

The terms and conditions of the investment fund **FB Corporate Bond Fund** (hereinafter referred to as the Terms) have been adopted by the **FB Asset Management AS** council on 18.01.2024. a decision.

## 1. General Provisions and Definitions

- 1.1. **FB Corporate Bond Fund** (hereinafter referred to as the "**Fund**") is a non-public contractual investment fund.
- 1.2. Fund is managed by FB Asset Management AS (hereinafter referred to as the "**Fund Manager**"), registration code 12493634, located in Tallinn, Estonia. The Fund's fiscal year is from January 1st to December 31st. FB Asset Management AS is a manager of small-scale alternative investment funds.
- 1.3. Fund Manager's website is [www.fbassets.eu](http://www.fbassets.eu) (hereinafter referred to as the "Fund Manager's Website").
- 1.4. Fund's location is the same as the Fund Manager's address.
- 1.5. Fund does not have a depository.
- 1.6. The register of Fund Units (hereinafter referred to as the "**Register**") is maintained by Swedbank AS, registration code 10060701, located at Liivalaia 8, Tallinn, Estonia.
- 1.7. Following terms are used in these terms and have the meanings as defined:
  - 1.7.1. **Month** is a calendar month.
  - 1.7.2. **Banking Day** is a weekday that is not a Saturday or Sunday. A weekday is not considered a Banking Day if it is a public holiday or national holiday, for which a day off is legally required.
  - 1.7.3. **Subscription Application** is a written formal application submitted to the Fund Manager for the acquisition of Fund Units.
  - 1.7.4. **Subscription Application Submission Time** refers to no later than 3 Banking Days before the Valuation Day, which is the date on which the Units are intended to be acquired. If the Subscription Application is submitted on the last Banking Day before the Subscription Application Submission Time, it must be submitted by 15:00 Estonian time.
  - 1.7.5. **Transaction Day** is the Banking Day on which the purchaser of Fund Units and the Fund Manager perform the transactions and operations specified in these Terms for the acquisition of Fund Units and payment for the Units. The Transaction Day is the third Banking Day following the Valuation Day.
  - 1.7.6. **Redemption Application** is a written formal application submitted to the Fund Manager for the redemption of Fund Units. The form and conditions of the application, as well as the method of submission and other related circumstances, are published on the Fund Manager's Website.
  - 1.7.7. **Redemption Application Submission Time** refers to no later than 3 Banking Days before the Valuation Day, which is the date on which the Units are intended to be redeemed. If the application is submitted on the last Banking Day before the Redemption Application Submission Time, it must be submitted by 15:00 Estonian time.
  - 1.7.8. **Redemption Day** is the Banking Day for fulfilling the Redemption Application, which falls between the third Banking Day after the Valuation Day and the deadline for fulfilling the Redemption Application.
  - 1.7.9. **Issue Price of the Unit** is the Net Asset Value of the Unit, calculated as of the most recent Valuation Day.
  - 1.7.10. **Net Asset Value of the Fund** is the market value of the Fund's assets minus the Fund's liabilities.
  - 1.7.11. **Net Asset Value of the Unit** is the value obtained by dividing the Net Asset Value of the Fund by the total number of Units issued and not redeemed at the time of calculation.
  - 1.7.12. **Redemption Price** of the Unit is the Net Asset Value of the Unit, calculated as of the most recent Valuation Day.
  - 1.7.13. **Calendar Day** is a calendar day.
  - 1.7.14. **Valuation Day** is the day on which the Net Asset Value of the Fund's Units is determined. The Valuation Day is the last Calendar Day of each month.
  - 1.7.15. **AML Law** refers to the Money Laundering and Terrorist Financing Prevention Act.
  - 1.7.16. **Margin** refers to the cash amount required by an exchange or broker for fulfilling obligations arising from an investment position (in English: margin). Margin is paid out of the Fund's assets.

## 2. FUND OPERATIONS

### 2.1. Purpose of the Fund

- 2.1.1. The Fund is a pool of assets collected through the issuance of Units and other assets acquired through the investment of these assets, which belong collectively to the Unit Holders (hereinafter referred to as "**Unit Holders**") and are managed by the Fund Manager.
- 2.1.2. Sustainability factors are considered when making investment decisions depending on the nature of the investment object, the implementation of trading strategies, and trading positions. Where possible, given positions and market conditions, environmentally sustainable investment objects are preferred.
- 2.1.3. The basis of the Fund's operations and the relationship between the Fund's Unit Holders and the Fund Manager are determined by these Terms, the Subscription Application, and applicable laws.
- 2.1.4. The objective of the Fund is to grow the value of the Fund's assets by investing in publicly traded bonds. No income from the increase in the Fund's assets or the value of the Units will be paid out to Unit Holders, and such income will be reinvested.
- 2.1.5. No guarantee is provided to Unit Holders regarding the profitability of the Fund or the preservation of the initial investment.
- 2.1.6. The recommended investment period is at least 3 years.
- 2.1.7. The base currency of the Fund is the euro (EUR).

## **2.2. Risks and Other Important Considerations**

- 2.2.1. The Fund is a non-public fund, and therefore, does not comply with public fund investor protection requirements.
- 2.2.2. An investment in the Fund may result in both profit and loss for the Unit Holder, and the preservation of the investment is not guaranteed. Investing in the Fund is always associated with certain risks, and the realization of these risks may reduce the value of the investment. In combination or under extraordinary market conditions, the impact of risk realization on the value of the investment may be significant. The exact extent of the impact of these risks is impossible to predict. In certain cases, the value of the Fund's investments may fluctuate more than is typically characteristic of financial instruments in the same risk class as the Fund.
- 2.2.3. The past performance of the Fund or its historical activity is not a promise or indicator of the Fund's performance or goal achievement in future periods.
- 2.2.4. Unit Holders must consider the possibility that events may occur in the Fund's operations that could have a significant impact on their investment in the Fund. For example, the issuance or redemption of Units may be suspended as stipulated by the Terms or laws, the Fund may be reorganized, merged with another investment fund, or liquidated. Significant changes may also be made, including changes to the Fund's investment policy, the rights associated with the Units, or fees related to the Fund or Unit Holder.
- 2.2.5. Unit Holders must take into account that, in addition to bonds, the Fund's assets may also be invested in derivatives, taking both long and short positions. Consequently, acquiring Units involves a high-risk investment.
- 2.2.6. The Fund's assets may be invested in markets where the base currency is the US dollar. In such cases, unfavorable currency movements relative to the euro, which is the Fund's base currency, may significantly affect the Net Asset Value of the Units.
- 2.2.7. Unit Holders must consider that if the Fund's assets are invested in derivatives in addition to bonds, the volume of the margin required for derivatives related to a single underlying asset may be up to 80% of the market value of the Fund's assets. This characteristic of the investment may negatively affect the value of the investment or lead to its loss.
- 2.2.8. Unit Holders must consider that implementing the Fund's investment policy may result in a higher-than-usual concentration risk, as the Fund's investments may focus on a narrow range of instruments, issuers, asset types, or underlying assets. The realization of concentration risk may lead to significant fluctuations in the value of the investment, up to the loss of the investment.

