



---

Standard Fund Prospectus

---

**Raiffeisen fond dluhopisových trendů,  
otevřený podílový fond,  
[Raiffeisen Bond Trends Fund,  
open-ended mutual fund]**

**Raiffeisen investiční společnost a.s.**

## Contents

<b>1</b>	<b>LIST OF ABBREVIATIONS.....</b>	<b>4</b>
<b>2</b>	<b>COLLECTIVE INVESTMENT FUND .....</b>	<b>7</b>
2.1	IDENTIFICATION OF THE MUTUAL FUND .....	7
2.2	DATE OF INCORPORATION OF THE FUND .....	7
2.3	ADDITIONAL INFORMATION ABOUT THE FUND.....	7
2.4	HISTORICAL INFORMATION ON STATUS MATTERS .....	7
<b>3</b>	<b>FUND MANAGER.....</b>	<b>7</b>
3.1	MANAGEMENT .....	7
3.2	FUND MANAGER OF THE FUND.....	7
3.3	DECISION ON PERMISSION (LICENCE) FOR ACTIVITIES OF THE INVESTMENT COMPANY .....	7
3.4	CONSOLIDATION UNIT .....	8
3.5	LIST OF EXECUTIVES OF THE INVESTMENT COMPANY .....	8
3.6	LIST OF MEMBERS OF THE SUPERVISORY BOARD OF THE INVESTMENT COMPANY.....	8
3.7	OBJECTS OF THE INVESTMENT COMPANY .....	8
3.8	LIST OF INVESTMENT FUNDS MANAGED.....	10
<b>4</b>	<b>ADMINISTRATOR .....</b>	<b>10</b>
4.1	ADMINISTRATION .....	10
<b>5</b>	<b>AUDITOR .....</b>	<b>11</b>
<b>6</b>	<b>APPOINTMENT OF ANOTHER ENTITY TO CARRY OUT MANAGEMENT OR ADMINISTRATION.....</b>	<b>11</b>
6.1	APPOINTMENT OF RBI.....	11
6.2	APPOINTMENT OF RAIFFEISENBANK .....	12
6.3	APPOINTMENT OF CENTRÁLNÍ DEPOZITÁŘ CENNÝCH PAPÍRŮ, A.S. ....	12
<b>7</b>	<b>DEPOSITORY.....</b>	<b>12</b>
7.1	INFORMATION ABOUT THE DEPOSITORY.....	12
7.2	BASIC ACTIVITIES AND OBLIGATIONS OF THE DEPOSITORY, DEFINITION OF RESPONSIBILITY .....	12
7.3	CONSOLIDATION UNIT .....	13
<b>8</b>	<b>INVESTMENT STRATEGY .....</b>	<b>13</b>
8.1	INVESTMENT GOALS .....	13
8.2	INVESTMENT POLICY.....	14
8.3	ASSET VALUES.....	14
8.4	INVESTMENT LIMITS .....	16
8.5	CREDITS, LOANS, DONATIONS AND SOME DEBTS .....	18
8.6	TECHNIQUES FOR THE MANAGEMENT OF THE FUND, MITIGATION OF RISKS RESULTING FROM USE OF FINANCIAL DERIVATIVES, AND MEASUREMENTS OF RISK .....	18
8.7	CHARACTERISTICS OF A TYPICAL INVESTOR .....	20
<b>9</b>	<b>INFORMATION ABOUT RISKS .....</b>	<b>20</b>
9.1	THE RISK PROFILE OF THE FUND.....	20
9.2	TYPES OF RISKS .....	20
9.3	RISK MANAGEMENT .....	22

<b>10 INFORMATION ABOUT HISTORICAL PERFORMANCE .....</b>	<b>22</b>
<b>11 PRINCIPLES FOR THE MANAGEMENT OF THE FUND AND PAYMENT OF PROFIT OR YIELD SHARES .....</b>	<b>23</b>
<b>12 SECURITIES ISSUED BY THE FUND .....</b>	<b>24</b>
12.1 FUND UNITS.....	24
12.2 ENTITY KEEPING THE RECORDS OF THE ISSUANCE OF THE UNITS.....	24
12.3 RIGHTS ASSOCIATED WITH THE UNITS.....	25
12.4 MANNERS OF PROVING THE OWNERSHIP TITLE TO THE UNITS.....	25
<b>13 ISSUANCE AND REDEMPTION OF FUND SECURITIES.....</b>	<b>25</b>
13.1 ISSUANCE OF THE UNITS.....	25
13.2 REDEMPTION OF THE FUND UNITS.....	26
13.3 JOINT PROVISIONS REGARDING THE ISSUANCE AND REDEMPTION OF THE UNITS .....	27
13.4 SPECIAL PROVISIONS GOVERNING THE HANDLING OF THE UNITS .....	27
<b>14 FEES AND EXPENSES .....</b>	<b>27</b>
14.1 STRUCTURE OF THE FEES AND EXPENSES: .....	27
14.2 EXPENSES PAID FROM THE FUND ASSETS .....	28
14.3 DEPOSITORY FEE.....	28
14.4 INVESTMENT COMPANY FEE .....	28
14.5 JOINT PROVISIONS REGARDING FEES AND EXPENSES OF THE FUND .....	29
14.6 FEES PAYABLE TO ENTITIES KEEPING SEPARATE RECORDS AND FOLLOW-UP RECORDS .....	29
<b>15 ADDITIONAL INFORMATION .....</b>	<b>29</b>
15.1 INFORMATION ABOUT THE PROSPECTUS .....	29
15.2 PUBLICATION OF INFORMATION IN A MANNER ALLOWING FOR REMOTE ACCESS.....	30
15.3 LIQUIDATION AND TRANSFORMATION OF THE FUND .....	30
15.4 TRANSFORMATION OF THE FUND INTO FOREIGN INVESTMENT FUND WITHOUT LEGAL PERSONALITY .....	33
15.5 CONTACT PLACE FOR PROVISION OF ADDITIONAL INFORMATION .....	33
15.6 BASIC INFORMATION ABOUT THE TAX SYSTEM/TAXATION .....	34
15.7 SUMMARY OF THE REMUNERATION SYSTEM.....	34
15.8 METHODS AND FREQUENCY OF PUBLICATION OF REPORTS ON THE MANAGEMENT OF THE FUND.....	34
15.9 SUPERVISORY AUTHORITY OF THE FUND.....	35
15.10 NOTE TO THE INVESTORS .....	35

## 1 LIST OF ABBREVIATIONS

Unless the text of the Prospectus implies otherwise, the following terms and abbreviations shall have the following meanings assigned to them:

### **AKAT**

Czech Capital Market Association (*Asociace pro kapitálový trh ČR*) associates major Czech investment companies, foreign fund managers offering their products in the Czech Republic and other entities.

### **Security**

Security or book-entry security.

### **CNB**

Czech National Bank (*Česká národní banka*).

### **Depository**

UniCredit Bank Czech Republic and Slovakia, a.s., with registered office at Želetavská 1525/1, 140 92 Praha 4, Company ID (IČ): 64948242, registered in the Companies Register administered by the Municipal Court in Prague, Section B, File no. 3608.

### **Distributor**

An entity authorized by the Investment Company to offer investments in the Fund or to broker submission of applications for issue and redemption of Units of the Fund, namely, at its Points of Sale.

### **Fund**

Raiffeisen fond dluhopisových trendů, otevřený podílový fond, Raiffeisen investiční společnost a.s.

### **Investment Company**

Raiffeisen investiční společnost a.s., with registered office at Hvězdova 1716/2b, 140 78 Praha 4 - Nusle, Company ID. (IČ): 29146739, registered in the Companies Register administered by the Municipal Court in Prague, Section B, File no. 18837, the Manager of the Fund.

### **ISIN**

The unique international identifier of Securities pursuant to ISO 6166 (International Securities Identification Number).

### **Fund Assets**

The assets of the Fund reduced by the debts of the Fund in the sense of the appropriate provisions of the Regulation.

### **Regulation**

Government Regulation No. 243/2013 Collection of Laws ("Coll."), on investment fund investments and techniques and instruments used for the purpose of portfolio management, as amended.

### **Follow-Up Records**

Records of investment instruments connected with the Separate Records kept pursuant to the relevant laws and regulations (or similar foreign records). The Follow-Up Records are kept by the individual Distributors.

### **Trading Day**

The day whose published exchange rate will be used for issuing or redemption of the Units of the Fund. A Trading Day is every business day which is a business day in the Czech Republic as well as in the Republic of Austria. An up-to-date calendar of the Trading Days is published by the Investment Company in a manner allowing for remote access on the Internet address: [www.rfis.cz](http://www.rfis.cz).

### **Notification of Commencement of Offering**

Notification of Commencement of Offering of the Fund published by the Investment Company in a manner allowing for remote access on the Internet address: [www.rfis.cz](http://www.rfis.cz). The Notification will contain, in particular:

- Identification of the Fund;
- Date of commencement of offering of the Fund;
- Date of announcement of the first net asset value of the Unit of the Fund;

- Date in respect of which the first net asset value of the Unit of the Fund will be announced;
- Date as of which the issuance and redemption of the Units of the Fund will commence;
- Date of the commencement of the term during which the Investment Company would accept on the Trading Day applications for the issue, and/or redemption, of Units of the Fund per CZK 1;
- Date of the end of the term during which the Investment Company would accept on the Trading Day applications for the issue, and/or redemption, of Units of the Fund per CZK 1.

**Unit-holder**

Owner of a Unit.

**Unit**

Unit of the Fund.

**Business Day**

Every business day which is a business day in the Czech Republic as well as in the Republic of Austria.

**Point of Sale**

In particular, the network of selected locations of Raiffeisenbank designated as a personal finance contact point, where applications for the issue and redemption of the Units are received. An up-to-date list of the selected branches of Raiffeisenbank is available on the Internet address: [www.rb.cz](http://www.rb.cz). In line with the development of the commercial and technical communication capabilities, the Prospectus does not rule out introduction of other forms of issuing and redeeming of the Units. An up-to-date list of the points of sale is published by the Investment Company in a manner allowing for remote access on the Internet address: [www.rfis.cz](http://www.rfis.cz).

**Raiffeisenbank**

Raiffeisenbank a.s. with registered office at Hvězdova 1716/2b, 140 78 Praha 4, Company ID. (IČ): 49240901, registered in the Companies Register administered by the Municipal Court in Prague, Section B, Entry no. 2051.

**Rating**

The determination of the Rating limits is based on the scales of rating agencies Standard and Poor's, Fitch Ratings, and Moody's. In order to assess a particular instrument, it is necessary to have a rating from at least one of the above-mentioned agencies. If ratings from multiple agencies are available, the second worst rating of all ratings received shall be applied. Ratings in the following order are used for the evaluation of bonds: 1) rating of the issue; 2) rating of the issuer's long-term liabilities in the currency of the issue; 3) rating of the issuer's long-term liabilities; 4) rating of the guarantor's long-term liabilities in the currency of the issue; 5) rating of the guarantor's long-term liabilities. If rating 1) is not available, rating 2) shall be used. In the case of subordinated bonds, the process of establishment of the Rating is similar, provided that the order of the ratings is as follows: 1) rating of the issue; 2) rating of the issuer's subordinated liabilities; 3) rating of the guarantor's long-term liabilities or rating of the guarantor's subordinated liabilities, depending on the nature of the guarantee (non-subordinated or subordinated guarantee). The sources of each rating for the establishment of the resulting Rating are chosen by the Investment Company at its discretion in order to ensure the maximum information value of the final Rating.

