



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

**Open-end investment fund**  
**“Citadele Ukrainian Equity Fund”**  
**SIMPLIFIED PROSPECTUS**

The Fund is registered in the Republic of Latvia

Registered in Latvia with the Financial and Capital Market Commission:

The Fund was registered on 19.10.2007.  
with the registration number 06.03.05.098/39

Amendments to the Simplified Prospectus:

Registered on July 14, 2008, effective as of August 15, 2008  
Registered on October 14, 2008, effective as of October 14, 2008  
Registered on October 05, 2009, effective as of October 05, 2009  
Registered on October 08, 2009, effective as of November 09, 2009  
Registered on January 29, 2010, effective as of January 29, 2010  
Registered on July 27, 2010, effective as of August 02, 2010  
Registered on August 10, 2010, effective as of August 10, 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 “General information”).

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”.

**Fund Manager (Investment management company), the Company**

IMJSC “Citadele Asset Management”  
Republikas square 2a, Riga, LV 1010, Latvia

**Custodian**

JSC “Citadele banka”  
Republikas square 2a, Riga, LV-1010, Latvia

**Sworn Auditor**

SIA “PricewaterhouseCoopers”  
Riga, K.Valdemara street 19, LV-1010, Latvia

**Distributor of the Fund’s 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”.

**Holders of the Fund’s Investment Certificate Registry**

For <b>Class A</b> investment certificates	Latvian Central Depository
For <b>Class B</b> investment certificates	IMJSC “Citadele Asset Management”

**Supervisory Authority**

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

**Investment Objective**

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

**Investment Policy**

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

- Up to 100% of the Fund's assets can be invested in equity securities issued by corporations;
- Up to 20% of the Fund's assets can be invested in term deposits with credit institutions;
- Up to 20% of the Fund's assets can be invested in money market instruments issued or guaranteed by government, municipalities and credit institutions as well as debt securities and money market instruments issued by corporations;
- 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 securities (hereinafter, the investment certificates of investment funds).
- Not less than two thirds of the Fund's assets will be invested in equity securities issued by corporations which are registered or whose main economic activities take place in Ukraine.

**Investment certificate classes**

Investment fund's investors are offered class A and class B investment certificates. Investment certificates of the same class contain equal rights.

Assets of all classes are managed as a common portfolio. Class A and class B investment certificates have the same class currency – EUR. Both classes have the same fees to the Company, the Custodian and third persons.

The Registry holder for class A investment certificates is the Latvian Central Depository, the Registry holder for class B investment certificates is the Company.

Investment certificates that were issued prior to creation of different classes are hereafter regarded as class A investment certificates and retain all rights vested in them prior to creation of class division within the Fund.

Minimum investment in class A investment certificates is 1 investment certificate, in class B investment certificates – 50 000 EUR.

**Investor Profile**

The Fund was set up for professional and experienced investors as well as for those investors that are not familiar with capital market opportunities but whose purpose is to profit in the capital markets and who want to participate in the development of the economy of Ukraine. Such strategy comprises risk of issuer's default, political risk, economic risk and currency risk that can adversely affect the value of the Fund's shares or investment certificates. The long-term strategy of the Fund recommends a 5-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, 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 Ukrainian 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 Ukraine, there is an increased risk that despite prudent management the Fund Manager may receive insufficient information that results in 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.

**Fund management quality risk** – losses or unrealised profits that may arise as a result of the Fund manager's action or failure to act.

**Investors’ registry holding risk** – risk of loss of data or information during data entry, storage and processing due to arbitrary or negligent deviation from the normative requirements by employees of the Registry holder, due to errors in communication equipment or computer systems, etc.

**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 that investment countries get involved in military conflicts and warfare, as well as risk of major changes in political environment of investment countries, for example, military coup d’etat, overturns. Such factors usually have a major impact on financial markets of the respective country and, thus, on the Fund’s performance.
- **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** – this risk pertains to possible losses, which the holder of the fund’s investment certificates may incur due to adverse currency fluctuations. The base currency of the Fund is EUR, but the Fund's assets can be placed also in financial instruments denominated in other currencies, consequently, there is a risk of change in the value of foreign currency relative to the Fund's base currency.

#### **There are particular risks related to investments in Ukraine.**

In Ukrainian market there is particularly broad set of risks related to securities settlement and custody. These risks arise from the fact that securities are not in physical form, therefore, the only certification of the title to securities is a record in the issuer’s register of Shareholders. Industry best practices are still under development.

Asset prices in markets and stock exchanges are rather volatile. Moreover, investment performance may be affected by fluctuations of local currencies against the Fund’s base currency. Even with accurate securities market information which reflects the issuer's true condition investments are subject to a certain credit risk. Political changes, currency exchange restrictions, stock exchange regulations, taxes, restrictions of foreign investor activities, income repatriation, asset placement etc. can influence the Fund's investment performance.

#### **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 of the Republic of Latvia 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 30 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 Simplified 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 Simplified 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 Simplified Prospectus.

#### **Commissions**

Class A and class B investment certificates have the same amount of commissions.

The Company shall receive a fee for management of each class of the Fund’s assets amounting to 2,50% per year of the value of assets of the respective class. The fee is paid from the Fund’s assets of the respective class once a month no later than within 5 business days after the end of each calendar month.