## **3. INVESTING THE FUND'S ASSETS**

### **3.1. Investment Policy**

- 3.1.1. In managing the Fund's assets, the Fund Manager follows the Investment Funds Act (hereinafter referred to as "IFA"), regulations issued under it, and the investment restrictions outlined in the Terms.
- 3.1.2. The Fund offers Unit Holders the opportunity to invest in a portfolio consisting of the Fund Manager's preferred investment ideas. The objective of the Fund's operations is to grow the value of the assets through economic and market cycles. The Fund's assets are invested with a global focus, including bonds traded on the regulated markets of Europe, North America, and Asia, as well as bonds traded on the Baltic regulated market and the Baltic alternative market First North.
- 3.1.3. The bond portfolio is composed of bonds with a maturity of up to 10 years that are publicly traded on regulated exchanges, with a preference for high-yield corporate bonds. The bonds in which the Fund invests are rated at least B3/B- (Moody's/SP).
- 3.1.4. The Fund's strategy is based on the Vanilla hedge technique, which involves the active management of underlying asset risk and currency risk hedging transactions. Additional complex investment techniques are not used.
- 3.1.5. The Fund's assets are traded on the Interactive Brokers and/or Swedbank trading systems.
- 3.1.6. In managing the Fund's assets, bond investments may be combined with derivative instruments according to the Fund Manager's discretion and the prevailing market situation, with the aim of hedging risks.
- 3.1.7. To hedge risks and minimize currency risk, as well as to achieve returns, the Fund Manager may use derivatives and instruments such as bond futures (ZN, ZF, ZT, IBXXIBHY, IBXXIBIG) and their options; purchases, short sales, and derivatives of bond ETFs (HYG, JNK, IEF, IEAC); EUR-USD currency futures and XDE index options; interest rate swaps, if available. The Fund is not restricted from investing its assets in other bonds, derivatives, or other types of instruments traded on regulated markets, focusing on other underlying assets or placing the Fund's assets into any other asset class mentioned in the Terms. The proportions of different derivatives, underlying assets, or investment regions may also vary.
- 3.1.8. The Fund's assets may be invested in money market instruments, low-risk debt obligations, and other similar securities to manage liquidity, during the period of exiting or acquiring an investment, in the absence of suitable investment objects, or in situations where the growth potential of derivative investments is limited.
- 3.1.9. To ensure the necessary flexibility, the investment restrictions outlined in the Terms are broad, defining a general framework for permissible investments. The Fund's investment diversification is low and changes over time. Due to the investment policy, the Fund's risk profile and level of risk vary over time, but overall, the Fund's risk is low.
- 3.1.10. There are no restrictions on the type of issuer in which the Fund's assets may be invested.
- 3.1.11. The Fund's assets are not specialized by economic sector.
- 3.1.12. The precise proportions of asset types, issuer types, regions, and economic sectors in the Fund's portfolio are determined in the course of the Fund's day-to-day management.
- 3.1.13. The currency of the bonds may be either EUR or USD. The proportion of non-EUR currency (USD) in both assets and cash should not exceed 75% of the total assets of the Fund.
- 3.1.14. The proportion of cash in the Fund should not exceed 10% of the total assets of the Fund, except for short-term cash received from the redemption of bond positions. The Fund's cash may be placed in term deposits or money market funds, if available.

### 3.2. Investment Restrictions

3.2.1. The Fund's assets may be invested up to 100% in any of the following asset types:

3.2.1.1. Bonds, shares, and other similar tradable rights, convertible bonds, and other tradable debt obligations, subscription rights, and other tradable rights granting the right to acquire securities, money market instruments, and tradable securities depository receipts.

3.2.1.2. Shares and units of investment funds.

3.2.2. Up to 75% of the Fund's assets may be concentrated in a single region. The Fund's concentration in a single primary sector shall not exceed 50%.

3.2.3. The Fund's assets may be invested up to a maximum of 25% of the market value of the Fund's assets in securities issued by a single entity, except for diversified index derivatives.

3.2.4. Derivative transactions for hedging purposes are allowed in the Fund's account. There are no restrictions on the underlying assets of derivatives.

3.2.5. Unless otherwise required by law, the Fund Manager may, at its discretion, concentrate the Fund's investments entirely in one country, meaning that up to 100% of the market value of the Fund's assets may consist of securities, derivatives, money market instruments, or fund units issued by entities registered in a single country.

3.2.6. The Fund's assets may be invested up to 100% of the market value of the Fund's assets in fund units of investment funds permitted by the IFA. The value of units in a single investment fund may account for up to 50% of the market value of the Fund's assets.

3.2.7. Cash held in the Fund's current account or temporarily in an overnight deposit may account for up to 100% of the market value of the Fund's assets.

3.2.8. The Fund Manager may borrow on behalf of the Fund, lend, engage in repo and reverse repo transactions, and other securities lending transactions, and employ leverage in investments.

3.2.9. In addition to the above, the Fund Manager complies with all other investment restrictions and risk diversification requirements set forth by law when investing the Fund's assets.

### 3.3. Risks Related to Investing

Investing in the Fund involves various risks that can affect the return on the investment. When investing in the Fund, the Unit Holder must take into account that the Fund's operations may be profitable or unprofitable, and the Net Asset Value of the Fund may fluctuate over time. An investment in the Fund cannot be treated as a deposit, and the preservation or growth of the investment is not guaranteed by financial institutions or government bodies. The historical performance of the Fund does not guarantee similar results in the future.

**3.3.1. Bonds in General:** Bonds are debt instruments issued by an entity to borrow money for a certain period with a fixed or floating interest rate. Bonds are used by companies, local governments, and central governments to raise money and finance various projects and activities. When issuing bonds, it is determined whether they will have a fixed or floating interest rate or whether they will be issued as discount bonds.

**Fixed-rate bonds:** The amount repaid is greater than the nominal value of the bond. Coupon payments are fixed and paid regularly. If the investor holds the bond until maturity, the yield is known.

**Floating-rate bonds:** The amount repaid is greater than the nominal value of the bond. Coupon payments vary and are paid regularly. The amount of the coupon payment depends on an index or other rate for the relevant period, so the exact amount is not known in advance.

**Discount bonds:** The amount repaid is equal to the nominal value of the bond. No coupon payments are made. The purchase price of the bond is lower than its nominal value. If the bond is held until maturity, the income is generated from the difference between the bond's nominal value and the purchase price.

#### 3.3.2. Major Investment Risks Associated with Bonds:

**Interest Rate Risk:** Interest rate changes may affect the price of bonds. Interest rate risk is linked to market risk and arises when the Fund incurs losses due to unfavorable market developments, such as changes in interest rates, interest rate volatility, interest rate spreads between investment objects with different risk levels, or the early repayment of loans.

**Market Risk:** This is the risk that the value of an investment may decrease or that the obligations related to the investment may increase due to unfavorable changes in the securities market (e.g., macroeconomic events, political or social instability, investor behavior, etc.). An unfavorable change in the market price of securities reduces the value of the Fund's investments.

**Currency Risk:** The Fund's assets may be invested in securities issued in currencies other than the Fund's base currency. Therefore, the Fund is exposed to currency risk resulting from changes in exchange rates. Unfavorable currency movements can reduce the value of an investment denominated in a currency other than the base currency.

