



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

**Open-end investment fund**  
**"Citadele Caspian Sea Equity Fund"**  
**FUND RULES**

The Fund is registered in the Republic of Latvia

Registered with the Financial and Capital Market Commission  
The Fund was registered on 19.01.2007.  
with the registration number 06.03.05.098/27

**Amendments to the Prospectus:**

Registered on 26.04.2007, effective as of 28.05.2007.  
Registered on 08.09.2008., effective as of 09.10.2008.  
Registered on 14.10.2008, effective as of 14.10.2008.  
Registered on 05.10.2009, effective as of 05.10.2009.  
Registered on 08.10.2009, effective as of 09.11.2009.  
Registered on 29.01.2010., effective as of 29.01.2010.  
Registered on 27.07.2010., effective as of 02.08.2010.  
Registered on 10.08.2010., effective as of 10.08.2010.

Custodian: JSC "Citadele banka"

Sworn Auditor: SIA "PricewaterhouseCoopers"

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

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

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

**Distributor of Investment Certificates:**

In Latvia: JSC "Citadele banka"  
Republikas square 2a,  
Riga, LV-1010, Latvia  
as well as branches and customer service units of the JSC "Citadele banka".

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**1. Information about the Fund**

Name of the Fund: Open-end investment fund "Citadele Caspian Sea Equity Fund"

**2. Information about the Company Managing the Fund**

Name of the Company: IMJSC "Citadele Asset Management"

Registered address: Republikas square 2a, Riga, LV 1010, Latvia  
Tel. (+371)67010810, fax (+371)67778622

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

Founded on: January 11, 2002

Common Registration Number: 40003577500

Licences: Licence for Investment Management Services Nr. 06.03.07.098/285  
Licence for Management of State Funded Pension Scheme Assets  
Nr.06.03.09.098/284

**3. Information about the Custodian**

Name of the Custodian: Joint Stock Company "Citadele banka"

Registered address: Republikas square 2a, Riga LV -1010, Latvia  
Tel. (+371)67010000, fax (+371)67010001

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

Founded on: June 30, 2010

Common Registration Number: 40103303559

Licences: Licence for Credit Institution Activities No.06.01.05.405/280

**4. General Principles and Procedures for Fund Management**

Investment fund "Citadele Caspian Sea Equity Fund" founded by the IMJSC "Citadele Asset Management" is a set of assets consisting of investments made against investment certificates, as well as of assets acquired from transactions with the investment fund's property and rights arising thereof.

"Citadele Caspian Sea Equity Fund", in accordance with the Republic of Latvia "Law on Investment Management Companies", is an open-end investment fund, and it operates in accordance with UCITS Directive 85/611/EC of December 20, 1985, taking into account amendments to the Directive 2001/107/EC and 2001/108/EC.

The investment fund is not a legal person.

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

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

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

The investment objective of the open end investment fund "Citadele Caspian Sea Equity Fund" is long-term capital growth from investments in shares of those issuers who are registered or whose main activities take place in the Caspian Sea Region. The fund's income will comprise share price increases and dividend payments.

„Citadele Caspian Sea Equity Fund“ is an open-end investment fund, thus, the Company shall redeem investment certificates upon request from the Investor.

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

The Company shall keep the Fund’s accounting separate from the accounting of the property of the Company and other funds managed by the Company.