**RBI**

Raiffeisen Bank International AG, with registered office at Am Stadtpark 9, 1030 Wien, Republic of Austria, registered with the Commercial Court in Vienna under File no. FN 122119m.

**Repo**

Transfer of Securities for cash together with an obligation to accept these Securities as of a set date for the amount equal to the original amount of money and interest; Repo also means a sale under an agreement to repurchase or loan the Securities guaranteed by the pecuniary funds.

**Repo Deal**

Repo or Reverse Repo.

**Reverse Repo**

Acquisition of Securities for cash together with an obligation to transfer these Securities as of the set date for an amount equal to the amount of the transferred cash and interest; Reverse Repo also means a purchase under an agreement to re-sell or borrow the Securities guaranteed by the pecuniary funds.

**Separate Records**

Separate Records of investment instruments kept pursuant to the relevant laws and regulations (or similar foreign records) by the Investment Company or, as the case may be, by RBI based on the entrusting of individual administrator activities.

**Key Investor Information**

A document containing key information for the investors. It contains brief basic characteristics of the Fund necessary for the investors to make an informed decision regarding the nature of the investment and the associated risks.

**Prospectus**

This document, which contains information on the method of investment of the Fund and other information necessary for investors in order to assess the investment accurately and correctly.

**Decree on Prospectus**

Decree no. 246/2013 Coll., on prospectuses of collective investment funds.

**Decree on keeping records**

Decree No. 58/2006 Coll., on the manner of keeping separate records of investment instruments and records based on separate records of investment instruments.

**Management Companies and Investment Funds Act (ZISIF)**

Act No. 240/2013 Coll., on management companies and investment funds, as amended.

**Capital Market Undertakings Act (ZPKT)**

Act No. 256/2004 Coll., on capital market undertakings, as amended.

## **2 COLLECTIVE INVESTMENT FUND**

### **2.1 Identification of the mutual fund**

Raiffeisen fond dluhopisových trendů, otevřený podílový fond, Raiffeisen investiční společnost a.s.

Abbreviated identification of the Fund: Raiffeisen fond dluhopisových trendů.

### **2.2 Date of incorporation of the Fund**

The Fund was established on the date of its registration in the list administered by the Czech National Bank pursuant to Section 597(b) of the Management Companies and Investment Funds Act, made as of May 21, 2014.

### **2.3 Additional information about the Fund**

The Fund is an open-end mutual fund which has legal personality and which is established for an indefinite period of time. The Fund constitutes a standard fund. The Fund is a bond fund. The Fund does not constitute either a “master” or “feeder” standard fund. No Unit-holders’ Meeting has been established.

### **2.4 Historical information on status matters**

Merger of the Fund with foreign investment fund comparable to standard fund named Raiffeisen – Český dluhopisový fond, whose manager was Investment Company Raiffeisen Kapitalanlage-Gesellschaft m. b. H., was approved by the decision of Austrian Financial Market Authority, No FMA-IF25 8679/0002-INV2014 dated 3. 10. 2014.

On the basis of an amendment of the Prospectus effective as of 22 March 2016, the A3 Class of the Fund Units was eliminated; although it was originally mentioned in the Prospectus, it had never been on public offer; also the A2 Dividend Class of the Fund Units was eliminated because no Unit-holder had held any Units of that Class as of the date of the change and it was no longer on offer.

## **3 FUND MANAGER**

### **3.1 Management**

- 3.1.1 Management means management of the Fund assets, including investing on the account of the Fund and management of risks associated with such investing

### **3.2 Fund Manager of the Fund**

Business name: Raiffeisen investiční společnost a.s.

Registered office: Hvězdova 1716/2b, 140 78 Praha 4, Czech Republic

Company ID. (IČ): 29146739

Date of incorporation: 21 December 2012

Registered in the Companies Register administered by the Municipal Court in Prague, Section B, File no. 18837.

The Investment Company is registered in the list of Investments Companies administered by the Czech National Bank pursuant to Section 596(a) of the Management Companies and Investment Funds Act.

Registered capital: CZK 40,000,000.00, repaid: 100 percent

### **3.3 Decision on permission (licence) for activities of the Investment Company**

Issued by: Czech National Bank

Date of issue: 9 April 2013

Licence reference number: 2013/4256/570

Date of licence legal force: 9 April 2013

Item 1. in the statement of the above-described decision was replaced by the following CNB decision:

Date of issue: 21 March 2014  
Licence reference number: 2014/2974/570  
Date of licence legal force: 21 March 2014

This decision resulted in an extension of the licence, the original licence for the activity of the Investment Company was cancelled and the Investment Company was issued a new licence to such extent as stipulated in Art. 3.6 of the Prospectus.

### 3.4 Consolidation unit

The Investment Company belongs to the Raiffeisenbank consolidated group. The consolidated financial statements of Raiffeisenbank include, in accordance with the IFRS, all subsidiaries using the full consolidation method and all associated companies using the equivalence method. Raiffeisenbank is majority-owned by the Austrian financial institution Raiffeisen Bank International AG.

### 3.5 List of executives of the Investment Company

**Ing. Jaromír Sladkovský**, Chairman of the Board of Directors and CEO

In addition to the position in the Investment Company, Jaromír Sladkovský also holds the position of Manager of the Investment Management Department in Raiffeisenbank.

**Ing. Lucie Osvaldová**, Member of the Board of Directors

**Ing. Michal Ondruška**, Member of the Board of Directors

In addition to the position in the Investment Company, Michal Ondruška also holds the position of Manager of the Asset Management Department in Raiffeisenbank.

### 3.6 List of members of the Supervisory Board of the Investment Company

**Ing. Igor Vida** – Chairman of the Supervisory Board

Ing. Igor Vida also acts as the Chairman of the Board of Directors of Raiffeisenbank, Vice-chairman of the Supervisory Board of Tatra banka, a.s., and Chairman of the Board of Tatra Banka Foundation.

**Ing. Michal Kustra** – Member of the Supervisory Board

Ing. Michal Kustra also acts as Chairman of the Board of Directors of Tatra Asset Management a.s. (Slovakia) and a member of the Supervisory Boards of OOO Raiffeisen Capital (Russian Federation), Non-state pension fund Raiffeisen (Russian Federation), Raiffeisen Investment Fund Management JSC (Hungary), and Raiffeisen Invest (Croatia).

**PhDr. Vladimír Kreidl, MSc** – Member of the Supervisory Board

PhDr. Vladimír Kreidl, MSc, also acts as Director of Raiffeisenbank.

### 3.7 Objects of the Investment Company

Pursuant to the license granted to the Investment Company by the CNB, the Investment Company is authorised to:

- a) exceed the relevant limit;
- b) manage:
  - standard funds;
  - foreign investment funds comparable to standard funds;
  - special funds;
  - foreign investment funds comparable to special funds;
  - funds managed by qualified investors, with the exception of venture capital funds pursuant to Art.3(b) of the self-executing regulation of the European Union governing European venture capital funds, and qualified social entrepreneurship funds pursuant to Art.3(b) of the self-



- executing regulation of the European Union governing European social entrepreneurship funds;
- foreign investment funds comparable to funds managed by qualified investors, with the exception of foreign investment funds comparable to qualified venture capital funds pursuant to Art.3(b) of the self-executing regulation of the European Union governing European venture capital funds, and foreign investment funds comparable to qualified social entrepreneurship funds pursuant to Art.3(b) of the self-executing regulation of the European Union governing European social entrepreneurship funds;
- c) perform administration within the scope of activities pursuant to Section 38(1) of the Management Companies and Investment Funds Act, namely with respect to investment funds and foreign investment funds pursuant to subpar. (b).

### 3.8 List of investment funds managed

Standard funds:

- Raiffeisen fond dluhopisových příležitostí, otevřený podílový fond, Raiffeisen investiční společnost a.s.
- Raiffeisen fond dluhopisové stability, otevřený podílový fond, Raiffeisen investiční společnost a.s.
- Raiffeisen fond dluhopisových trendů, otevřený podílový fond, Raiffeisen investiční společnost a.s.
- Raiffeisen fond high-yield dluhopisů, otevřený podílový fond, Raiffeisen investiční společnost a.s.
- Raiffeisen fond globálních trhů, otevřený podílový fond, Raiffeisen investiční společnost a.s.
- Raiffeisen fond udržitelného rozvoje, otevřený podílový fond, Raiffeisen investiční společnost a.s.
- Raiffeisen fond flexibilního růstu, otevřený podílový fond, Raiffeisen investiční společnost a.s.

Special funds:

- Raiffeisen chráněný fond ekonomických cyklů, otevřený podílový fond, Raiffeisen investiční společnost a.s.
- Raiffeisen chráněný fond americké prosperity, otevřený podílový fond, Raiffeisen investiční společnost a.s.
- Raiffeisen privátní fond dynamický, otevřený podílový fond, Raiffeisen investiční společnost a.s.
- Raiffeisen privátní fond alternativní, otevřený podílový fond, Raiffeisen investiční společnost a.s.
- Raiffeisen fond optimálního rozložení, otevřený podílový fond, Raiffeisen investiční společnost a.s.

Qualified investors' fund:

- Leonardo, otevřený podílový fond

## 4 ADMINISTRATOR

### 4.1 Administration

4.1.1 Administration of the Fund is carried out by the Investment Company. The Investment Company, as the Administrator of the Fund, carries out in particular the following activities:

- a) bookkeeping;
- b) provision of legal services;
- c) compliance;
- d) dealing with the investors' complaints;
- e) valuation of the Fund assets and liabilities;
- f) determination of the current value of the Units;
- g) performing obligations with respect to taxes, charges or other similar payments;
- h) drafting and updating of the annual reports and semi-annual reports of the Fund;
- i) drafting and updating of Key Investor Information;
- j) drafting of the promotion message related to the Fund;
- k) publication, disclosure and provision of information and documents to Unit-holders and other parties;
- l) reporting and provision of documents to the Czech National Bank; and
- m) distribution and pecuniary payments in relation to the dissolution of the Fund.

4.1.2 The Investment Company may assign the performance of separate administration activities to another entity, subject to compliance with the terms and conditions pursuant to the Management Companies and Investment Funds Act.

**5 AUDITOR**

Business name: Deloitte Audit s.r.o.  
Registered office: Karolinská 654/2, 186 00 Praha 8-Karlín, Czech Republic  
Company ID. (IČ): 49620592  
Registered in the Companies Register administered by the Municipal Court in Prague, Section C, File no. 24349

**6 APPOINTMENT OF ANOTHER ENTITY TO CARRY OUT MANAGEMENT OR ADMINISTRATION****6.1 Appointment of RBI****6.1.1 Information on the appointed entity**

Trade name: Raiffeisen Bank International AG  
Registered office: Am Stadtpark 9, 1030 Wien, Republic of Austria  
Registered with the Commercial Court in Vienna under file No. FN 122119m.