**Default Risk:** Default risk arises when the issuer is unable to make required interest payments or repay the principal at maturity. In case of financial difficulties of the issuer, the investor may lose the entire invested amount. The likelihood of default is typically lower for government bonds than for corporate bonds, and for investment-grade bonds compared to high-yield bonds. If a company faces bankruptcy, it may choose to restructure the bonds, which could include reducing interest rates and/or the principal amount, extending maturity, or other unfavorable terms.

**Reinvestment Risk:** This occurs when a bond with an early redemption option is called back by the issuer, and the Fund may be forced to reinvest the returned money in lower-yielding securities.

**Counterparty Risk:** This risk arises from the failure of a counterparty in a transaction involving the Fund's assets to fulfill their contractual obligations. Non-standardized derivative transactions, where the financial obligation lies with a specific financial company or institution, carry higher counterparty risk.

**Liquidity Risk:** Liquidity risk is associated with market risk and mainly arises when the Fund may incur losses due to the lack of liquidity in the regulated market, making it difficult to sell securities at the desired time or at prices close to the market or the Fund's

desired price. If a bond is delisted, it may become illiquid. Liquidity risk is generally significantly higher for bonds not listed on regulated markets. Liquidity risk can also arise from insufficient funds to meet margin requirements, i.e., when the collateral does not cover the change in the underlying asset's value due to large price movements, and additional collateral must be found within a short time frame; otherwise, there is a risk of the position being closed and the investment being lost. Liquidity risk may also be linked to situations where, due to market conditions, it is not possible to redeem Fund Units within the time and conditions stipulated in the Terms, and as a result, the redemption of the Fund Units may be suspended or delayed according to the Terms.

**Concentration Risk:** This is the risk that the value of the investments may decrease due to the concentration of assets or markets. Concentration risk may occur, for example, when investments are made in only one asset class or economic region. The value of assets in a concentrated portfolio tends to move in the same direction and may quickly fall if the outlook for a particular region, market, or asset class deteriorates. The realization of concentration risk may lead to significant fluctuations in the value of the investment, up to the loss of the investment.

**Custody Risk:** This is the risk that a custodian, trading platform provider, or other asset holder becomes insolvent, misuses assets, or the assets are lost or destroyed. This risk includes the possibility of losing Fund assets held by third parties due to their insolvency or misconduct.

**Leverage Risk:** Leverage occurs when the value of an invested asset changes disproportionately compared to the market price of the asset. Leveraged investments can increase both gains and losses. If the value of a leveraged asset falls sharply, it can result in the total loss of the investment. Depending on the margin agreement, leverage may also create additional financial obligations for the investor beyond the loss of the invested capital.

**Volatility Risk (Price Fluctuation Risk):** Volatility is a central parameter for assessing risk and return. Simply put, volatility describes the extent to which the price of a financial instrument or asset fluctuates over a period of time. Higher volatility indicates a higher risk, as there is a greater likelihood that the price will move unfavorably, leading to a larger potential loss. However, higher volatility also implies a higher potential return if the price moves favorably.

**Asset Valuation Risk:** This is the risk that assets may lack reliable quotations on primary and secondary markets, making it difficult to assess their fair value. This risk is particularly important when the Fund invests in bonds issued by companies. In such cases, the Fund Manager may use a valuation model based on the Fund Manager's own estimates. The value of the asset may differ significantly from the price at which the Fund would be able to sell the asset in an unfavorable market situation.

**Political Risk:** This is the risk that political events in the country where the underlying asset is produced or traded may affect the political or economic stability of the region, leading to sharp fluctuations in the market price of the underlying asset. Political risk includes events such as radical changes in the economic or legal environment (e.g., nationalization), social or internal political crises (e.g., terrorism, war), or other similar factors.

**Natural Disaster Risk:** This refers to the risk that extreme natural events in a country where the underlying asset is produced or traded could cause sudden and significant changes in the market price of the asset.

**Operational Risk:** Operational risk arises from potential losses due to system failures, which may be linked to IT problems or issues with trading systems.

**Legal System Risk:** This is the risk that legal acts related to the Fund's operations or investments may change, including changes in tax law.

**Economic Cycle Risk:** The development of the economy is characterized by short-term and long-term periods of contraction, stability, and growth with varying intensity. The value and price of financial and other investment assets are greatly influenced by the general state of the economy. At the same time, the prices of assets on the markets also affect macroeconomic processes. The risk of an unfavorable economic cycle may arise, for example, when a loss occurs because an investment is made at high prices during a period of rapid economic growth, and assets are sold (or must be sold) during a period of economic contraction or recession. Different types of investment assets behave differently during different phases of the economic cycle, and the estimates of the "fair value" of a particular asset change over time.

**Unforeseen Circumstances Risk:** Not all factors affecting the performance of an investment can be foreseen. Although thorough investment and risk analysis is essential for successful investing, there is always the possibility that losses may occur due to the realization of an unforeseen risk or unexpected event or situation. Socio-economic relations in globalized financial markets are extremely complex and can result in many unpredictable outcomes.

**Risk of Irrational Behavior of Investor and Market:** The price of securities is not solely determined by objective factors and rational assessments of asset value. Events in financial markets are influenced by subjective opinions, doubts, and herd behavior by investors. Even if objective analysis favors an investment, market behavior may, at times, be irrational and negatively impact the final investment outcome.

**Reinvestment Risk:** Due to the Fund's investment policy, a significant portion of the Fund's assets may be invested in instruments that require the Fund to reserve collateral for the benefit of a counterparty (mostly with Interactive Brokers). The ownership of such collateral generally passes to the counterparty and may be reused by the counterparty in their daily business operations. This collateral is not held by the Fund Manager, and the counterparty does not segregate the collateral from its own assets. As a result, the Fund is exposed to the risk that the collateral may not be temporarily or permanently accessible if the counterparty becomes insolvent, the collateral decreases in value, or the collateral is lost or misused.

### 3.3.3. Derivatives and Related Risks

**Derivatives** are financial instruments whose market value is linked to the price of an underlying asset, such as a listed stock, bond, stock index, commodity (oil, precious metals, etc.), or exchange rate. The most well-known derivatives include options, futures, forwards, and swaps. Derivatives can be used to hedge risks related to changes in the value of the underlying asset or to profit from such changes. Trading in derivatives typically involves making predictions about the price movement of the underlying asset over a



specific period in a specific manner. The calculations necessary for determining the fair value of derivatives are based on complex methods. Investments in derivatives may yield higher returns and greater losses than investments in the underlying assets. Certain derivatives can lead to losses greater than the initial investment. Therefore, derivatives are considered high-risk investment vehicles. Generally, when trading in derivatives, collateral is required to fulfill the obligation (e.g., margin deposit). Depending on changes in the value of the underlying asset, additional collateral may be required to cover the position (margin call).

**Leverage Risk.** Derivatives trading does not only serve the purpose of hedging risks, and the Fund may trade derivatives with the goal of achieving returns. In this regard, it must be taken into account that small price changes in the underlying asset can lead to significantly larger movements in the price of the derivative. Price changes are often the largest when the expiration date of the derivative contract is approaching. These price changes represent leverage. The effect of leverage depends on the specific terms and type of the derivative.