## 5. Investment Restrictions

- 5.1. The Fund’s investments can be made in freely transferable securities and money market instruments that meet at least one of the following criteria:
- 1) They are included in the official or similar listings (hereinafter, the official listing) of stock exchanges located in Latvia, other member country, OECD countries or the Caspian Sea Region;
  - 2) They are traded on other regulated and openly accessible markets of financial instruments (hereinafter, the regulated market) that are located in countries referred to in Subparagraph 1 of Paragraph 5.1;
  - 3) They are included in the official listings of stock exchanges or are traded on regulated markets not located in countries referred to in Subparagraph 1 of Paragraph 5.1;
  - 4) They are not included in the official listings of stock exchanges or are not traded on regulated markets, but the rules governing the issue of such securities and money market instruments provide that an application will be made to include these securities or money market instruments in stock exchanges or regulated markets referred to in Subparagraphs 1, 2 or 3 of Paragraph 5.1, and that these securities will be included there within one year from the date when subscription to these securities or money market instruments began.
- 5.2. The Fund’s assets can be invested in money market instruments that are not traded on regulated markets if:
- 1) They are issued or guaranteed by Latvia, other member country or municipality of said countries, other country (in federal country – one of the members of federation) or international financial institution if one or several member countries are its members;
  - 2) They are issued or guaranteed by the central bank of Latvia, other member country or OECD member country, by the European Central Bank or the European Investment Bank;
  - 3) They are issued by a corporation whose securities are traded in accordance with Subparagraphs 1, 2, or 3 of Paragraph 5.1.
  - 4) They are issued or guaranteed by a credit institution which is registered in Latvia, other member country, or OECD member country, and which has the right to provide financial services in such countries.
- 5.3. Where the amount invested does not exceed 10% of the Fund’s assets, the Fund’s investments can be made in transferable securities and money market instruments other than those referred to in Paragraphs 5.1 and 5.2.
- 5.4. The Fund’s assets can be invested in investment certificates of investment funds registered in Latvia and other member countries.
- 5.5. The Fund’s assets can be invested in investment certificates of investment funds of countries other than those referred to in Paragraph 5.4 if these investment funds meet the following requirements:
- 1) They are registered in a country whose legal regulations provides state supervision over such undertakings equivalent to the supervision prescribed by the Law;
  - 2) Their principles of operation are analogous to the regulations on activities of open-end investment funds prescribed by the Law;
  - 3) They prepare and publish annual and semi-annual reports to make it possible to assess their assets, liabilities, income and activities during the reporting period.
- 5.6. The Fund’s investments in transferable securities or money market instruments of a single issuer may not exceed 5% of the Fund’s assets. This restriction can be increased up to 10% of the Fund’s assets, but in that case the aggregate value of investments exceeding 5% may not exceed 40% of the Fund’s assets.
- 5.7. The Fund’s investments in transferable securities and/or money market instruments of a single issuer can be increased up to 25% of the Fund’s assets if such transferable securities or money market instruments are issued or guaranteed by:
- 1) Latvia, other member country or municipality of said countries;
  - 2) OECD member country;
  - 3) An international financial institution, if one or more member countries are its members;

- 5.8. The Fund’s investments in transferable securities of a single issuer can be increased up to 25% of the Fund’s assets if they are debt securities issued by a credit institution registered in Latvia, other member country or OECD member country and if the terms of such debt securities provide that acquired funds will be invested in assets that during the entire duration of the debt security fully secure the liabilities arising out of such debt security, and such liabilities have priority fulfilment if the issuer becomes insolvent.
- 5.9. If the value of debt securities issued by a single issuer referred to in Paragraph 5.8 and owned by the Fund exceeds 5% of the Fund’s assets, the aggregate value of such securities exceeding 5% restriction may not exceed 80% of the Fund’s assets.
- 5.10. The Fund’s investments in a single credit institution may not exceed 20% of the Fund’s assets. Such restriction does not apply to on-demand claims against the Custodian.
- 5.11. Investment of the Fund’s assets in investment certificates of one or several open-end investment funds may not exceed 10% of the Fund’s assets.
- 5.12. The Fund’s assets can be invested in derivatives traded on markets referred to in Subparagraphs 1 and 2 of Paragraph 5.1 or derivatives traded over-the-counter that at the same time meet the following requirements:
  - 1) Their underlying security is a financial instrument referred to in the Prospectus, financial (security and interest rate) indexes, interest rates or currencies in which the Fund’s assets are invested or could be invested in future.
  - 2) Counterparty to an over-the-counter derivative transaction is a credit institution licensed in Latvia, other member country, or OECD member country.
  - 3) There is a credible and verifiable valuation of the over-the-counter derivative on daily basis, and at any time upon the Company’s initiative the derivative can be sold or liquidated at its fair value with a liquidating transaction.
- 5.13. Total risks arising from transactions with derivatives may not exceed the net value of the Fund’s investment portfolio, and, thus, the Fund’s overall risk exposure may not exceed 200% of the net value of the Fund’s investment portfolio. The Fund’s overall risk exposure arising from transactions with derivatives and the amount of loans referred to in Paragraph 3.5 of the Prospectus shall not exceed 210% of the net value of the Fund’s investment portfolio.
- 5.14. Risk exposure from transactions with over-the-counter derivatives may not exceed:
  - 1) 10% of the Fund’s assets if the counterparty is a credit institution licensed in Latvia, other member countries, or OECD member countries;
  - 2) 5% of the Fund’s assets in other cases.
- 5.15. Notwithstanding investment restrictions separately established in Paragraphs 5.6, 5.10, 5.13 and 5.14, the total Fund’s investments in transferable securities and money market instruments, the Fund’s deposits and derivatives transactions where the issuer, guarantor, attractor of the deposit, or counterparty is the same person may not exceed 20% of the Fund’s assets.
- 5.16. Investment restrictions separately established in Paragraphs 5.6, 5.7, 5.8, 5.9, 5.10, 5.11 and 5.14 cannot be aggregated, which means that the total Fund’s investments in transferable securities and money market instruments, investment funds deposits and derivatives transactions where the issuer, guarantor, attractor of the deposit, or counter-party is the same person may not exceed 35% of the Fund’s assets.
- 5.17. The Fund’s investments in separate investment objects may not exceed:
  - 1) 10% of the nominal value of shares (without voting rights) issued by a single issuer;
  - 2) 10% of total amount of debt securities issued by a single issuer and 25% of the same issue;
  - 3) 10% of the total value of money market instruments issued by a single issuer;
  - 4) 25% of investment certificates of a single open-end fund or collective investments undertaking.
- 5.18. All investments of the Fund’s assets under the Company’s management directly or indirectly may not exceed 10% of any of the following:
  - 1) Equity capital of a single issuer;
  - 2) Total number of voting rights of a single issuer.
- 5.19. The Fund’s assets may not be given out in loans or invested in real estate, precious metals and derivatives with precious metals as an underlying asset.
- 5.20. The Fund’s deposits with credit institutions are permissible if they are repayable on demand or they can be withdrawn before maturity and their maturity does not exceed 12 months.