**6.1.2 Activities carried out by the appointed entity****a) Activities related to records and settlement:**

The Investment Company delegated the following activities partially or wholly on RBI under the relevant agreements:

- i. distribution and payment of the profits from the assets of this Fund (Section 38(1)(i) of the Management Companies and Investment Funds Act);
- ii. distribution and payment of money in relation to the dissolution of the Fund, if applicable ((Section 38(1)(q) of the Management Companies and Investment Funds Act);
- iii. keeping records of the book-entry Securities issued by the Fund (Section 38(2)(a) of the Management Companies and Investment Funds Act). These records, which are kept in the form of Separate Records, replace the list of Unit-holders pursuant to Section 109 of the Management Companies and Investment Funds Act);

**b) Activities related to the issue and redemption of the Units:**

Furthermore the Investment Company delegated the following activities partially or wholly on RBI under the relevant agreements:

- i. issuing and redemption of Units (pursuant to Section 38 (1) j) of the Management Companies and Investment Funds Act) and keeping records (pursuant to Section 38 (1) r) and pursuant to Section 54 (1) a) and b) of the Management Companies and Investment Funds Act) on issuing and redemption Units, performing the relevant changes on the accounts in the Separate Records, and mediation of financial settlement of the issuing and redemption of Units;
- c) The activities of the Formal Paying and Information Agent for the Fund in Austria in the event of notification of the Fund in Austria for public distribution in accordance with the relevant provisions of the UCITS directive and the Austrian Investment Fund Act - will be performed by RBI;
- d) The activities of the operative paying agent for the Fund in Austria will be in the event of notification of the Fund in Austria and distribution of the Fund in Austria performed - in accordance with the relevant provisions of the UCITS directive and the Austrian Investment Fund Act – by RBI.

No part of assets of the Fund is administered by RBI.

## 6.2 Appointment of Raiffeisenbank

### 6.2.1 Information on the appointed entity

Business name: Raiffeisenbank a.s.

Registered office: Hvězdova 1716/2b, 140 78 Praha 4, Czech Republic

Company ID. (IČ): 49240901

Registered in the Companies Register administered by the Municipal Court in Prague, Section B, File no. 2051.

### 6.2.2 Activities carried out by the appointed entity

The Investment Company delegated the following activities partially or wholly on Raiffeisenbank under the relevant agreements:

- a) management of market risks associated with the management of the assets of the Fund, including expert evaluation of the Fund assets and debts;
- b) offering investments in the Fund within the Czech Republic (including the performance of selected information duties to investors).

The RBI does not administer any portions of the assets of the Fund.

## 6.3 Appointment of Centrální depozitář cenných papírů, a.s.

### 6.3.1 Information on the appointed entity

Business name: Centrální depozitář cenných papírů, a.s.

Registered office: Rybná 14, 110 05 Praha 1, Czech Republic

Company ID. (IČ): 25081489

Registered in the Companies Register administered by the Municipal Court in Prague, Section B, File no. 4308.

### 6.3.2 Activities carried out by the appointed entity

The Investment Company may assign to Centrální depozitář cenných papírů, a.s., subject to and under the relevant contract, keeping records of issues of book-entry securities in the Central Securities Records, including without limitation, in the event of issues of global Units.

## 7 DEPOSITORY

### 7.1 Information about the Depository

Business name: UniCredit Bank Czech Republic and Slovakia, a.s.

Registered office: Želetavská 1525/1, 140 92 Praha 4, Czech Republic

Company ID. (IČ): 64948242

registered in the Companies Register administered by the Municipal Court in Prague, Section B, File no. 3608.

The Depository is registered in the List of Depositories of Investment Funds administered by the Czech National Bank pursuant to Section 596(e) of the Management Companies and Investment Funds Act.

### 7.2 Basic activities and obligations of the Depository, definition of responsibility

#### 7.2.1 Fund Depositories carry out, in particular, the following activities:

- a) keeping in custody of the fungible investment instruments comprising the Fund assets;
- b) keeping custody also of other Fund assets if their nature so allows;
- c) opening and keeping of pecuniary accounts and registering the movement of all monies belonging to the Fund assets;

- d) taking care of registering of the Fund assets, if their nature so allows, or checking the status of the Fund assets other than the assets specified in subpar. (a) and (b); and
- e) recording and checking whether, in accordance with the Management Companies and Investment Funds Act, the Prospectus, the directly applicable (self-executing) regulation of the European Union governing investment fund management, and the provisions of the Depositary Agreement:
  - i. the Units have been issued and redeemed;
  - ii. the current value of the Units has been determined;
  - iii. the Fund assets and liabilities have been valued;
  - iv. payments from transactions involving the Fund assets have been made within the usual terms;
  - v. proceeds arising for the Fund are duly used; and
  - vi. instructions of the Fund manager are pursued aimed at acquisition or alienation of Fund value assets.
- 7.2.2 Within the activities of the Fund depositary, the Depositary executes orders issued by the Investment Company in compliance with the Prospectus and in accordance with the Depositary Agreement.
- 7.2.3 A Fund Depositary, which causes harm to the Investment Company, the Fund or the Unit-holders by breaching its obligation laid down for the performance of its activities as the Depositary, shall indemnify them. The Depositary shall be released of the obligations for compensation under the preceding sentence only if it can prove that it did not cause the harm even by negligence.
- 7.2.4 In the event of any loss of investment instruments held by or in custody of the Depositary, the Depositary shall indemnify the Fund for the resulting damage without any undue delay; in such case, it is irrelevant whether the Depositary has delegated some activities on another party.
- 7.2.5 The Depositary is obliged to carry out the activities of the depositary with due care, acting in the best interests of the Fund and the Unit-holders.

### **7.3 Consolidation unit**

UniCredit Bank Austria AG, Schottengasse 6-8, 1010 Wien, Republic of Austria, owns a 99.944-percent stake in UniCredit Bank Czech Republic and Slovakia, a.s. The consolidated financial statements of UniCredit Bank Czech Republic and Slovakia, a.s. include, in accordance with the IFRS, all subsidiaries using the full consolidation method and all associated companies using the equivalence method. UniCredit S.p.A., with registered office at Via Specchi 16, Rome, Italy, which is with a 99.944-percent stake the main Unit-holder of UniCredit Bank Austria AG, acts as an indirect controlling entity.

## **8 INVESTMENT STRATEGY**

### **8.1 Investment goals**

- 8.1.1 The goal of the Fund's investment strategy is to achieve regular yields, mainly by investing (at least 51 percent of the value of the assets) in bonds denominated in Czech crowns (CZK). To a smaller extent, it may also invest in bonds denominated in some selected foreign currencies, bond funds and money market instruments (including term deposits). The bonds and money market instruments in the portfolio of the Fund may be issued, among others, by governments, supranational institutions and corporations. Other investment funds' units may form up to 10-percent of the Fund assets. The Fund's investment strategy allows for investing in financial derivatives.
- 8.1.2 The investment goal will be achieved by allocating the pecuniary funds collected in the Fund in particular to bonds, money market instrument, and bond funds denominated in CZK, and/or currency hedged in CZK. The Fund intends to concentrate its investments to bonds issued or guaranteed by the Czech Republic (up to 100 percent of the value of the assets of the Fund), and/or bonds issued by member states of the Organisation for Economic Cooperation and Development (OECD), central banks of such states, renowned international financial institutions or other entities with Rating pursuant to par. 8.4.20 of the Prospectus. The instruments contained in the portfolio of the Fund may be denominated

in CZK, EUR, USD and the local currencies of the countries of Central and Eastern Europe. The Weighted Average Maturity (WAM) of the Fund portfolio shall not exceed five years. The sum of values of investment instruments and pecuniary account balances denominated in foreign currencies, which have not been hedged in CZK, shall not exceed 15 percent of the value of the assets of the Fund.

8.1.3 The Fund is managed actively and does not intend to follow any specific index or indicator.

8.1.4 The pecuniary funds of the Fund shall be invested with professional care in order to ensure security, quality, liquidity and profitability of the assets of the Fund as a whole. The Investment Company, however, cannot guarantee achievement of the investment goal, and no third party guarantees for protection of the investors are provided.

## **8.2 Investment policy**

8.2.1 According to the AKAT classification, the Fund's investment goal makes it a bond fund, which means that it permanently allocates its funds on bond markets and on money markets, while observing the following rules:

- a) bonds or similar Securities representing the right to repayment of any outstanding amounts, investment instrument bearing the risk of debt Securities and money market instruments in the Fund portfolio must comprise at least 80 percent of the Fund assets;
- b) investments in equity, and/or instruments bearing equity risks are not allowed;
- c) other investments in securities representing the right to repayment of any outstanding amounts (e.g., convertible bonds, Asset-backed securities - ABS) shall not exceed 20 percent of the value of the assets of the Fund.

8.2.2 Decisions on the investments of the Fund are regulated by the internal rules of the Investment Company and are based on the so-called Top-Down approach where the basic strategic goals of the Fund's investment policy are determined in a binding manner by the decision of the Investment Committee, while the portfolio manager is responsible for its practical implementation, i.e., for the choice of the particular investment instruments and execution of transactions. The execution of the investment is preceded by an analysis of economic expediency as well as by verification of whether the investment complies with the legal, statutory, and internal restrictions, and whether it is in the best interests of the Unit-holders.

## **8.3 Asset values**

8.3.1 The following assets can be acquired to the assets of the Fund:

- a) bonds:
  - 1. issued by the Czech Republic, member states of the Organisation for Economic Cooperation and Development (OECD), central banks of such states, renown international financial institutions, local self-administration organisations or commercial corporations, and/or similar investment securities accepted for trading on the European regulated market or a similar regulated market, as long as such markets has been listed by the CNB;
  - 2. issued by the Czech Republic, member states of the Organisation for Economic Cooperation and Development (OECD), central banks of such states, renown international financial institutions, local self-administration organisations or commercial corporations, and/or similar investment securities from a new issue which can be justifiably deemed to be accepted for trading in any of the markets pursuant to Item 1(i) within one year of the date of termination of its issue;
- b) investment securities issued by a collective-investment fund, which does not redeem its issued securities or by a comparable international investment fund, subject to compliance by the manager of such fund with any of the codes of corporate management and administration and subject to be subordinated to the supervision of the Czech National Bank, a supervising authority of any other Member State or a supervising authority of any other state, with such supervision contributing to investor protection;