**Futures.** Futures are standardized contracts traded on regulated markets, where the holder is obligated to buy or sell a specific financial asset or commodity (the underlying asset) at a pre-agreed price on a specific future date. Unlike an option, where the holder has the right to choose whether to execute the transaction, the futures holder is obligated to perform the transaction at the agreed time.

**Risks of Trading in Futures.** Trading in futures involves several risks, particularly: i) Leverage Risk, ii) Liquidity Risk, especially in situations where it is impossible to close positions.

**Forwards.** A forward is a contract between two parties in which the holder is obligated to buy or sell a specific financial asset or commodity (the underlying asset) at a pre-agreed price on a specific future date. Unlike futures, forwards are not traded on regulated markets, meaning that the holder must be prepared to fulfill their obligations upon maturity.

**Risks of Trading in Forwards.** Forwards involve similar risks as futures, except for those risks arising directly from the fact that futures are tradable securities, while forwards are not. The risks associated with forwards include: i) Leverage Risk, ii) Insufficient Margin Risk – there is a risk that, in the event of significant market movements, the margin deposit will not cover the changes in the value of the underlying asset, and the investor must find additional collateral within a short time frame. If additional collateral is not provided, there is a risk that the position may be closed, iii) Counterparty Risk – this may also affect the investor, meaning that if the investor is not ready to fulfill their obligations on time, the counterparty may impose sanctions against the investor.

**Short Selling.** Short selling refers to the borrowing and selling of a security with the goal of profiting from a decline in the price of the security. If the price of the security falls, it can be repurchased at a lower price than the original sale price, and the borrowed securities can be returned to the lender.

**Risks of Short Selling.** Short selling is very risky. If the price of the short-sold security moves in an unfavorable direction, the potential losses can be very large. Short selling essentially involves the use of leverage, and collateral is usually required to cover the obligations that arise.

**Options.** An option is the right, but not the obligation, to sell (put option) or buy (call option) a specific underlying asset, usually a security, at a predetermined price (strike price) at a specified time (expiry date). Options can be used either to hedge the risk of a decrease in the value of an investment or to speculate on the price movements of a security in a particular direction.

**Risks of Options Trading.** The risks involved with options can vary significantly depending on how the options are used: When buying options, there is a risk that the underlying security will move in the opposite direction to the desired outcome. To profit from an options trade, the difference between the market price of the underlying security and the option's strike price must exceed the premium paid for the option. A 100% loss of the initial investment can occur if the market price of the underlying security does not move in favor of the option (for example, if the price at expiry is below the strike price for a call option or above the strike price for a put option). OTC (over-the-counter) options\*\*, in addition to the above risks, may carry credit risk from the issuer, and the lower liquidity of OTC markets may prevent the option from being sold profitably before its expiry date.

**Risks of Writing (Selling) Options.** When writing an option, the seller takes on the obligation to either buy or sell the underlying asset at the agreed price, regardless of market movements. This risk can be hedged if the seller owns the underlying asset. However, if the seller does not own the underlying asset, the risk is theoretically unlimited. Therefore, writing options involves a higher level of risk compared to buying options. Losses from writing options can exceed all potential gains, and margin requirements must be taken into account.

**Swap Agreements.** A swap is an agreement between two parties to exchange certain cash flows, such as fixed-rate payments for floating-rate payments (interest rate swap), a fixed-price underlying asset for a floating-price underlying asset (commodity swap), or one currency for another (foreign exchange swap). The price of a swap depends on the execution time, execution price, interest rates, market liquidity, and other factors.

**Risks of Swap Agreements.** Swaps are high-risk instruments, and their inherent leverage means that even small changes in the price of the underlying asset can result in significant gains or losses. The potential for loss is theoretically unlimited. To cover potential losses, the investor may be required to provide additional collateral on a daily basis, and if the investor cannot provide additional collateral in the event of unfavorable price movements, the counterparty may demand the termination of the contract.

3.3.4. Additional Risks of Investing. In addition to the risks described above, the investor should consider the possibility of other events that may affect their investment in the Fund. For example, the Fund Manager may suspend the redemption of Units, the Fund may be reorganized or merged with another fund, or it may be liquidated. The Fund Manager also has the right to change the Terms or the fees charged to the Fund and the Unit Holders, in accordance with the maximum limits set in the Terms. The risk descriptions above do not provide a comprehensive list of the risks associated with investing in the Fund. When making an investment decision, the investor must read the entire Terms document, including any annexes (such as the Subscription Application and Redemption Application) and other relevant documents and information available on the Fund Manager's website. The investor must rely on their own assessment of the risks and opportunities associated with the investment. Before investing in the Fund, the investor must be confident that the Fund's risk profile is acceptable. If necessary, the investor should consult an investment advisor.

## **4. FUND UNITS AND THE RIGHTS AND OBLIGATIONS ASSOCIATED WITH THE UNITS**

### **4.1. Fund Units and Registry Management**

4.1.1. A Fund Unit (hereinafter referred to as a "Unit") represents the Unit Holder's share in the Fund's assets. A Unit is divisible. The fractional parts of a Unit (Fractional Units) resulting from the division of Units are rounded to three decimal places. Rounding is done according to the following rules: numbers NNN,NNN0 to NNN,NNN4 are rounded to NNN,NNN, and numbers NNN,NNN5 to NNN,NNN9 are rounded to NNN,(N+1).

4.1.2. The Fund has a single type of Unit with a nominal value of 1000 euros. The minimum investment required to acquire Units is 10,000 euros, meaning Units with a total value of at least 10,000 euros must be issued to a single Unit Holder. If more Units are desired, the value of the subsequent investment must increase by multiples of 1000 euros. There is no maximum investment limit. A Unit Holder may redeem Units in full or in part. If the Unit Holder redeems only a portion of their Units, the remaining value of the Units held after redemption must not fall below 10,000 euros, i.e., the value of the Units remaining in the Fund must be at least 10,000 euros. Unit redemption is governed by the terms set forth in section 5.3 of the Terms.

4.1.3. The Register of Units is maintained by the Registrar.

4.1.4. The maintenance of the Register, the making of entries in the Register, the retention of Register data, and the Registrar's responsibilities are governed by these Terms, the Registrar's Securities Account and Transaction Terms, and the agreement between the Fund Manager and the Registrar. Upon request by an Investor, the Registrar will issue a statement regarding the Units held by the Unit Holder. Register data is processed using electronic data processing on securities accounts. Entries into the Register are made by the Registrar based on instructions provided by authorized persons (the Investor, the Investor's representative, the Fund Manager). Entries may also be based on a court decision or another basis accepted by both the Registrar and the Fund Manager. The Registrar is required to retain the documents and data submitted for making an entry for at least ten years following the date of the entry.

4.1.5. Ownership of Units and the rights and obligations arising from the Units for both the Unit Holder and the Fund Manager are considered to have arisen once the entry is made in the Unit Register. By submitting a Subscription Application to acquire Units, the Unit Holder consents to the processing of their data (including personal data) to the extent necessary for the maintenance of the Register, as well as for other purposes listed in the Registrar's General Terms.