## 6. Exceeding the Investment Restrictions

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

Investment restrictions referred to in Subparagraphs 2, 3 and 4 of Paragraph 5.17 can be exceeded at the moment of investing if at that moment it was not possible to determine or calculate the value or quantity of issued securities with inherent liabilities or the value or quantity of investment certificates in circulation.

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

## 7. Procedure for Investment Decisions

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

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

The Investment Committee shall review issues concerning the Fund's investment strategy and tactics and pass decisions thereof in the meetings of the Investment Committee which are held when necessary. The Investment Committee is empowered to pass resolutions if more than half of the members participate in the meeting. A resolution is passed if more than half of all members of the Investment Committee vote for it. Resolutions are prepared in writing and signed by all members of the Investment Committee that are present. If any of the present members of the Investment Committee vote against a resolution, he shall not be held responsible for it.

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

Any transaction with the Fund's property shall be based on an order from a member of the Investment Committee with acceptance from a person duly authorised by the Custodian. Where the order contradicts the law, regulations of the Commission, the Prospectus, the Fund Rules, or the Custody Agreement, the Custodian shall not execute this order.

## 8. Procedure for Servicing the Investors of the Fund

### 8.1. Availability of the Prospectus

The Prospectus shall become effective as of the day it is registered with the Financial and Capital Market Commission. The Prospectus is available and can be obtained free of charge in accordance with the procedure prescribed in Article 14 hereof.

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

### 8.2. Acceptance and Registration of Subscriptions for Investment Certificates

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

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

- JSC "Citadele banka" address: Republikas square 2a, Riga, LV 1010, tel. (+371)67010000, fax (+371)67010001

as well as

- branches and customer service units of the JSC "Citadele banka". Addresses of branches and customer service units are available at the JSC "Citadele banka", by calling the telephone numbers of the bank during its business hours, or on the bank's website: [www.citadele.lv](http://www.citadele.lv).

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

In order to apply for the Fund's investment certificates, an Investor shall open a financial instruments account with an account holder who is a member of the Latvian Central Depository (if the Fund's investment certificates are purchased in Latvia), or with an account holder who can ensure, through inter-bank or central depository correspondent relationships, that financial instruments are kept with the Latvian Central Depository.

An Investor shall fill out and submit to the Company or the Distributor an Application for Purchase of Investment Certificates of the Open-End Investment Fund. By signing the application the Investor certifies that he has read and understood the information contained in the Prospectus and the Fund Rules and that he agrees with their provisions.

In the Application for Purchase of Investment Certificates the Investor shall state the following:

- 1) For natural persons: Investor's name, surname, identity code (or date of birth if identity code has not been granted),  
Investor's name and registration number – for a legal person;
- 2) Address, phone and/or fax number of the Investor;
- 3) Investor's financial instruments account number in the country in which the Fund's investment certificates are distributed, and to which the acquired investment certificates should be transferred.
- 4) Number of the Investor's settlement account;
- 5) Name of the Fund and the ISIN code of the Fund's investment certificates;
- 6) Number of investment certificates subscribed or the amount of money to be invested.

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

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

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

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

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

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

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

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

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

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

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

The price for investment certificates shall be paid in the Fund's base currency. The base currency of IF "Citadele Caspian Sea Equity Fund" is Euro (hereinafter, EUR).