- c) investment Securities not mentioned under subpar. (a) and (b) subject to the condition pursuant to par. 8.4.7 of the Prospectus.
- 8.3.2 Securities may be acquired in the Fund assets subject to the condition pursuant to Section 3(2) of the Regulation.
- 8.3.3 Investment Securities may be acquired to the assets of the Fund irrespective of whether they have been repaid in full.
- 8.3.4 Investment Securities may be acquired to the assets of the Fund containing derivatives pursuant to Section 4 Regulation.
- 8.3.5 Investment instrument pursuant to Sections 5 to 9 of the Regulation may be acquired to the assets of the Fund.
- 8.3.6 Security issued by a standard fund or a comparable foreign investment fund, which invests according to its Prospectus or a comparable document up to 10 percent of its assets in Securities issued by collective investment funds or comparable foreign investment funds, may be acquired in the Fund assets.
- 8.3.7 Security issued by a special fund or a comparable foreign investment fund, which meets the conditions pursuant to Section 10(2) of the Regulation, may be acquired in the Fund assets.
- 8.3.8 Securities issued by a collective investment fund or a comparable foreign investment fund may be acquired to the assets of the Fund, irrespective of whether they have been fully repaid.
- 8.3.9 It is possible to negotiate on the account of the Fund financial derivatives pursuant to Sections 12 to 14 Regulation, including without limitation:
- a) currency forwards, i.e., agreements of two parties on the purchase or sale of a single currency for another currency for a pre-agreed exchange rate on a pre-agreed future date (more than two business days of the date of the deal);
  - b) currency swaps, i.e., combinations of currency conversions and currency forwards expressed by way of an agreement of two parties on the purchase or sale of a single currency for another currency and at the same time on re-sale or repurchase of the same currency on a pre-agreed future date (more than two business days of the date of the deal); both transactions are negotiated at the same time;
  - c) interest-rate swap, i.e., an agreement of two parties on the exchange of certain cash flows denominated in a single currency derived from a fixed or fluctuating basis.
- 8.3.10 Financial derivatives pursuant to par. 8.3.9 of the Prospectus may be negotiated outside the regulated markets (so-called: OTC derivatives) exclusively subject to the following conditions:
- the counterparties involved in the transactions must possess banking licences valid in the territory of the Czech Republic (i.e., they must be subordinated to the supervision of the CNB) and they must possess a long-term rating of at least of the investment grade issued by at least one of the main rating agencies, and/or such rating must be possessed by the main Unit-holders of such counterparties;
  - the underlying assets of such derivatives represent instruments, which the Fund is eligible to acquire in its assets pursuant to the Prospectus;
  - such derivatives will be evaluated on a daily basis in a reliable and verifiable manner, and the Fund is able at any time to realise them or to close them for an amount, which can be achieved among informed parties under usual arm's length conditions.
- Information about risks inherent in investing in the Fund, including risks related to investing into derivatives, is carried in Chapter 9 of the Prospectus.
- 8.3.11 Only receivables in respect of payments relating to pecuniary funds from accounts denominated in the Czech or foreign currency made on behalf of any of the entities pursuant to Section 72(2) of the Management Companies and Investment Fund Act can be acquired to the assets of the Fund, typically

term deposits or similar products negotiated with a bank in the Czech Republic or any other Member State, with maturity of up to one year.

#### **8.4 Investment limits**

- 8.4.1 Unless the further paragraphs of Art. 8.4 of the Prospectus stipulate otherwise, it is not allowed to invest more than 5 percent of the value of the assets of the Fund in investment securities and money market instruments issued by a single issuer.
- 8.4.2 Up to 10 percent of the value of the assets of the Fund may be invested in investment securities and money market instruments issued by a single issuer and up to 20 percent of the value of the assets of the Fund in investment securities and money market instruments issued by issuers belonging to a group, in respect of which consolidated financial statements are compiled; however, the sum of such invested funds shall not exceed 40 percent of the value of the assets of the Fund.
- 8.4.3 Up to 35 percent of the value of the assets of the Fund may be invested in investment securities and money market instruments issued by a single issuer, if such Securities were issued or guaranteed by the State, a self-administration unit of the State, or an international financial organisation comprising one or more Member States.
- 8.4.4 Up to 25 percent of the value of the assets of the Fund may be invested in bonds issued by a single bank, a single savings and credit cooperative, or a single foreign bank, with its registered office in a Member State and subjected to supervision of such Member State protecting the interests of the bond owners, if the funds acquired from the issue of these bonds is invested in such types of assets which cover the issuer's liabilities arising from these bonds until the maturity date of the bonds and which may be used, in the event of the issuer's insolvency, as a priority for the repayment of the bond and payment of the yields; however, the sum of such invested funds shall not exceed 80 percent of the value of the assets of the Fund.
- 8.4.5 Financial derivatives negotiated with an acceptable counterparty, receivables in respect of payments relating to pecuniary funds from accounts denominated in the Czech or foreign currency pursuant to par. 8.3.11 of the Prospectus and investments pursuant to par. 8.4.3 and 8.4.4 of the Prospectus shall not be included in the 40-percent limit pursuant to par. 8.4.2 of the Prospectus.
- 8.4.6 The investment limits defined in par. 8.4.1 to 8.4.4 of the Prospectus include the value of investment securities and money market instruments provided to another contracting party by way of security for financial derivatives pursuant to Section 13 of the Regulation. The net value of such security may be included in the limits as long as the final settlement is agreed with such other contracting party, which is legally effective and enforceable under all relevant laws.
- 8.4.7 It is not allowed to invest more than 10 percent of the value of the assets of the Fund in investment securities pursuant to par. 8.3.1(c) of the Prospectus and in money market instruments pursuant to Section 9 Regulation.
- 8.4.8 Issuers belonging to a concern shall be deemed as one single issuer for the purposes of the present Prospectus. It is deemed for the purposes of investing by investment funds that neither the State nor any other public corporation are not controlled by any other persons, nor they form a concern with such persons.
- 8.4.9 It is not allowed to acquire in the Fund assets more than
- a) 10 percent of the total nominal value of bonds issued by a single issuer; and
  - b) 10 percent of the total nominal value or of the total number of money market instruments issued by a single issuer.
- 8.4.10 Par. 8.4.9 of the Prospectus shall not apply to investment Securities or money market instruments, which
- a) were issued or guaranteed by a State or a self-administration unit of a Member State; or
  - b) were issued by an international financial organisation comprising a Member State.
- 8.4.11 Investment securities or money market instruments issued or guaranteed by the Czech Republic may comprise up to 100 percent of the value of the assets of the Fund. This must be explicitly mentioned in



- the Key Investor Information relating to the Fund and in any promotional information relating to the Fund. The Fund assets must at any time comprise Securities belonging to at least six different issues, and Securities belonging to one single issue may not for more than 30 percent of the value of the assets of the Fund.
- 8.4.12 Securities issued by a single collective investment fund or a comparable foreign investment fund may be acquired in the Fund assets up to the amount of 10 percent of the value of the assets of the Fund.
- 8.4.13 It is not allowed to acquire in the assets of the Fund Securities issued by special funds or comparable foreign investment funds, if the sum of their values should exceed 10 percent of the value of the assets of the Fund.
- 8.4.14 It is not allowed to acquire in the Fund assets more than 25 percent of the value of the assets of a single investment fund or a comparable value of a foreign investment fund.
- 8.4.15 Counterparty risk arising from financial derivatives pursuant to par. 8.3.9 of the Prospectus corresponding to the sum of the positive real values of such derivatives and from techniques of management of a standard fund shall not exceed in respect of one contracting party
- a) 10 percent of the value of the assets of the Fund if such party comprises an entity pursuant to Section 72(2) of the Management Companies and Investment Funds Act; or
  - b) 5 percent of the value of the assets of the Fund if such party comprises an entity other than the entity pursuant to Section 72(2) of the Management Companies and Investment Funds Act.
- 8.4.16 For the purpose of determining the limits pursuant to par. 8.4.1 to 8.4.7 of the Prospectus, the underlying assets of the derivatives negotiated on the account of the Fund shall be taken into consideration; this is not required in the case of financial derivatives whose underlying assets are financial indexes or other financial indicators expressed in a quantitative manner.
- 8.4.17 Receivables for the payment of pecuniary funds from accounts denominated in the Czech or a foreign currency for one of the entities pursuant to Section 72(2) of the Management Companies and Investment Funds Act must not form more than 20 percent of the value of the assets of the Fund.
- 8.4.18 The sum of values of investment securities or money market instruments issued by a single issuer, values of receivables in respect of payment of pecuniary funds from accounts denominated in the Czech or a foreign currency from one issuer and values of the counterparty risk arising from financial derivatives pursuant to Section 13 Regulation related to such issuer shall not exceed 20 percent of the value of the assets of the Fund; this shall be without prejudice to the provisions of par. 8.4.3 and 8.4.4 of the Prospectus.
- 8.4.19 Investment limits pursuant to par. 8.4.18 of the Prospectus, in par. 8.4.1 to 8.4.7, 8.4.15 and 8.4.17 of the Prospectus cannot be combined, and the sum of the values of investment securities or money market instruments issued by a single issuer, the values of receivables in respect of payment of pecuniary funds from accounts denominated in the Czech or a foreign currency from one issuer and the values of the counterparty risk arising from financial derivatives pursuant to Section 13 Regulation related to such issuer shall not exceed 35 percent of the value of the assets of the Fund.
- 8.4.20 The Fund will invest in instruments with Rating of at least the investment grade BBB-/Baa3 and higher. The condition of minimum investment trade Rating for the purposes of the investment limit as mentioned in the previous sentence will be applied at the moment of the acquisition of securities in the assets of the Fund. The restrictions relating to the Rating in the Prospectus do not apply to investments of the Fund performed by way of procurement in the Fund assets of Securities issued by a collective investment fund or a comparable foreign investment fund.
- 8.4.21 Neither the Weighted Average Maturity (WAM) nor the Weighted Average Life (WAL) of any instruments comprising the Fund assets shall exceed five years.
- 8.4.22 The sum of values of investment instruments and pecuniary account balances denominated in foreign currencies, which have not been hedged in CZK, shall not exceed 15 percent of the value of the assets of the Fund.
- 8.4.23 The sum of values of Securities issued by collective investment funds or comparable foreign investment funds may not exceed 10 percent of the Fund assets.

8.4.24 Bonds or similar Securities representing the right to repayment of any outstanding amounts, investment instrument bearing the risk of debt Securities and money market instruments must comprise at least 80 percent of the assets of the Fund. Other investments securities representing the right to repayment of any outstanding amounts (e.g., convertible bonds, Asset-backed securities – ABS) shall not exceed 20 percent of the value of the assets of the Fund. It is not allowed to invest in equity, similar instruments and Securities issued by collective investment funds, including so-called Exchange-Traded Funds (ETF), which bear risks similar to that of equity.

8.4.25 In the event of diversification of risk, it is possible to depart from the provisions contained in par. 8.4.1 to 8.4.7, 8.4.11, 8.4.12, 8.4.13 and 8.4.15 of the Prospectus; however, not longer than for the term of six months from the date of the establishment of the standard fund.

## **8.5 Credits, loans, donations and some debts**

8.5.1 Credits or loan can only be accepted on the account of the Fund, if

- a) maturity of such credit or loan is not in excess of six months; and
- b) the sum of values of all such accepted credits and loans shall not exceed 10 percent of the value of the assets of the Fund (this shall be without prejudice to the exposure of the Fund in respect of financial derivatives).

8.5.2 The Fund assets shall not be applied to grant credits or loans, which do not relate to its management; this shall be without prejudice to par. 8.3.3, 8.3.8, 8.4.15, 8.4.16 of the Prospectus and Sections 30 to 44 of the Regulation.