### **4.2. Rights and Obligations Associated with Units**

#### **4.2.1. The Unit Holder has the following rights:**

4.2.1.1. To request the redemption of their Units by the Fund Manager, in accordance with the Terms and applicable laws;

4.2.1.2. To receive a share of the remaining Fund assets in proportion to their Units upon the liquidation of the Fund, after all liabilities have been settled;

4.2.1.3. To access the Fund Manager's website for the latest version of the Terms, the Fund's most recent annual report, and other documents and information required by law related to the Fund's activities;

4.2.1.4. To exercise other rights stipulated by law or these Terms.

4.2.2. The Units carry the following obligations and conditions:

4.2.2.1. By acquiring Units, the Unit Holder acknowledges that they are aware of the Fund's investment policy, including the focus on investments in bonds. The Unit Holder also acknowledges that the implementation of the Fund's investment policy may result in a higher-than-normal concentration risk due to the focus on one or more specific issuers, countries, or asset classes. The realization of such concentration risk could lead to significant fluctuations in the value of the investment, up to and including the loss of the investment. The Fund Manager has explained the special risk level associated with such investments to the Unit Holder before they acquire the Units.

4.2.2.2. The Unit Holder must exercise the rights arising from the Units in good faith and in accordance with the applicable laws and the Terms. The Unit Holder may not exercise their rights with the intention of causing harm to other Unit Holders, the Fund Manager, or third parties.

4.2.2.3. The Unit Holder is aware that the Fund's assets may be held in accounts opened with Interactive Brokers, a service provider that offers trading system services. The Unit Holder acknowledges the risk that, in the event of the service provider's bankruptcy, the Fund's assets may be included in the service provider's bankruptcy estate. The Unit Holder agrees that the Fund Manager is not liable for the safekeeping of assets held with such third-party service providers.

4.2.2.4. Before acquiring Units, the Unit Holder must fully assess their knowledge and experience related to the Fund's investments, as well as their financial and economic capabilities. By acquiring Units, the Unit Holder provides an irrevocable confirmation that they are capable of bearing the risks and losses associated with the investment, including the total loss of the

investment, and that they understand that no compensation or reimbursement will be provided for any decrease in the value of the investment or for the total loss of the investment.

4.2.2.5. A Unit Holder may pledge Units only with the written consent of the Fund Manager. The pledgee must meet the criteria for being a Fund investor.

4.2.2.6. The transfer of Units may occur only with the prior written consent of the Fund Manager and only to a person who meets the requirements set out in section 5.1.6 of the Terms. If a Unit Holder wishes to transfer a portion of their Units, the transfer must ensure that both the transferor and the transferee maintain an initial investment amount in accordance with section 4.1.2 of the Terms. If Units are transferred without the prior written consent of the Fund Manager, the Fund Manager has the right to claim a contractual penalty of 15% of the Unit's Net Asset Value at the time of the transfer from the transferor.

4.2.2.7. In the event of a transfer of Units to a third party, the Terms in effect at that time shall automatically apply to each subsequent Unit Holder.

4.2.2.8. The Unit Holder does not have the right to exchange their Units for units of another fund managed by the Fund Manager.

4.2.2.9. A Unit does not grant the Unit Holder any decision-making rights with respect to transactions involving the Fund's assets. The Unit Holders do not hold general meetings except for matters explicitly set forth in these Terms. No Unit Holder may demand the dissolution of the common ownership of the Unit Holders.

4.2.2.10. The Unit Holder is not personally liable for any obligations undertaken by the Fund Manager on behalf of the Fund or for any obligations for which the Fund Manager is entitled to claim payment from the Fund under these Terms. The Unit Holder's liability for these obligations is limited to their share in the Fund's assets.

4.2.2.11. The Fund Manager may not assume obligations on behalf of the Unit Holders.

4.2.2.12. Any claim against a Unit Holder may be enforced against their Units but not against the Fund's assets.

4.2.2.13. Unit Holders are advised to consult with a tax specialist regarding any potential tax obligations.

4.2.2.14. By acquiring Units, the Unit Holder confirms that the Fund Manager has fully explained to them the principles of investing the Fund's assets, the associated risks, and the special risk level related to the Fund's investments, and that they fully understand these.

4.2.2.15. By acquiring Units, the Unit Holder confirms that they are aware that the acquisition of Units constitutes the conclusion of an agreement between the Fund Manager and the Unit Holder under the conditions set forth in the Fund's Terms, the Subscription Application, and applicable laws. The Unit Holder acknowledges and agrees that the Fund Manager may amend the Terms, and that any such amendments automatically become an inseparable part of the agreement between the Fund Manager and the Unit Holder.

4.2.2.16. The Unit Holder is aware and confirms that, in the event of circumstances provided by law or in the case of the application of financial sanctions against the investor, the Fund Manager is required to freeze the Units belonging to the investor and take other actions related to the enforcement of the sanctions.

## **5. UNIT ISSUANCE AND REDEMPTION**

### **5.1. Conditions for Issuance. Subscription Application**

5.1.1. The Fund Manager is the issuer of the Units. Units are issued only in accordance with the procedure and deadlines set forth in these Terms. There are no predetermined volumes for the issuance of Units or limits on the number of Units that may be issued. Payments for the subscription of Units must be made solely in cash.

5.1.2. No subscription fee is charged for the issuance of Units.

5.1.3. The Fund Manager issues Units at the Unit Issue Price.

5.1.4. To purchase Units, a Subscription Application must be submitted no later than the Subscription Application Submission Time. The Subscription Application, together with the Fund's Terms, must be signed and submitted to the Fund Manager by the Subscription Application Submission Date as follows:

- (i) Electronically signed at the highest e-signature level as defined by the eIDAS Regulation No. 910/2014, and sent via email to the Fund Manager's email address specified on the Fund Manager's Website, or

- (ii) Signed by hand, and either delivered to the Fund Manager against a receipt, or a scanned copy of the signed Subscription Application and Terms must be emailed to the Fund Manager's email address specified on the Fund Manager's Website, provided that the original signed Subscription Application and Terms are delivered to the Fund Manager against a receipt by the Transaction Date.

The Subscription Application will not be considered submitted if it does not meet the form requirements specified in this point 5.1.4 and/or is not submitted in the manner outlined in this section.

5.1.5. A Unit can only be issued if a payment corresponding to the number of Units being issued, based on the Unit's Net Asset Value, is received in the Fund's assets. In the case of a Fractional Unit issuance, a cash payment corresponding to that fraction of the Unit's Net Asset Value must be received in the Fund's assets. To purchase Units, the investor must transfer the amount corresponding to the number of Units and their Net Asset Value to the bank account specified in the Subscription Application.

5.1.6. A Subscription Application may be submitted to the Fund Manager by a person who meets the following conditions:

5.1.6.1. The person complies with the minimum investment requirement as stipulated in section 4.1.2. of the Terms. The person confirms in writing in the Subscription Application that:

(i) They have sufficient knowledge or experience in the field of investing;

(ii) The risks associated with investing have been explained to them;

(iii) The risks associated with the safekeeping of the Fund's assets, including the risk that, in the event the Fund's assets are held by a third party, those assets may not be excluded from the third party's bankruptcy estate in the event of their insolvency, have been explained to them.

5.1.6.2. The person confirms in writing in the Subscription Application that they have thoroughly reviewed the Terms, agree with them, and undertake to comply with them.

5.1.6.3. The person is not subject to any legal or international sanctions that would prevent or prohibit the Fund Manager from entering into a transaction with them.

