are still subject to certain credit risk. Political changes, restrictions on the currency exchange, supervision of stock exchanges, taxes, restrictions on foreign investor activities, income repatriation, placement of assets etc. may affect the Fund’s investment results.

Derivatives

To provide protection against the risk of fluctuations in market value of the Fund’s assets that may arise due to changes in asset prices or exchange rates, the Fund Manager has the right to invest in derivatives on the Fund’s account. Furthermore, the Fund Manager has the right to enter in derivatives transactions on the Fund’s account with the purpose to profit.

The Fund Manager can enter into repurchase (“repo”) agreements on the Fund’s account.

Taxes and Duties

The Company hereby gives a general survey of tax legislation effective as of the moment of registration of the Prospectus and bears no responsibility for procedures of tax application to each specific Investor. The Investor shall be aware that tax application depends on his country of residence. The Investor should contact a tax advisor to clarify questions concerning procedures of tax application.

Application of Corporate Income and Individual Income Tax

According to the Republic of Latvia normative acts, investment funds are not subject to corporate income tax, thus, no corporate income tax shall be levied on funds accumulated by Investors in the Fund and on property owned by the Fund.

The Investors shall independently pay their individual income tax or corporate income tax on the relevant part of income in accordance with procedures stated by the RL “Law on Individual Income Tax” and the RL “Law on Corporate Income Tax”.

According to Paragraph 19 of Article 9 of the RL “Law on Individual Income Tax”, no individual income tax is levied on income from the sale of investment certificates as of the moment of registration of the Prospectus.

According to Paragraph 8 of Part 1 of Article 6 and Paragraph 9 of Part 4 of the RL “Law on Corporate Income Tax”, no corporate income tax is levied on income from the sale of investment certificates as of the moment of registration of the Prospectus.

According to Part 4 of Article 3 of the RL “Law on Corporate Income Tax” and Paragraph 3 of Article 3 of the RL “Law on Individual Income Tax”, no corporate income tax or individual income tax is levied on non-resident income from the sale of investment certificates as of the moment of registration of the Prospectus.

Commissions

The Company shall receive a fee for the Fund’s management amounting to 1.5% of the Fund’s asset value. The fee is paid from the Fund’s property once a month no later than 3 business days after the end of each calendar month.

Beneficiary	Maximum Amount of the Fee
Company	1.50 % of the Fund’s average asset value per year
Custodian	<ul style="list-style-type: none"> • 0.15% of the Fund’s average asset value per year • Charge for transaction processing: LVL 3.00 per transaction
Auditor	Shall not exceed 0.10% of the Fund’s average asset value per year
Third parties (for holding of financial instruments, fee to the LCD, charge for including in and quoting of investment certificates on the lists of the stock exchanges, etc.)	In accordance with source documents and actual costs
<p>Total annual Fund management fees shall not exceed 3.0% of the Fund’s average asset value per year. The amount is determined pursuant to the European Commission Recommendation No. 2004/384/EC on the content of the simplified prospectus set out in Section C of Appendix 1 of the European Council Directive 85/611/EC, is in line with the definition of Total Expense Ratio, and does not include payments referred to in Paragraph 2.3 of the Prospectus.</p>	

In addition, the Fund shall pay fees to the Custodian and the Auditor.

More information about these and other potential costs on the Fund’s account is given in the full Prospectus.

Distribution of Investment Certificates

Applications for purchase of the Fund's investment certificates may be submitted at the Company's office at Basteja boulevard 14, Riga, LV 1050, tel. (+371) 7010810, fax (+371) 7010192 or by contacting the Distributor:

- JSC "Parex Bank", address: Smilšu Street 3, Riga, LV 1522
tel. (+371) 7010000, fax (+371) 7010001

as well as

- branches and customer service units of the JSC "Parex Bank". Addresses of branches and customer service units are available at the Company's office, by calling the JSC "Parex Bank", or on the bank's website: www.parex.lv.

The minimum investment in the Fund is 1 (one) investment certificate. The price of investment certificates is set in the Fund's base currency.

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

The Fund's net asset value as well as the Fund's share value is determined on each business day after 18.00. This information is available in the places of distribution of the Fund's investment certificates from 10.00 on the next business day.

Information about the sales price of investment certificates is available at the Company's office, or by calling the Company during its business hours. Such information is also available from the Distributors, at the stated Distributor's address, or by calling the Distributor.

Calculations of the sales price of investment certificates are based on the Fund's share value, which was determined on the day when the application for purchase of investment certificates of the open-end investment fund was received but which is published on the next business day. The Fund's net asset value is the value of the Fund's assets less the value of the Fund's liabilities. The Fund's share value is the Fund's net asset value divided by the number of investment certificates in circulation.

Redemption and Repurchase

The Company shall redeem investment certificates upon request from the Investor.

The Fund's investment certificates are redeemed at the price determined for the day when the Company or the Distributor has received and accepted the application for redemption of the open-end investment fund investment certificates. No commission is applied to the redemption of investment certificates.

If data of material importance for the valuation of investment certificates stated in the Prospectus and documents enclosed thereto is incorrect or incomplete due to the Company's fault, the Investor shall be entitled to demand that the Company repurchases his investment certificates and reimburses him for all losses incurred thereof.