8.5.3 The Fund assets shall not be applied to grant donations, to secure debts of another party or to repay debts, which are not related to the Fund management; this shall be without prejudice to par. 8.3.3, 8.3.8, 8.4.15, 8.4.16 of the Prospectus and Sections 30 to 44 of the Regulation.

8.5.4 It is not possible to enter into an agreement on the account of the Fund on sale of investment instruments which do not constitute the Fund assets or which it holds temporarily.

## **8.6 Techniques for the management of the Fund, mitigation of risks resulting from use of financial derivatives, and measurements of risk**

8.6.1 The techniques for the Fund management only comprise Repo Deal pursuant to Sections 31 to 33 of the Regulation and financial derivatives pursuant to Sections 12 a 13 of the Regulation.

8.6.2 The techniques pursuant to par. 8.6.1 of the Prospectus may only be applied, if

- a) they are related to investment securities and money market instruments;
- b) they are used solely for the purpose of effective management of the Fund and in order to:
  - 1. mitigate the risk associated with investing on the account of the Fund;
  - 2. reduce the costs associated with investing on the account of the Fund; or
  - 3. acquire additional capital or achieve additional yields, if the risk taken complies with the risk profile of the Fund;
- c) the application of these techniques does not mean circumventing the rules laid down in the Regulation and determined by the Prospectus or the investment strategy of the Fund; and
- d) any debts of the Fund resulting from the application of these techniques shall always be fully covered from the Fund assets.

8.6.3 Repo Deals making use of the Fund assets may be executed only with permissible counterparties subjected to supervision from the supervising authority of the State of its registered office, and only if the relevant liability can be terminated without any term of notice or with a term of notice less than seven days. Arranging of Repo Deals shall be governed by Sections 30 through 33 of the Regulation.

8.6.4 The Fund Manager of the Fund shall mitigate risks related to the application of financial derivatives in the following manner:

- a) if a financial derivative is to be settled by the Fund by supplying underlying asset, the Fund Manager shall hold the underlying asset concerned as at the moment of the execution of the

contract and throughout the term of the contract relating to such derivative in the Fund assets; in respect of currency derivatives characterised as hedging derivatives according to the international accounting standards regulated by the law of the European Union, it is sufficient to hold a highly liquid asset;

- b) if a financial derivative is to be settled by the Fund by supplying pecuniary funds, the Fund Manager shall hold the pecuniary funds concerned or highly liquid assets in the value corresponding to the settlement price of the financial derivative or to highly liquid assets in values corresponding to the settlement price of the relevant financial derivative;
- c) it shall not apply, with the exception of the cases pursuant to par. 8.6.5 of the Prospectus, any underlying assets, pecuniary funds or highly liquid assets serving to cover one of such financial derivative in order to cover further such financial derivative; at the same time, it shall not apply to cover such financial derivative any asset values and pecuniary funds, which are involved in any Repo Deals;
- d) it shall ensure that the underlying asset of such financial derivative should comply with the investment strategy and the risk profile of the Fund; and
- e) the Fund Manager shall obtain consent of other contracting parties to the settlement of the financial derivative and the commodity derivative prior to their maturity, provided that the settlement will match the fair value of the financial derivative and the commodity derivative.

8.6.5 The Fund Manager of the Fund shall hold any pecuniary funds of this Fund in order to mitigate the risk posed by the use of the financial derivatives only up to the amount of the difference of their settlement prices if it concerns the case pursuant to par. 8.6.4(b) of the Prospectus and if another financial derivative has been negotiated

- a) with another contracting party in order to close an open position from the financial derivative, and these financial derivatives are settled on the same day; or
- b) with the same contracting party in order to close an open position from the financial derivative, and the settlement date of these financial derivatives does differ by more than seven days.

8.6.6 The determination of the total Fund exposure is performed at least once a day, using a standard liability method, the value at risk (VaR) method, or any other advanced risk measurement method pursuant to Sections 36 to 43 of the Regulation. The Fund Manager of the Fund shall ensure that the chosen method of determination of the total exposure is appropriate with respect to the applied investment strategy of the Fund, the types and complexity of the derivatives used, and the share of derivatives in the Fund assets. The following aspects shall be taken into account when determining the total exposure of the Fund:

- a) the current value of the underlying assets of the derivatives;
- b) the counterparty risk with respect to the party with which the derivatives have been negotiated;
- c) the expected future movements on the market;
- d) the term after which the positions of the fund related to the derivatives can be closed; and
- e) management techniques pursuant to par. 8.6.1 and 8.6.2, 8.6.1 and 8.6.2 of the Prospectus, if they make use of the leverage effect or if they lead to increased exposure of the Fund to market risk.

8.6.7 If the determination of the total exposure of the Fund is performed using a standard liability method, the exposure relating to financial derivatives shall not at any moment exceed 100 percent of the value of the capital of the Fund; if the limit is exceeded due to changes of fair values, the position of the Fund with respect to financial derivatives shall be modified without undue delay, so that the exposure with respect to financial derivatives and commodity derivatives complied with the limit.

8.6.8 If the determination of the total exposure of the Fund is performed based on the model of absolute risk value, the value at risk must not exceed 20 percent of the value of the assets of the Fund.

8.6.9 If the determination of the total exposure of the Fund is performed based on the model of relative risk value, the value at risk must not exceed double the risk value of the reference portfolio.

## 8.7 Characteristics of a typical investor

The Fund is intended for conservative investors with a medium investment horizon, who prefer relatively low risk-ratios and corresponding levels and stability of yields. The Fund is also suitable for investors not aware of the principles and instruments applied in capital markets and inexperienced in trading investment instruments. A typical investor should be aware of the risks associated with investments in bonds, money market instruments and other instruments bearing bond-related risks (including but not limited to credit risk, interest risk, and concentration risk) and should be prepared to accept the risk of possible loss resulting from investments. The Fund is suitable for investors planning to invest their pecuniary funds for at least five years.

## 9 INFORMATION ABOUT RISKS

### 9.1 The risk profile of the Fund

- 9.1.1 Prices of the Securities on capital markets can fluctuate up and down and their development cannot be predicted. Yields achieved in the past are not a guarantee for achievement of the same yields in the future. The Investment Company tries to minimize the risks associated with the investment in Securities and to increase the probability of achieving yields. A success of the investment or return on the amount invested, however, is not guaranteed.
- 9.1.2 The current value of the Units (and thus the value of the investment) can increase or decrease relative to the purchase price.
- 9.1.3 The risk profile of the Fund based on the risk-yield ratio is represented primarily by the so-called Synthetic Risk and Reward Indicator - SRRI):

← Potentially lower yield Potentially higher yield →						
← Lower risk					Higher risk →	
1	2	3	4	5	6	7

The Synthetic Indicator takes into account fluctuations of the value of the Units and it shows the potential yield of investments in relation to the degree of risk inherent in the Fund. The higher the number, the higher the potential yield but the less foreseeable the yield, and investors could therefore suffer a loss. However, even the lowest number does not mean that an investment is entirely free of any risk; it rather indicates that – in comparison to higher numbers – the investment offers a lower but more foreseeable yield.

In view of the date of the establishment of the Fund, the actual historical values of the Units cannot be used, and the calculation of the Synthetic Indicator is based on modelled trends in the value of the Units derived from the expected placement of the assets in Government and corporate bonds denominated in CZK with “investment” Rating and the Weighted Average Maturity of five years.

As of the issuance date of the Prospectus, the Fund was rated in Risk Group 3. This figure was determined based on historical information, which is not always a reliable guide when it comes to the future risk profile of the Fund. Such Fund rating in respect of its risk category does not have to be permanent and the Fund can be later re-categorized. The Synthetic Indicator is re-evaluated on regular basis and the current information on its amount is published in a manner allowing for remote access on the Internet address: [www.rfis.cz](http://www.rfis.cz); furthermore, it is available in Key Investor Information.

### 9.2 Types of risks

- 9.2.1 Credit risk – A risk that the issuer or the counterparty is unable to fulfil its financial obligations; most often the bond issuer does not fulfil its obligation to pay the agreed interest or principal. In spite of the most careful selection of the Securities it cannot be ruled out that a loss will occur due to such failure of the issuers of Securities to fulfil their obligations.
- 9.2.2 Interest-rate risk – It comprises risk of change of the interest rates. It is a special part of the market risk. Changes of market interest rates can result, among other things, from a change of the economic situation and the responding policy of the relevant central bank. If the market interest rates grow the

prices of Securities with fixed interest rate usually decrease, and vice-versa. Price fluctuations caused by the changes of market interest rates are different, depending on the time to maturity of the fixed-interest Security. Fixed-interest Securities with shorter time to maturity thus have lower interest rate risk than the same Securities with longer time to maturity. However, fixed-interest Securities with shorter time to maturity typically have lower yields than fixed-interest Securities with longer time to maturity.

- 9.2.3 Currency risk – It is also part of the market risk. It is related to fluctuations of exchange rates of the currencies in which investments of the Fund are denominated, relative to the exchange rate of the Czech crown (CZK) in which the value of the assets of the Fund is kept. If the exchange rate of currency in which the investment is denominated relative to the exchange rate of CZK declines the value of the assets in the Fund goes down although the exchange rates of the relevant Securities in the capital markets are stable, and vice-versa.
- 9.2.4 Concentration risk – The risk comprises the possibility of a failure of the investment if the invested funds are concentrated into a single investment instrument or a type of investment instrument or, as the case may be, due to uneven distribution of the invested funds among the different issuers or types of issuers. The probability of a failure of investments focusing on a certain type of investment instrument/issuer is affected by the joint risk factor, for example, conducting business in the same industry or the same geographic region, carrying out the same activity or trading in the same commodity. The Fund investments may be negatively affected by the fact that investment securities or money market instruments issued or guaranteed by the Czech Republic may comprise up to 100 percent of the value of the assets of the Fund.
- 9.2.5 Risk of insufficient liquidity – The Investment Company purchases for the Fund primarily Securities that are properly traded on domestic and foreign regulated markets or on organised markets which are generally recognised, are accessible to the public and function correctly, or on so-called OTC markets. In addition, it purchases Securities from new issues whose issuance terms include an obligation to file an application for registration for official listing in a stock exchange or an organised market, if the registration is achieved not later than one year after the issue of the Securities. In the case of certain individual Securities, which are only traded to a limited extent or in certain segments of the stock exchange, it may be difficult to sell the Securities at the required point of time or, as the case may be, to achieve a reasonable price at the required time, which could, in extreme cases, result in the Fund not being able to fulfil its obligations under requests for redemption of the Units and in suspension of the issuance and redemption of the Units pursuant to par. 13.3.4 of the Prospectus.
- 9.2.6 Settlement risk – A risk that the settlement of a transaction will not be executed as originally expected due to the fact that the counterparty fails to pay or to supply the investment instruments within the set term. This risk consists primarily of potential loss of investment opportunity. Since transactions of the Fund, with the exception of transactions whose nature rules it out (e.g., primary subscription for Securities) and with the exception of foreign exchange (FX) operations, are performed essentially against cash payments (delivery versus payment), the risk of direct loss is low.
- 9.2.7 Market risk – A risk associated with an unfavourable development of the price or value of the individual asset values owned by the Fund including the value of hedging operations and assets in general (mainly prices of Securities, exchange rates or interest rates). This unfavourable development may be related to the macroeconomic situation, financial situation of the different issuers or events which have indirect impact on the market development, e.g., political situation.
- 9.2.8 Operational risk – It consists of a loss due to the lack or failure of internal processes or human factor or due to external events and the risk of loss of property entrusted into custody or other administration, which may be caused in particular by insolvency, negligence or wilful act of the party which has the Fund's assets or Securities issued by the Fund in custody or other administration.
- 9.2.9 Emerging markets risk – A sum of risks which typically do not occur in the most developed markets. The nature of these risk is:
- a) political, i.e., instability and volatility of the political situation and environment;
  - b) economic, i.e., high rate of inflation, risks associated with investments in recently privatised companies and with devaluation of the currency, insufficiently developed financial markets;

- c) legal, i.e., legal uncertainty and generally difficult recognition and/or enforceability of rights;
- d) fiscal/tax, i.e., the tax burden may be very heavy and there is no guarantee of a uniform and coherent interpretation of legal texts. Local authorities often have discretionary powers to impose new taxes, sometimes with retroactive effects;
- e) risk of loss caused by the lack of suitable systems for transfer, valuation, payment, clearance, process of registration of Securities, custody of Securities and facilitation of operations.