5.1.7. A Subscription Application may be submitted on any Banking Day, but no later than the Subscription Application Submission Time.

5.1.8. If the Subscription Application is submitted later than 15:00 (Estonian time) on the last Banking Day before the Subscription Application Submission Time, the issuance of Units based on that Subscription Application (the Transaction Date) will be postponed by one month (to the next subscription cycle).

5.1.9. The Fund Manager reserves the right to refuse the issuance of Units. Accordingly, regardless of the provisions in these Terms and the compliance of the person submitting the Subscription Application with the Terms, the Fund Manager reserves the right, at its discretion, to refuse the issuance of new Units to any investor, in full or in part, at any time and for any reason. The Fund Manager is not required to justify such a decision. The Fund Manager also has the right to repeatedly refuse the issuance of Units. If the Fund Manager exercises the right to refuse, this applies equally to all persons who submitted a Subscription Application for the same issuance.

5.1.10. The Fund Manager will notify the person who submitted the Subscription Application about the refusal to issue Units in a form that allows for written reproduction, using the email address provided in the Subscription Application.

5.1.11. The person submitting the Subscription Application has the right to withdraw from the purchase of Units at any time before the payment instruction for the subscription amount referred to in section 5.2.1.2 has been made. A person may withdraw from purchasing Units either by notifying the Fund Manager via email or by not transferring the subscription amount to the Fund's bank account by the Transaction Date.

5.1.12. If the Subscription Application or the person does not meet the Terms, the Fund Manager has the right to reject the Subscription Application. The Fund Manager will notify the person who submitted the application via the email address specified in the Subscription Application no later than on the Transaction Date, which would have been the date of the Unit issuance if no grounds for rejection had existed.

## **5.2. Acquisition of Units and Payment for Units**

5.2.1. After receiving the Subscription Application, the Fund Manager will verify the person's compliance with the conditions outlined in section 5.1.6 of the Terms. If the person meets the conditions stipulated in the Terms and if none of the circumstances mentioned in sections 5.1.8, 5.1.9, or 5.1.11 regarding postponement or refusal apply, the following actions will be carried out on the Transaction Date by the Fund Manager, the Unit purchaser, and the Registrar, in the following order:

5.2.1.1. The Fund Manager will give an unconditional and irrevocable order to the Registrar to transfer the number of Units and the investment amount specified in the Subscription Application to the Unit Holder's securities account.

5.2.1.2. The Unit Holder ensures the transfer of the subscription amount specified in the Subscription Application to the Fund's subscription account so that the full amount is received in the account by the Transaction Date. If the full amount is not received by the Transaction Date, the Fund Manager will not issue the Units.

5.2.1.3. The Registrar will transfer the Units to the Unit Holder's securities account no later than the first banking day after the Transaction Date (T+1).

5.2.2. If there is an error or deficiency in the instructions provided under section 5.2.1, the party responsible for the error or deficiency must rectify it immediately.

5.2.3. Additional conditions related to the issuance of Units are outlined in the Subscription Application.

5.2.4. If the issuance of Units does not take place on the Transaction Date due to any of the following reasons:

5.2.4.1. Under section 5.1.4.3 of the Fund Terms;

5.2.4.2. The Fund Manager's refusal to issue Units as per section 5.1.9;

5.2.4.3. The rejection of the Subscription Application as per section 5.1.12;

5.2.4.4. The person who submitted the Subscription Application withdraws from purchasing the Units as per section 5.1.11,

the Fund Manager will return the subscription amount transferred to the Fund's subscription account by the person who submitted the Subscription Application to their bank account no later than two (2) banking days from the Transaction Date, which would have been the date of Unit issuance, had none of the conditions in section 5.2.4 been met. No interest will be calculated or paid on the refunded amounts. If the Subscription Application is rejected or deemed not submitted according to the Fund Terms, the costs associated with the rejection or non-issuance (such as transaction fees) will be borne by the Unit Holder in accordance with the applicable banking price list.

## **5.3. Redemption of Units**

5.3.1. To redeem Units, the Unit Holder must submit a Redemption Application to the Fund Manager in accordance with section 5.3.8 of the Terms. The Unit Holder has the right to redeem Units either partially or fully. Partial redemption must comply with the conditions stipulated in section 4.1.2 of the Terms.

5.3.2. Once the Redemption Application is submitted, the Unit Holder cannot withdraw it (except with the Fund Manager's consent). If the Unit Holder wishes to withdraw the Redemption Application, they must submit a written request to the Fund Manager, who may, at its discretion, either approve or reject the withdrawal without providing a reason.

5.3.3. The Unit is considered redeemed when the Redemption Price has been paid. The rights associated with the Unit expire on the Redemption Date.

5.3.4. The Fund Manager has the right to partially or fully suspend the redemption of Units and postpone the Redemption Date for one or more of the following reasons if the Fund Manager believes that:

5.3.4.1. The liquidity of the Fund's investment portfolio is insufficient to redeem the Units on the specified Redemption Date;

5.3.4.2. Due to extraordinary circumstances or extreme fluctuations in market prices, it is not reasonably possible to calculate the Net Asset Value of the Units;

5.3.4.3. The sale of a significant portion of the Fund's assets could materially harm the interests of the Unit Holders.

5.3.5. In the cases provided in section 5.3.4, the Fund Manager may suspend the redemption of Units, either partially or fully, for up to three (3) months, notifying the Unit Holders according to the law and sending a notice to the email address specified in the Redemption Application. If, after the suspension period, the grounds for suspension still exist, the Fund Manager may extend the suspension in increments of three (3) months, but not for more than one year, if the reason for the suspension has not been resolved. Unit Holders will be notified of such extensions in accordance with the law, through a notice sent to the email address provided in the Redemption Application.

5.3.6. The Fund Manager must resume the redemption of Units as soon as the circumstances that led to the suspension have been resolved. Once redemptions are resumed, the Fund Manager will carry out the redemption of Units based on the Redemption Applications that were submitted during the suspension period, in accordance with the Terms and applicable laws. Redemption requests will be processed in the order they were received. Unit Holders will be notified of the resumption of redemptions via email, as specified



in the Redemption Application.

5.3.7. In the event of a suspension or delay in redemptions, the Fund Manager is not liable for any direct or indirect damages or losses suffered by the Unit Holders due to the suspension or delay, as long as the Fund Manager has acted in accordance with the Terms and applicable laws.

5.3.8. To redeem the Units, a Redemption Application must be submitted during the Redemption Application Period. The Redemption Application must be signed and submitted to the Fund Manager no later than the Redemption Application Period as follows: i) electronically signed at the highest e-signature level within the meaning of eIDAS Regulation No. 910/2014, by sending the signed Redemption Application by e-mail to the Fund Manager's e-mail address indicated on the Fund Manager's Website, or ii) signed by hand, by delivering the signed Redemption Application to the Fund Manager against signature or by sending a scan of the signed Redemption Application by e-mail to the Fund Manager's e-mail address indicated on the Fund Manager's Website, provided that the original copy of the Redemption Application is delivered to the Fund Manager against signature no later than the Redemption Date announced by the Fund Manager. A Redemption Application shall not be deemed to have been submitted if it does not meet the requirements set forth in this clause. The Fund Manager shall not satisfy such a Redemption Application and the Units shall not be redeemed, of which the Fund Manager shall inform the Unitholder by e-mail. If the Redemption Application is submitted later than 3:00 PM (Estonian time) on the last Banking Day of the Redemption Application Period, the redemption of the Units on the basis of such Redemption Application shall be postponed by one month (to the next redemption cycle).