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

### 8.3. Issue of Investment Certificates

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

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

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

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

**The sale price of the investment certificate** consists of the Fund's share value and the sales commission. The sales price of the investment certificate shall be determined simultaneously with the Fund's share value.

**The Fund's share value** is the Fund's net asset value divided by the number of investment certificates in circulation.

**The Fund's net asset value** is the value of the Fund's assets less the value of the Fund's liabilities.

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

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

### 8.4. Certification of Ownership Rights on Investment Certificates

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

Relations between the Investor and his investment certificates account holder are regulated by the Agreement on Servicing of Securities Account concluded between the Investor and his financial instruments account holder. All expenses related to servicing of these accounts shall be borne by the Investor.

### 8.5. Information about the Distribution of the Fund's Income

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

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

### 8.6. Redemption and Repurchase of Investment Certificates

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

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

In the Application for Redemption of Investment Certificates the Investor shall state the following:

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

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

No commission is applied to the redemption of investment certificates.

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

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

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

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

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

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

The redemption price for investment certificates is paid in the Fund’s base currency.

Amounts related to the redeemed investment certificates are transferred to the investor’s settlement account after submission of application for redemption of the investment certificates of the open-end fund, not later than within six business days after receipt of the investment certificates in the Fund’s issue account with the Custodian. Where the Investor or Investors within 3 business days submit applications for redemption of investment certificates of the open-end investment fund that on aggregate exceed 10% of the Fund’s net asset value and their execution may substantially affect the interests of other Investors, the settlement period for redemption may be prolonged to ten business days. Derogation from the above terms is possible only on exceptional basis under conditions described in Paragraph 9.5 of the Prospectus which are related to exceptional circumstances when the redemption of the Fund’s investment certificates is suspended.

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

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

## **9. Calculation of the Fund’s Net Asset Value**

The Fund’s net asset value is the difference between the value of the Fund’s assets and liabilities. The Fund’s share value is the fund’s net asset value divided by the number of investment certificates in circulation. The number of investment certificates in circulation is the number of investment certificates issued less the number of investment certificates redeemed upon the investor’s request.

The Fund’s share value shall be determined on every business day after 17.30.

#### **10. Procedure for Liquidation of the Fund**

The liquidation of the Fund shall be conducted in accordance with the Law “On Investment Management Companies”.

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

The Company shall liquidate the Fund if:

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

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

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

During the liquidation it is prohibited to issue and to redeem investment certificates, and to distribute to the Investors the Fund’s income referred to in the Prospectus.

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

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

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

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

All payments to creditors and Investors shall be made in cash.

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

##### **11.1. Expiry of the Company’s Fund Management Rights**

The Company’s rights to manage the Fund expire:

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

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

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

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

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

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

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

The transfer of the Fund management rights is subject to permission of the FCMC. After the FCMC has granted permission, the Company shall submit for publication in the official periodical “Latvijas Vēstnesis” and in one daily newspaper an announcement about the transfer of the Fund management rights to another company, stating the name, registration number, registered address and location of the executive Board of the new company.

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

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

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

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

The Custodian shall make payments from the Fund’s account only upon instructions from the Company. The Custodian shall also be obliged to follow upon other instructions of the Company provided such instructions are not contrary to the RL laws, the Prospectus, the Fund Rules, and the Custody Agreement.

## **13. Fees Charged to the Fund**

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

The Company shall receive a fee for the Fund’s management amounting to 2.50% per year of the Fund’s asset value, as well as the sales commission for sales of investment certificates.

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

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

For custody of the Fund’s property and other Custodian’s duties the Custodian shall receive a fee 0.175% per year of the Fund’s asset value.

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

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

Total annual Fund management fees shall not exceed 5.0% per year 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 13.2 of the Fund Rules.

### 13.2. Other payments

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

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

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

Any person can freely access information about the Fund:

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

at the office of the IMJSC “Citadele Asset Management” with the address: Republikas square 2a, Riga, LV 1010, Latvia, Tel. (+371) 67010810, Fax (+371) 67778622 or at the office of the Distributor:

In Latvia: JSC “Citadele banka”  
 Republikas square 2a, Riga, LV-1010, Latvia  
 Tel.(+371)67010000  
 Fakss (+371)67010001

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

## 15. Procedure for Amendment of the Fund Rules

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

IMJSC “Citadele Asset Management”  
 Chairman of the Executive Board

\_\_\_\_\_ /R.Idelsons/

IMJSC “Citadele Asset Management”  
 Member of the Executive Board

\_\_\_\_\_ /E.Makarovs/