These risks may result in increased volatility of prices of investment instruments.

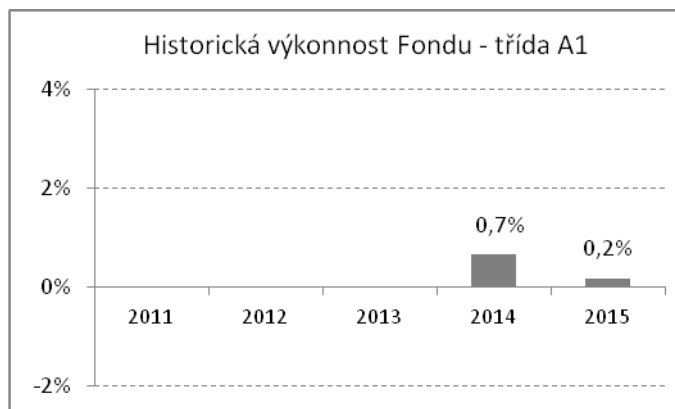
- 9.2.10 Financial derivatives risk – The risk is inherent both in the systemic risk of the instrument itself (the underlying asset risk) and in the risk of failure of the counterparty. In view of the fact that financial derivatives will be applied within the Fund investment strategy especially as hedging instruments (currency and interest rate risk management), the most dangerous financial derivative risks are in that the performance of the underlying assets (interest rates, exchange rates, etc.) will be opposite to that expected and the Fund will miss the opportunity to generate sufficient yields. The Investment Company considers it important to warn the Unit-holders in connection with investments in derivatives about the fact that such financial derivatives represent financial contracts whose value depends or derives from the value of the underlying assets; derivatives bear risks which in some cases exceed risks inherent in more traditional investment in Securities, and derivatives may also face the leverage risk (low investments may result in both high yields and high losses).
- 9.2.11 Repo Deals risk – There are two basic risks inherent in Repo Deals; the counterparty risk and the underlying asset risk, i.e., the risk inherent in the investment instrument itself. In the event of Repo, it is mainly the counterparty risk caused, for example, by an increase in the exchange rate of the hedging investment instrument, held on its account by the counterparty, which may give rise to intent not to return the investment instrument. In the event of Reverse Repo, the risk derives from the underlying asset, e.g., from the fact that a receivable held by the Fund needs not be repaid and the hedging investment instrument would be included in its assets instead. In such cases, the Fund would face the risks associated with the holding of such investment instruments, in particular, the market risk.
- 9.2.12 Risk of premature dissolution, and/or deletion of the Fund – Due to legislatively defined reasons, e.g., if the Fund does not have a depository for more than three months or if the amount of the Fund asset value does not reach at least EUR 1,250,000 within six months of the date of incorporation, or if the CNB withdraws from the Investment Company its licence to act as an investment company, due to a decision of a court, or for reasons pursuant to par. 15.3 of the Prospectus; the Fund may be dissolved, and/or deleted from the list maintained by the CNB. As a result, it is not guaranteed that a Unit-holder would remain a Unit-holder of the Fund for the whole term of its investment horizon, which may have negative impact on the expected return on the investment.

### **9.3 Risk management**

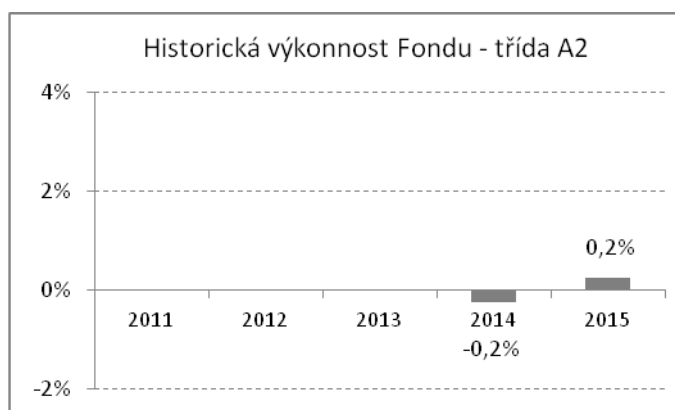
The Investment Company is responsible for risk management and it takes all necessary precautions in order to be able to check and measure at any time the risks associated with the different positions in the portfolio as well as the overall portfolio risk.

## **10 INFORMATION ABOUT HISTORICAL PERFORMANCE**

The determination of historical performance is based on the Fund net asset value and on the assumption that all Fund yields will have been re-invested. The Fund has existed since 2014. Any information on the historical performance of the Fund does not serve as an indicator of future performance. Performance is determined in CZK. Fund performance does not include any potential surcharges or deductions relating to issuance, and/or redemption of any Fund Units.



[Key: Historical performance of the Fund – Class A1 --- Performance / Years]



[Key: Historical performance of the Fund – Class A1 --- Performance / Years]

The A2 Unit Class – Dividendová, was eliminated as of the effective date of the Prospectus (see par. 2.4 of the Prospectus) and it has no longer existed since that date.

## 11 PRINCIPLES FOR THE MANAGEMENT OF THE FUND AND PAYMENT OF PROFIT OR YIELD SHARES

- 11.1.1 The Fund is managed by the Investment Company with professional care. The Investment Company exercises the ownership rights to the Fund assets in its own name and on the account of the Unit-holders.
- 11.1.2 In the management of the Fund assets, the Investment Company follows the rules of prudent practices, the rules applicable to management of the Fund assets, and the rules of conduct comprising, among other things, giving priority to the interests of the Unit-holders over own interests and interests of third parties.
- 11.1.3 The financial year of the Fund equals the calendar year, starting on 1 January and ending on 31 December of each calendar year. The first financial year of the Fund starts on the date of its registration in the relevant list maintained by the CNB.
- 11.1.4 Audited financial statements of the Fund as well as decisions on the distribution of profit or other proceeds from the Fund assets or, as the case may be, on the coverage of losses, shall be approved by the Board of Directors of the Investment Company. Unless the Board of Directors of the Investment Company decides otherwise, any profits will be retained in the Fund assets in full as a source of further re-investments.
- 11.1.5 Information about titles to payment of a profit share or any other yields from the Fund assets or about reinvesting such funds is carried in par. 12.3 of the Prospectus.
- 11.1.6 The assets and liabilities of the Fund shall be assessed at fair value. The method of determination of the fair value of the assets and liabilities of the Fund and the method of determination of the current

value of the Units shall be governed by the applicable legislation, in particular, Sections 190 to 202 Management Companies and Investment Funds Act.

- 11.1.7 The assets and liabilities of the Fund shall be valued as of the date of determination of the current value of the Unit and as of the end of the financial year or, as the case may be, as of the date of the extraordinary financial statements.
- 11.1.8 The first determination of the current value of the Units shall be made on and as of the date pursuant to the Notification of Commencement of Offering, then the current value of the Units shall be determined usually for each Business Day. The current value of the Units of the Fund shall be determined usually for each Business Day, on the following Business Day, but at least once in two weeks, or for every day when the Units were issued and redeemed. The current values of the Units are published in a manner allowing for remote access on the Internet address: [www.rfis.cz](http://www.rfis.cz). In justified cases, the Investment Company may determine the current value of the Units valid for several days.
- 11.1.9 The current value of the Units of the Fund shall be calculated with precision to 6 decimal places with subsequent arithmetic rounding to 4 decimal places.
- 11.1.10 The current value of the Units will be determined as a ratio of the assets of the Fund and the number of the Units. The determination of the current value of the Units will be based on the assets of the Fund as of the date in respect of which the determination of the current value of the Units has been performed. The Fund assets will take into consideration any accrued or deferred current expenses, in particular, fees listed in the Prospectus, for example, management fees, administration fees, depositary fees, fees for auditors, and any expected tax duties, as of the date in respect of which the Fund assets determination is performed. The assets of the Fund shall be determined as a sum of the values of the assets of the Fund, retained economic results [profit/loss], and the economic results of the current year after tax.
- 11.1.11 In keeping with Section 5(3) of the Management Companies and Investment Funds Act, the provisions of Sections 1401, 1415(1) and 1432 to 1437 of Act no. 89/2012 Coll., the Civic Code, shall not apply to the management of the Fund.

## **12 SECURITIES ISSUED BY THE FUND**

### **12.1 Fund Units**

- 12.1.1 The Fund issues Units. All Units are issued in book-entry form, registered. The Units may also be issued in the form of global Units.
- 12.1.2 The Units were assigned the ISIN number CZ0008474376.
- 12.1.3 The Units have no nominal value.
- 12.1.4 The Units will be issued and redeemed during a term as shown in the Notification of Commencement of Offering for CZK 1; this, however, not longer then for the term of three months.
- 12.1.5 The Units have not been accepted for trading on the European regulated market or in multilateral trading systems.
- 12.1.6 The Units may be offered also in other countries of the European Union subject to compliance with the conditions laid down by the relevant regulations.
- 12.1.7 The current value of the Units is determined in CZK. Investments in the Fund can be only made in CZK. Payments for redeemed Units are made only in CZK.

### **12.2 Entity keeping the records of the issuance of the Units**

- 12.2.1 Records of the Units are kept by the entity keeping the Separate Records on the accounts of the Unit-holders or on the accounts of its customers. A customer account can be opened, based on the relevant agreement, by the entity keeping the Separate Records only for entities authorised to keep Follow-Up Records. A Unit-holder account can be opened by the entity keeping the Separate Records or the entity keeping Follow-Up Records under a relevant agreement with the Unit-holder. The Separate Records and the Follow-Up Records are kept in keeping with Section 93 Capital Market Undertakings Act and the Decree on keeping records or, as the case may be, pursuant to the corresponding similar



legislation in force in the EU Member State where the entity keeping the Separate Records or the entity keeping Follow-Up Records has its registered office.