5.3.9. If, in the case of partial redemption of Units, it follows from the Redemption Application that the Unitholder would retain less than EUR 10,000 (ten thousand) in the Fund upon redemption of the Units, the Fund Manager shall satisfy the Redemption Application partially and the Units shall be redeemed taking into account that the Unitholder retains EUR 10,000 (ten thousand) in the Fund and the Units shall be redeemed in the remaining amount indicated in the Redemption Application.

5.3.10. Upon redemption of the Units, a monetary payment shall be made from the Fund's assets to the settlement account related to the Unitholder's securities account in the amount corresponding to the number of redeemed Units and the Redemption Price within 40 (forty) Days from the submission of the Redemption Application, taking into account the restriction provided for in clause 4.1.2 of the Terms. The exact Redemption Date within the aforementioned 40 Days shall be determined by the Fund Manager at its own discretion. Redemption Applications submitted on the same Banking Day shall be satisfied on the same Redemption Date, unless otherwise provided by the following sentence or other provisions of the Terms. In the event that the monetary value of the redemption of the Units specified in the Redemption Application exceeds 5% of the market value of the Fund's assets or the total value of all Redemption Applications submitted on the same Banking Day exceeds 20% of the market value of the Fund's assets, the Fund Manager shall have the right to postpone the satisfaction of the Redemption Applications for up to 30 Days.

#### **5.4 DETERMINATION OF THE NET ASSET VALUE OF THE UNIT**

5.4.1 In calculating the Net Asset Value of the Fund and the Net Asset Value of the Unit, the Fund Manager shall adhere to the provisions of its internal procedural rules, the Terms and legislation.

5.4.2 The Fund Manager shall calculate the Net Asset Value of the Unit, the Issue Price of the Unit and the Redemption Price of the Unit at least once a month on the Valuation Date.

5.4.3 The Issue Price of the Unit and the Redemption Price of the Unit shall be published together with the publication of the Net Asset Value of the Unit.

5.4.4 In the event that after the determination of the Net Asset Value of the Fund and the Net Asset Value of the Unit, an event or circumstance occurs or becomes apparent which, in the best professional judgment of the Fund Manager, significantly affects the Net Asset Value of the Fund and the Net Asset Value of the Unit, the Fund Manager shall have the right to revalue the determined Net Asset Value of the Fund and the Net Asset Value of the Unit, provided that failure to carry out such revaluation would harm the interests of the Unitholders.

5.4.5 The Fund Manager shall have the right to postpone the calculation and publication of the Net Asset Value of the Fund or the Net Asset Value of the Units if the redemption of Units is suspended in accordance with clause 5.3.4 of the Terms.

5.4.6 Upon the lapse of the circumstances underlying the suspension of the redemption of Units, the Fund Manager shall be obliged to calculate the Net Asset Value of the Units on the Valuation Date of the same calendar month in which the circumstance underlying the suspension of the redemption of Units lapsed. The postponement of the calculation and publication of the Net Asset Value of the Unit by the Fund Manager shall be published immediately on the Fund Manager's website.

5.4.7 The net asset value of the Units shall be calculated and determined in EUROS.

#### **5.5 COMPULSORY REDEMPTION OF UNITS**

5.5.1 Compulsory redemption is the right of the Fund Manager to demand from the Unitholder and the corresponding obligation of the Unitholder to redeem their Units on the grounds specified in this clause.

5.5.2 The Fund Manager shall have the right to implement compulsory redemption of Units belonging to a Unitholder to ensure that Units are not acquired or owned by:

5.5.2.1 any person in contravention of clauses 5.1.6 and 4.2.2.5 of the Terms;

5.5.2.2 any person who has been convicted of a crime by a court judgment that has entered into force, regardless of the country in which the judgment was rendered;

5.5.2.3 any person in circumstances which, in the opinion of the Fund Manager, could result in a tax liability or other financial liability for the Fund or the Fund Manager, which would not otherwise have arisen for the Fund or the Fund Manager;

5.5.2.4 a Unitholder who fails to submit, despite the Fund Manager's request to do so, documents or information necessary to fulfill the Fund Manager's due diligence obligations arising from the RTRTS; or

5.5.2.5 the documents or information submitted by the Unitholder do not eliminate the Fund Manager's suspicion that the purpose of the business relationship or transaction may be money laundering or terrorist financing.

5.5.3. The Fund Manager may compulsorily redeem the Units in the case specified in this clause 5.5 by notifying the respective Unitholder thereof. In the case of redemption of Units pursuant to the procedure provided for in this clause 5.5, the Redemption Date shall be the (first) Banking Day of the week following the week in which the Fund Manager submitted the notice to the Unitholder or the (first) Banking Day of any subsequent month postponed in accordance with the Terms. The redemption of the Unit shall be at the Redemption Price of the Unit.

## **6 ACTIVITIES OF THE FUND MANAGER**

### **6.1 BASIS OF ACTIVITIES OF THE FUND MANAGER**

6.1.1 The basis of the activities of the Fund Manager shall be determined by the articles of association of the Fund Manager, legislation, the activity licence issued to the Fund Manager and the Terms.

6.1.2 The Fund Manager shall have the right to dispose of and possess the assets of the Fund and other rights arising therefrom in accordance with the Terms.

6.1.3 The Fund Manager shall invest the assets of the Fund in its own name and on the joint account of the Unitholders, i.e. on the account of the Fund.

6.1.4 When investing the assets of the Fund, the Fund Manager shall:

6.1.4.1 obtain sufficient information about the assets it intends to acquire or has acquired on behalf of the Fund;

6.1.4.2 monitor the financial and economic situation of the issuer whose securities it intends to acquire or has acquired on behalf of the Fund;

6.1.4.3 obtain sufficient information about the solvency of the person with whom transactions are made on behalf of the Fund.

6.1.5. The Fund Manager shall manage the assets of the Fund separately from the Fund Manager's own assets, the assets of other funds managed by it and other asset pools. The assets of the Fund shall not form part of the bankruptcy estate of the Fund Manager and the claims of the creditors of the Fund Manager cannot be satisfied from it.

6.1.6. The Fund Manager shall have the right and obligation to submit claims against third parties in its own name on behalf of the Unitholders or the Fund if failure to submit such claims results or may result in significant damage to the Fund or the Unitholders. The Fund Manager shall not be obliged to submit such claims if the Fund or the Unitholders have already submitted the claims.

6.1.7. In the event of a breach of the obligations of the Fund Manager, the liability to the Fund and the Unitholders shall be limited to gross negligence or intent.

6.1.8. The Fund Manager may, but shall not be obliged to, hold or acquire Units of the Fund, and shall do so in accordance with applicable legislation. If the Fund Manager has acquired Units, such Units may be redeemed in accordance with the procedure provided for in the Terms and the restrictions provided for in the Investment Funds Act shall apply to their redemption. If the Fund Manager has acquired Units of the Fund, the Fund Manager shall publish information on the size of its holding on the Fund Manager's website.