Sales Commission and Redemption Fee

Sales commission is determined and paid to the Company to compensate the costs related to the issue of investment certificates.

The maximum commission paid to the Company shall be 3.0% of the Fund's share value.

No commission is charged for the redemption of investment certificates.

Disclosure of Information about the Fund's Share Value

The Company discloses information on the Fund's share value for the previous day on each business day at 10.00. The information can be obtained by calling the numbers stated in the Prospectus, as well as directly at the Company's office or from Distributors, as well as on the website of the JSC "Parex Bank": www.parex.lv.

Conditions for Suspension of Redemption and Repurchase of Investment Certificates

In case of extraordinary situation in financial markets (temporary shutdown of stock exchanges, banks, brokerages or any other reason preventing transactions in securities) or due to other events of uncontrollable nature, the Company may temporarily suspend trading in the Fund's investment certificates. The Company shall immediately inform every investor directly or shall publish announcement in one of the daily periodicals.

The redemption and repurchase of investment certificates may be suspended in cases when the Commission exercises its right to limit the Company's rights to manage the Fund's bank accounts, and in the event of liquidation of the Fund.

The redemption and repurchase of investment certificates is prohibited after the start of the Fund's liquidation. Upon liquidation of the Fund, claims of the Fund's creditors and Investors shall be satisfied in accordance with procedures prescribed by the law.

Distribution of the Fund's Income

Income received from the Fund's property is reinvested in the Fund.

The Investor participates in distribution of income derived from transactions with the Fund's property in proportion to the number of investment certificates owned.

The income of the Investor is reflected in the increase or decrease of value of the Fund's investment certificates. The Fund's share value is determined on each business day in accordance with the RL legal acts and provisions of the Prospectus and the Fund Rules.

The Investor can realise the income from the Fund's shares only by requesting the Company to redeem the security or by selling the investment certificate.

Performance of the Fund in 2003/2004

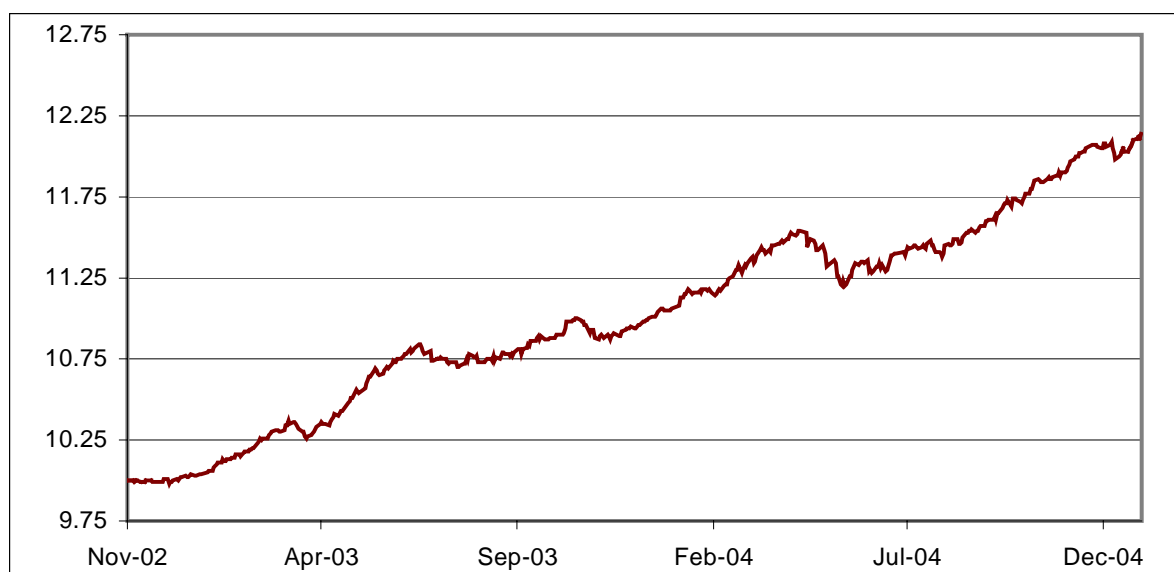
On December 31, 2004 the Fund's net asset value reached LVL 1,782,874, and the value of one investment certificate was LVL 12.14. During the year the Fund's assets more than doubled. Also, during the year the Fund's share value increased by LVL 1.08.

Financial Indicators

LVL	Dec 31, 2004	Dec 31, 2003	Dec 31, 2002
Fund's net asset value	1,782,874	749,201	270,315
Number of Investment Certificates	146,844	67,718	26,921
Value of an Investment Certificate	12.14	11.06	10.04

Dynamics of the Fund's Share Value

Period	2004	2003
Increase/ decrease in the share value	9.6 %	10.0 %



Historical performance of the Fund does not determine the Fund’s future performance. The historical dynamics does not guarantee similar dynamics in the future. The Fund’s net asset value can increase and decrease, and the Investor shall be aware that by investing in the Fund’s certificates he might receive back less than he invested.

General Information

The Full Prospectus, the Fund Rules, the annual and semi-annual reports of the Fund as well as other information on the Fund, the Company, and the Custodian is available free of charge at the office of the IMJSC “Parex Asset Management” at the following address: Basteja boulevard 14, Riga, LV 1050, Latvia, on business days from 10:00 to 18:00, or from the Distributors.