12.2.2 An individual or a legal entity shall become a Unit-holder on the date of the crediting of the Units to its Unit-holder account in the Separate Records or their crediting to the customer account in the Separate Records and the Unit-holder account in the Follow-Up Records.

12.2.3 The list of Unit-holders is replaced with records of book-entry units .

### **12.3 Rights associated with the Units**

The Fund Units:

12.3.1 Posses, in particular, the following rights:

- a) a Unit-holder's share in the assets of the Fund;
- b) the right to redemption of the Unit for its current value published as of the date on which the Investment Company received the Unit-holder's request for the redemption of the Unit;
- c) the right to receive payments of the current value of the Unit not later than within two weeks of the date of receipt of the request for the redemption of the Unit;
- d) the right to receive payments of a share upon dissolution of the Fund with liquidation, not later than within three months after the date of settlement of the receivables and payables resulting from the management of the assets of the Fund;
- e) the right to receive for free Key Investor Information and, if requested by the Unit-holder, also the Prospectus, the last published annual reports or semi-annual reports of the Fund;
- f) the right to redemption of the Unit pursuant to Section 211 of the Management Companies and Investment Funds Act in the event of increase of the Investment Company fee or the exit charge above the sum specified in the Prospectus for the term of at least 30 days of the date of publication of such information about an increase of the Investment Company fee or the exit charge, complete with the date of the expiration of the relevant term.

12.3.2 The Unit-holders are not entitled to receive any share in profit or any other yields of the Fund management, and unless the Board of Directors of the Investment Company decides otherwise pursuant to par. 11.1.4 of the Prospectus, such proceeds shall be retained in full as part of the Fund assets, as a source of further investments.

### **12.4 Manners of proving the ownership title to the Units**

Ownership title to the Units shall be proven by way of a statement from the Unit-holder account in the Separate Records or, if applicable, the Unit-holder account in the Follow-Up Records, and an identification card.

## **13 ISSUANCE AND REDEMPTION OF FUND SECURITIES**

### **13.1 Issuance of the Units**

13.1.1 The Investment Company issues the Units for an amount equal to the current value of the Fund published for the relevant Trading Day. Such amount may be increased by an entry fee.

13.1.2 The request for issuance of the Units must be delivered by the Distributor to the entity keeping Separate Records not later than at 4 p.m. on the Trading Day. Requests for the issuance of the Units submitted at any time during the period from the previous Trading Day until the above-mentioned time shall be deemed to have been submitted on the Trading Day. The entity keeping the Separate Records may accept such requests also after the above-mentioned deadline on the same day.

13.1.3 Request for the issuance of the Units may mention a specific number of the Units or a particular amount in CZK which the Unit-holder wishes to invest.

13.1.4 In the event of the issuance of the Units upon request for the issuance of the Units mentioning a specific number of the Units, the Unit-holder will be issued such number of the Units as requested against the payment of the amount corresponding to the product of the number of the Units issued

and the current value of the Units published as of the Trading Day (if applicable, increased by the entry fee) rounded up to two decimal places. The resulting rounding difference will be used to increase the Fund assets.

- 13.1.5 In the event of the issuance of the Units upon request for the issuance of the Units mentioning a specific a particular amount in CZK which the Unit-holder wishes to invest, the Unit-holder will be issued such number of the Units which corresponds to the ratio of the invested amount and the current value of the Units published as of the Trading Day (if applicable, increased by the entry fee) rounded down to a whole number. The resulting rounding difference will be used to increase the Fund assets.
- 13.1.6 The issuance of the Units is executed by crediting the Units to the Unit-holder account contained in Separate Records or their crediting to the customer account in the Separate Records and the Unit-holder account in the Follow-Up Records, i.e., the new Units are issued, without any undue delay after the Trading Day, but not before the pecuniary funds are credited to the account of the Fund with the entity keeping the Separate Records. The Units are typically issued within five Business Days after the Trading Day.
- 13.1.7 The minimum investment amount per each single investment, including the entry fee, in case of once-off purchases of the Units, amounts to CZK 500. If the intended investment amount is lower than the minimum investment amount, the Investment Company may reject such request for the issue of the Units.

## **13.2 Redemption of the Fund Units**

- 13.2.1 The Investment Company redeems the Units using the pecuniary funds in the Fund for the current value of the Units published as of the Trading Day. The Investment Company shall charge no exit fee.
- 13.2.2 Requests for redemption of the Units must be delivered by the Distributor to the entity keeping Separate Records not later than at 4 p.m. on the Trading Day. Requests for redemption of the Units submitted at any time during the period from the previous Trading Day until the above-mentioned time shall be deemed to have been submitted on the Trading Day. The entity keeping the Separate Records may accept such requests also after the above-mentioned deadline on the same day.
- 13.2.3 Requests for redemption of the Units may mention a specific number of the Units or a particular amount in CZK which the Unit-holder wishes to receive. Such requests may be accepted only from Unit-holders, i.e., from persons that have the respective quantity deposited registered on their Unit-holder account.
- 13.2.4 In the event of redemption of the Units upon the request for redemption of the Units mentioning a specific number of the Units, the Unit-holder will be paid an amount corresponding to the product of the number of the Units redeemed and the current value of the Units published as of the Trading Day, rounded down to two decimal places. The resulting rounding difference will be used to increase the Fund assets.
- 13.2.5 In the event of redemption of the Units upon the request for redemption of the Units mentioning a specific amount in CZK, which the Unit-holder requests to receive, the Unit Holder will be paid an amount corresponding to the product of the number of the Units redeemed (determined as a ratio of the redeemed amount and the current value of the Units published as of the Trading Day, rounded up to the whole number) and the current value of the Unit published as of the Trading Day and rounded down to two decimal places. The resulting rounding difference will be used to increase the Fund assets.
- 13.2.6 Redemption of the Units is performed by deregistering the Units from the Unit-holder account contained in the Separate Records or by deregistering the Units from the customer account contained in Separate Records and the Unit-holder account in the Follow-Up Records, i.e., the Units are cancelled. At the same time, the Investment Company will financially settle the redemption of the Units. The term 'financial settlement' means, for this purpose, transfer of the relevant pecuniary funds to the account of the Unit-holder or, as the case may be, of the entity keeping Follow-Up Records. Redemption of the Units is typically performed within five Business Days after the Trading Day but not later than within two days of the Trading Day.

- 13.2.7 The minimum number of the Units redeemed in respect of one Unit-holder shall amount to 500 Units, or it is expressed as an equivalent amount in CZK. If the number of the Units of the Fund on the Unit-holder account or on the customer account in the Separate Records or on the Unit-holder account in the Follow-Up Records is lower than 500 Units, the Investment Company may redeem all Units deposited on such property account.

### 13.3 Joint provisions regarding the issuance and redemption of the Units

- 13.3.1 Requests for the issuance or redemption of the Units can be submitted to the Investment Company in particular through the Points of Sale.
- 13.3.2 The entity keeping Follow-Up Records buys and sells the Units on behalf of the Unit-holders through the entity keeping the Separate Records.
- 13.3.3 Unit-holders will be informed about the issuance or redemption of the Units by an account statement sent to them by the entity that keeps the Unit-holder accounts in Separate Records or the Unit-holder accounts in Follow-Up Records, according to the agreed frequency of the change statements but always in compliance with the applicable legislation stipulating the deadline for sending such confirmations.
- 13.3.4 In exceptional cases, the Investment Company may decide to suspend the issuance and redemption of the Units, for the maximum period of three months, if it is necessary in order to protect the rights or legally protected interests of the Unit-holders. In particular, redemption of Units can be suspended if it is not objectively possible to determine the current value of the Units because the information for the determination of this value is not available and the potential error is significant, or in the case of reduced liquidity of the Fund assets. The report of the decision to suspend the issuance and redemption of the Units will be published in a manner allowing for remote access on the Internet address: [www.rfis.cz](http://www.rfis.cz).

### 13.4 Special provisions governing the handling of the Units

- 13.4.1 Change of the Unit-holder of the Units shall be performed by way of transfers or deliveries. Such transfers or deliveries of the Units can only be performed through the entity keeping the Separate Records or Follow-Up Records.
- 13.4.2 If any reported information about the Unit-holder (including information about tax residency) should change, such Unit-holder is obliged to report such changes without delay, in particular, through a Point of Sale or, if applicable, the Investment Company. The Unit-holder shall be responsible for the consequences, if any, of any failure to comply with this obligation.

## 14 FEES AND EXPENSES

### 14.1 Structure of the fees and expenses:

One-off fees charged before or after investment (it is the maximum amount that an investor may be charged prior to the investment, or prior to the pay-out of the investment)	
<b>Entry fee (surcharge)</b>	<b>up to 2% of the invested amount<sup>1</sup></b>
<b>Exit fee (deduction)</b>	<b>0</b>
Expenses paid from the Fund assets during the year	
<b>Total expense ratio (TER)<sup>2</sup></b>	<b>1.01%<sup>3</sup></b>
<b>Synthetic TER<sup>4</sup></b>	<b>1.05%<sup>3</sup></b>
Expenses paid from the Fund assets under special conditions	
<b>Performance fee</b>	<b>not charged</b>

<sup>1)</sup> Surcharge:

- The Unit-holders can be charged a lower surcharge at the discretion of the Investment Company.
- The amount of the surcharge may be graded according to the volume of the invested amount.
- Information on the current amount of the surcharge and its potential grading according to the volume of the invested amount is available at the registered office of the Investment Company, at all Points of Sale and at the web address: [www.rfis.cz](http://www.rfis.cz).

- Unit-holders that are not charged the surcharge may be charged by the Distributor of the Units a fee for arranging their purchase, which - however - may not exceed the maximum amount of the surcharge.
- <sup>2)</sup> The Total Expense Ratio (TER) equals the ratio of the total expense to the average monthly Fund asset value. This indicator shows the ratio of expenses to the Fund assets.
- <sup>3)</sup> The total Expense Ratio and Synthetic TER include costs and other payments made out of the Fund assets in 2015 (such costs will only be reflected in the overall performance of the given investments, rather than being charged directly to the investor) and they may fluctuate from year to year.
- <sup>4)</sup> As regards funds investing more than 10 percent of their assets in other funds, it is also required to state the so-called Synthetic TER. Synthetic TER equals the sum of own TER and TER of each of the target funds in a ratio corresponding to the ratio of the investments in the target fund to the Fund assets, the percentage ratio of deductions, surcharges, and fees payable to the target funds to the average monthly Fund asset value will be included in the target funds TER.

## 14.2 Expenses paid from the Fund assets

Expenses paid from the Fund assets include but are not limited to:

- a) administration and court fees;
- b) taxes;
- c) fee for the performance of the function of Depository pursuant to Art. 14.3 of the Prospectus;
- d) fee payable to the Investment Company for the management of the assets and administration of the Fund pursuant to Art. 14.4 of the Prospectus;
- e) costs of accounting and tax audits;
- f) bank fees;
- g) fee for custody, administration, and deposits of foreign Securities in foreign banks or other depositories, fee for custody of the Securities entrusted for custody to the Depository, fee for the maintenance of asset accounts and administration of the Securities by the Central Depository;
- h) interests on loans and credits received;
- i) costs of charges and commissions for transactions with investment instrument;
- j) costs of expert opinions required by the generally binding legislation.