### **6.2 TRANSFER OF ACTIVITIES OF THE FUND MANAGER**

6.2.1 In order to better fulfill its obligations, the Fund Manager shall have the right to transfer the following activities related to the management of the Fund to third parties, subject to the provisions of the Investment Funds Act:

6.2.1.1 Investing the assets of the Fund;

6.2.1.2 Organising the issue and redemption of Units;

6.2.1.3 If necessary, issuing documents certifying ownership rights to the Unitholders of the Fund;

6.2.1.4 Providing necessary information to the Unitholders of the Fund and other customer service;

6.2.1.5 Organising the marketing of Units;

6.2.1.6 Maintaining accounts and organising accounting of the Fund's assets;

6.2.1.7 Determining the Net Asset Value of the Fund;

6.2.1.8 Organising the maintenance of the register of Units;

6.2.1.9 Calculating the income of the Fund;

6.2.1.10 Calculating and publishing the Net Asset Value of the Units of the Fund;

6.2.1.11 Monitoring the compliance of the activities of the Fund Manager and the Fund with the law and other legislation, including the implementation of a corresponding internal control system;

6.2.1.12 Activities directly related to the foregoing.

6.2.2 The transfer of tasks to a third party shall release the Fund Manager from liability to the maximum extent provided for in the IFA.

## **7 FEES AND EXPENSES PAYABLE FROM THE ACCOUNT OF THE FUND**

### **7.1 Management Fee**

7.1.1 A monthly fee shall be paid to the Fund Manager from the account of the Fund for the management of the Fund (hereinafter referred to as the Management Fee). The annual rate of the Management Fee shall be 0.79% (zero point seventy-nine percent) of the market value of the Fund's assets. The Management Fee shall be deducted from the market value of the Fund's assets once a month and paid out during the month following the reporting month.

### **7.2 Redemption Fee**

7.2.1. Upon redemption of the Units, the Investor shall pay the Fund Manager a redemption fee of 1% (one percent) of the net asset value of the Units as of the Redemption Date. The redemption fee shall be deducted from the Redemption Price of the Units.

### **7.3 Interest Payment**

7.3.1. Interest paid on bonds of issuers shall be paid out to the Unitholders up to 50%, twice a year, and the remaining interest income

shall be reinvested. Interest payments shall be made on 15 June and 15 December or on dates close thereto. Interest payments shall also include 50% of coupon payments received in the Fund's accounts during the periods 1 December to 31 May and 1 June to 30 November.

#### **7.4 Other Expenses**

7.4.1. Transfer costs and service fees directly related to transactions made from the account of the Fund and costs directly related to the management of the Fund, including transaction fees, brokerage fees, stock exchange fees, interest expenses, custody fees for securities accounts, shall be paid from the account of the Fund, based on the price list of the respective service provider.

7.4.2. Registry maintenance fees in accordance with the price list of the Registrar (except for costs related to the opening and maintenance of the Unitholder's securities account).

7.4.3. Costs related to the opening and maintenance of the Unitholder's securities account, the registration of Units and the redemption of Units shall not be payable from the account of the Fund and shall be borne by the Unitholder at their own expense.

7.4.4. The total fees payable from the account of the Fund during a year (including the Management Fee) shall not exceed 75% of the Net Asset Value of the Fund as of the last day of the financial year of the Fund.

### **8 ACCOUNTING AND REPORTING OF THE FUND**

8.1 The accounting and reporting of the Fund Manager and the Fund shall be organised on the basis of the Accounting Act, the Investment Funds Act, other legislation and the internal accounting rules of the Fund Manager, unless otherwise provided by the Investment Funds Act.

8.2 The financial year of the Fund shall be the financial year of the Fund Manager, which shall be the calendar year.

### **9 DISCLOSURE OF INFORMATION CONCERNING THE FUND**

9.1 The terms of the Fund, the Subscription Application form and the Redemption Application form, as well as information on the rate of the Management Fee, the underlying data for interest payments, the Net Asset Value of the Fund and the Net Asset Value of the Unit shall be sent to the Unitholder's e-mail address at the Unitholder's request. The corresponding request shall be sent to the e-mail address of the Fund Manager.

9.2 The Fund Manager shall have the right to send notices and reports concerning the Fund to the known postal or e-mail address of the Unitholder.

### **10 GENERAL MEETING**

#### **10.1 Competence of the General Meeting**

10.1.1 Unitholders shall exercise their rights in relation to the contractual fund at a general meeting to the extent provided for in clause 4.2 of the Terms.

#### **10.2 The competence of the General Meeting shall include:**

10.2.1 deciding on the merger of the fund;

10.2.2 deciding on the submission of an application for the liquidation or declaration of insolvency of the fund.

#### **10.3 Convening of the General Meeting**

10.3.1 The General Meeting shall be convened by the Fund Manager.

10.3.2 A General Meeting shall be convened and an issue shall be included in the agenda of the General Meeting if so requested by Unitholders whose Units represent at least one tenth of the votes.

10.3.3 The notice of the convening of the General Meeting shall be sent in a format which can be reproduced in writing to the addresses of the Unitholders indicated in the register of Units of the Fund.

10.3.4 Electronic participation and voting at the General Meeting shall be permitted.

10.3.5 The venue of the General Meeting shall be the location of the Fund Manager or another location indicated by the Fund Manager.

10.3.6 The costs of the General Meeting shall be borne by the Fund.

10.4 The General Meeting shall only have the competence provided for in these Terms and the decision-making on other issues provided for in § 249 of the IFA shall be transferred to the competence of the management board of the Fund Manager.

### **11 AMENDMENT OF THE TERMS**

11.1 The Terms shall be amended by a resolution of the Supervisory Board of the Fund Manager.

11.2 After the amendment of the Terms, the Fund Manager shall send a notice to that effect to all Unitholders by e-mail, appending the amended Terms to the notice. Amendments to the Terms shall enter into force upon the adoption of the corresponding resolution of the Supervisory Board or at another time specified by the Supervisory Board and shall automatically apply to all existing Unitholders of the Fund.

### **12 LIQUIDATION OF THE FUND**

12.1 The liquidation of the Fund shall be carried out in the cases and pursuant to the procedure provided for in the Investment Funds Act.

12.2 The liquidation of the Fund shall be decided by the General Meeting of the Unitholders.

12.3 After the adoption of the liquidation resolution, the Fund Manager shall send the relevant information to all Unitholders by e-mail. From the date of adoption of the liquidation resolution, the redemption of Units and payments from the assets of the Fund shall be suspended.

12.4 Upon liquidation of the Fund, the Fund Manager shall dispose of the assets of the Fund as quickly as possible and in the interests

of the Unitholders, collect the debts of the Fund and satisfy the claims of the creditors of the Fund.

12.5 The costs of liquidation of the Fund may be covered from the account of the Fund up to 2% of the net asset value of the Fund's assets. If the actual liquidation costs exceed the specified amount, the Fund Manager shall be liable for the costs exceeding that amount.

12.6 Upon liquidation, the Fund Manager shall distribute the remaining assets among the Unitholders in accordance with the type, number and net asset value of the Units held by the Unitholder. The Fund Manager shall send a notice concerning the distribution of the assets to be distributed to the Unitholders by e-mail.