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

<b>Beneficiary</b>	<b>Amount of the Fee</b>
Company	2.50 % per year from the value of the Fund’s assets of the respective class
Custodian	0.175% per year from the value of the Fund’s assets of the respective class Transaction processing fee in accordance with the bank's current pricelist The total fee to the Custodian shall not exceed 0.50% per year of the Fund’s average asset value per year
Sworn Auditor	Shall not exceed 0.10% per year from the average value of the Fund’s assets
Third persons	In accordance with source documents and actual costs
<b>Total annual Fund management fees shall not exceed 5.00% per year of the Fund’s average asset value per year.</b>	
The amount is determined pursuant to the European Commission April 27, 2004 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, taking into account amendments to the Directive 2001/107/EC and 2001/108/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.	

Payments to third parties comprise such payments as a fee for holding of financial instruments, charge for including in and quoting of investment certificates on the lists of the stock exchanges, etc.

When the Fund’s assets are invested in another fund’s investment certificates issued by the Company itself or by another company related to the Company through common management or control, or when



**Disclosure of Information about the Fund's Share Value**

The Company discloses information on the Fund's share values of each class 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 "Citadele banka": [www.citadele.lv](http://www.citadele.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.

Redemption and repurchase of investment certificates is prohibited after 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. Income is distributed in proportion to the number of investment certificates of each class issued in the respective day and the current price of investment certificates of each class.

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 of each class 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.

**Historical Performance of the Fund**

Year 2007 was the first operational year for the Fund, at the end of the year the Fund's assets was EUR 2,677,926. Fund's share value was EUR 10.28. During this period Fund's share value increased by 28 cents.

In year 2008 net assets of the Fund decreased and on December 28, 2008. net assets of the Fund was EUR 760,256.56. In year 2008 Fund's share value decreased by 83.93 % and on December 28, 2008 it was EUR 1.65.

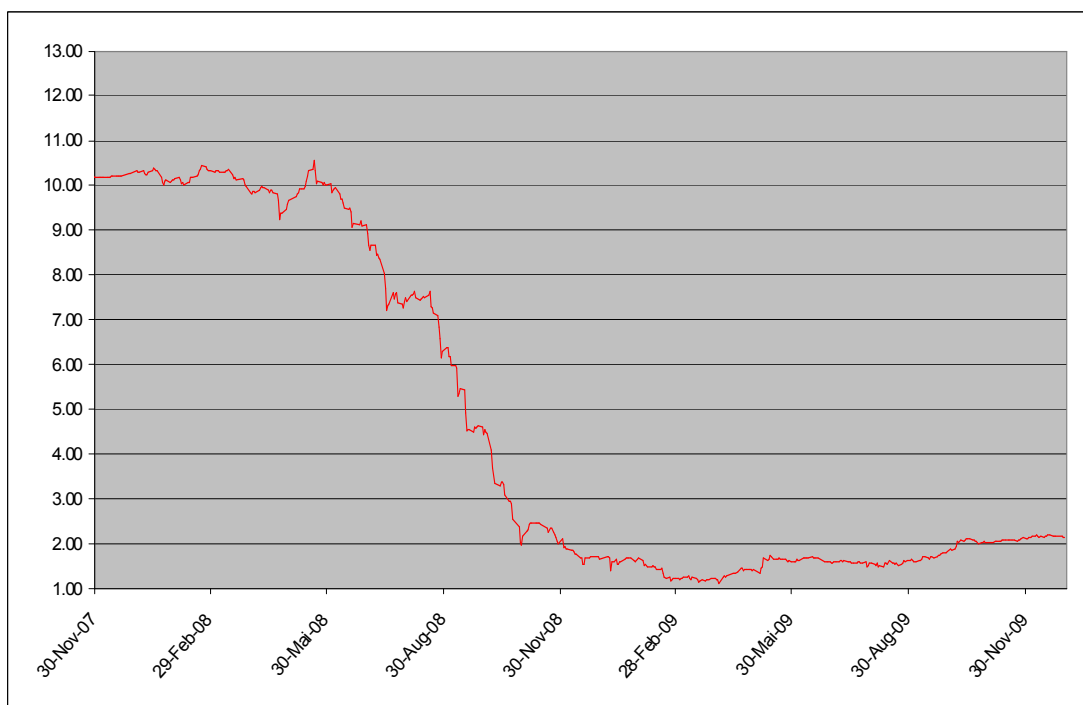
In year 2009 net assets of the Fund increased and on December 30, 2009 net assets of the Fund was EUR 724,188.07. In year 2009 Fund's share value increased by 29.70 % and on December 30, 2009 it was EUR 2.14.

**Financial Indicators**

EUR	30.12.2009	28.12.2008.	31.12.2007.
Net assets	724,188.07	760,256.56	2,675,925.57
Number of Investment Certificates	338,919.7000	461,191.0294	260,587.199
Value of an Investment Certificate	2.14	1.65	10.27

**Dynamics of the Fund's Share Value**

Period	Year 2009	Year 2008	Since inception (2007)
Increase/ decrease in the share value	29.70%	-83.93%	-51.22 %

**OIF „Citadele Ukrainian Equity Fund”**

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 Simplified Prospectus, the Fund Rules, the annual and semi-annual financial reports of the Fund, information about investment certificate sales and redemption price, information about the place and time for submitting applications for purchase and redemption of the Fund's investment certificates, information about the Fund's net asset value and the Fund's share values, as well as other information on the Fund, the Company, and the Custodian 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, or from the Distributors, as well as from the recording and information agencies of the countries in which the Fund's investment certificates are distributed.

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.