## 14.3 Depository fee

The fee for the performance of the activities of the Depository (Depository Fee) shall be determined according to the value of the Fund asset as of the last calendar day in the given month and it shall be calculated as a monthly proportion of the agreed annual rate, which shall not exceed 0.07 percent p.a. of the value of the assets of the Fund; the minimum annual fee amounts to CZK 95,000. The Depository fee is charged on monthly basis and is increased by the applicable value added tax. Any specific and detailed arrangements regarding the amount of the fee are provided in the Depository Agreement.

## 14.4 Investment Company fee

- 14.4.1 Fees payable to the Investment Company shall be determined by the Board of Directors of the Investment Company, and it may be up to 0.9% p.a.
- 14.4.2 The Investment Company fee includes costs incurred by the Investment Company, in particular, in order to pay:
  - a) for the wages of the employees of the Investment Company, members of its Board of Directors and the Supervisory Board, as well as other expenses incurred in the course of the activities of the Investment Company;
  - b) for advisory services;
  - c) for the management of the Fund assets;
  - d) for the administration of the Fund;
  - e) for researches and analyses of the financial market;
  - f) for the performance of separate activities related to the management or administration assigned by the Investment Company to another.

- 14.4.3 The amount of the Investment Company fee is specified in par. 14.4.1 of the Prospectus and it represents the maximum percentage value in the average annual Fund asset value. The average annual Fund asset value shall be calculated as the arithmetic mean of the Fund asset values determined always as of the last day of every calendar month. The specific current amount of the fee shall be determined by the Investment Company and published in a manner allowing for remote access on the Internet address: [www.rfis.cz](http://www.rfis.cz). The Investment Company fee is paid in advance always within 15 days of the end of the calendar month. The amount of the monthly advance payment shall be calculated as the product of the value of the assets of the Fund determined as of the last calendar day of the respective month and the currently valid amount of the fee and 30/360 coefficient. If the fee is supposed to be determined during a calendar month, the advance payment for the first month shall be calculated with the help of the ACT/ACT coefficient (the genuine number of days in the period/the genuine number of days in the year). The subsequent annual accounting shall be prepared by the Investment Company based on an audit of the annual financial statements but not later than three months after the end of the financial year.
- 14.4.4 If the Fund should procure any Securities issued by any other collective-investment funds and the Investment Company should receive any incentives in this connection, the Investment Company shall transfer such incentives in full and without any undue delay to the Fund assets.
- 14.4.5 If the Fund should procure any Securities issued by any other collective investment funds managed by the Investment Company, the Investment Company determined fee will be reduced by an amount of the fee paid by those other funds in respect of the Securities belonging to the other funds managed by the Investment Company.
- 14.4.6 In determining the current value of the Unit, the Investment Company shall take into account the liability of the Fund to the Investment Company resulting from its payment of the Investment Company fee as deferred liability; it shall be calculated as the product of the Fund asset value determined as of the respective date, the currently valid rate of the fee, the 30/360 coefficient, and the ratio of the number of days lapsed in the month/30.
- 14.4.7 In determining the current value of the Unit, the Investment Company shall take into account the liability of the Fund to the Investment Company resulting from incentives received in connection with investing in collective investing funds as an accrued item; it shall be calculated as the product of the collective investment fund assets value belonging to the Fund as of the respective date, the currently valid rate of the incentive, the 30/360 coefficient, and the ratio of the number of days lapsed in the month/30.

#### **14.5 Joint provisions regarding fees and expenses of the Fund**

The fees payable and the expenses incurred by the Fund serve the management of the Fund assets and they reduce the return on the invested funds.

#### **14.6 Fees payable to entities keeping Separate Records and Follow-Up Records**

Individual activities of the entities keeping Separate Records and Follow-Up Records can be subject to payment of service fees according to their price lists, and these fees shall be paid by the Unit-holder.

### **15 ADDITIONAL INFORMATION**

#### **15.1 Information about the Prospectus**

- 15.1.1 The rules governing the approval of the Prospectus and its modifications:
- a) The Prospectus and any modifications of the Prospectus shall be proposed by the Board of Directors of the Investment Company;
  - b) Modifications of the Prospectus shall be performed by approving the complete new wording thereof.
- 15.1.2 Modifications of the Prospectus shall be conditioned by a prior approval by the CNB, unless such modification
- a) concerns information directly relating to changes in the Manager, Administrator, the Fund or the Fund Depositary;

- b) ensue from amended legislation;
- c) concerns information about performance or genuine or expected economic results of the Fund that requires regular updating; or
- d) is not relevant for the positions or interests of the Unit-holders.

15.1.3 The Key Investor Information is published in addition to the Prospectus. The Key Investor Information must be in accordance with the information provided in the Prospectus.

15.1.4 The Prospectus and its modifications and the Key Investor Information shall be published in a manner allowing for remote access and they are available to the Unit-holders pursuant to Art. 15.2 of the Prospectus.

## **15.2 Publication of information in a manner allowing for remote access**

The term 'publication of information in a manner allowing for remote access' means the publication of such information by the Investment Company on the Internet address: [www.rfis.cz](http://www.rfis.cz). The Unit-holders may request deliveries of documents at the address: [info@rb.cz](mailto:info@rb.cz).

## **15.3 Liquidation and transformation of the Fund**

### **Reasons for the dissolution of the Fund**

15.3.1 The reasons for the dissolution of the Fund with liquidation, pursuant to Section 375 of the Management Companies and Investment Funds Act, are as follows:

- a) upon the decision of the Fund Manager of the Fund;
- b) the Fund Manager of the Fund was dissolved with liquidation, unless the CNB decides to transfer the management of the Fund to another fund manager;
- c) the license of the Fund Manager of the Fund to manage this Fund has expired, unless the CNB decides to transfer the management of the Fund to another fund manager;
- d) upon the decision of the CNB or upon a court ruling.

15.3.2 The conditions under which it is possible to decide on dissolution of the Fund with liquidation or on the transformation of the Fund by way of amalgamation or merger of mutual funds or on the transformation of the Fund into a joint-stock company or, as the case may be, on other forms of transformation, are as follows:

- a) the decision on dissolution or transformation of the Fund is taken by the Board of Directors of the Investment Company;
- b) the decision on dissolution or transformation of the Fund may be adopted only subject to the condition that such decision leads to more efficient management of the Fund assets and that it will not be contrary to the justified interests of the Unit-holders of the Fund.

15.3.3 The administrator of the Fund, as of the date of dissolution of the Fund, shall compile extraordinary financial statements of the Fund pursuant to the legislation governing accounting.

15.3.4 The Fund shall cease to exist on the date when deleted from the list of mutual funds administered by the CNB.

### **Information about the rights of Unit-holders in the event of dissolution or transformation of the Fund**

15.3.5 The Unit-holders will be informed about the intention to dissolve or transform the Fund in a manner allowing for remote access within 14 days of the approval of the plan to dissolve or transform the Fund by the Board of Directors of the Investment Company.

15.3.6 The Unit-holders are entitled to receive the Key Investor Information in respect of the receiving / merging fund and they will be provided, upon request and prior to the exchange of the Units, with the Prospectus and the last annual reports and semi-annual reports of the receiving / merging funds in the form prescribed by the legislation. The Unit-holders of the merging fund are also entitled to request the Depository for a report whether the assets and liabilities in such fund were valued in accordance with the criteria included in the respective project and whether the exchange ratio has been determined in accordance with the Management Companies and Investment Funds Act and the relevant project.

- 15.3.7 Dissolution or transformation of the Fund shall be governed by the provisions of Section XI, Part IV of the Management Companies and Investment Funds Act.

**Transformation of mutual funds by amalgamation**

- 15.3.8 Such amalgamation shall be executed according to an approved amalgamation project. Such amalgamation requires an approval by the CNB, unless the Management Companies and Investment Funds Act stipulates otherwise.
- 15.3.9 As soon as the decision of the CNB to approve the amalgamation comes into force, a notification of amalgamation will be published in a manner allowing for remote access, which will include, among other things, information about the relevant date of the amalgamation and about the rights of the Unit-holders arising from the transformation. Upon the publication of the notification of amalgamation, the Unit-holders of the amalgamating funds shall be entitled to:
- a) redeem the Units without deduction (except for justifiable expenses); or
  - b) have replaced their securities or book-entry securities with securities or book-entry securities issued by another standard fund or another foreign fund comparable to a standard fund managed by the same manager or a manager that is a part of the same group as the manager of the standard fund or foreign investment fund comparable to a standard fund, which issues the securities or book-entry securities that are supposed to replace the original securities or book-entry securities.
- 15.3.10 The title pursuant to par. 15.3.9 of the Prospectus shall terminate unless exercised within the term stipulated in the notification of amalgamation; such term shall extend at least to 30 days of the date of the notification of amalgamation and it shall end at least five Business Days prior to the relevant date of the amalgamation. In cases other than amalgamations in respect of which notifications of amalgamation are produced, Section 391 of the Management Companies and Investment Funds Act shall apply.
- 15.3.11 The administrator of the receiving mutual fund, which would emerge from the amalgamation, shall facilitate replacement of the Unit issued by the merging mutual fund, which was dissolved by the amalgamation, with units issued by the receiving mutual fund, within three months of the relevant day of the amalgamation, in a ratio determined according to the amount of the fund assets value of the mutual fund per one unit of the merging mutual fund. If such exchange ratio does not seem to be reasonable, the manager of the receiving mutual fund shall pay to the Unit-holders of the merging mutual fund, through the administrator of such fund, compensation in cash.

**Transformation of mutual funds by merger**

- 15.3.12 Such merger shall be executed according to an approved merger project. Such merger requires an approval by the CNB, unless Section 401(1) of the Management Companies and Investment Funds Act stipulates otherwise.
- 15.3.13 As soon as the decision of the CNB to approve the merger comes into force, a notification of merger will be published in a manner allowing for remote access, which will include, among other things, information about the relevant date of the merger and about the rights of the Unit-holders arising from the transformation. Upon the publication of the notification of merger, the Unit-holders of the merging funds shall be entitled pursuant to Section 406 of the Management Companies and Investment Funds Act to:
- a) redeem the Units without deduction (except for justifiable expenses); or
  - b) have replaced their securities or book-entry securities with securities or book-entry securities issued by another standard fund or another foreign fund comparable to a standard fund managed by the same manager or a manager that is a part of the same group as the manager of the standard fund or foreign investment fund comparable to a standard fund, which issues the securities or book-entry securities that are supposed to replace the original securities or book-entry securities.
- 15.3.14 The title pursuant to par. 15.3.13 of the Prospectus shall terminate unless exercised within the term stipulated in the notification of merger; such term shall extend at least to 30 days of the date of the

notification of merger and it shall end at least five Business Days prior to the relevant date of the merger.

- 15.3.15 In cases other than mergers where a notification of merger is produced, the administrator of the merging mutual fund, which is to be dissolved by the merger, shall publish the decision of the CNB approving the merger, the Prospectus of the receiving fund, and a notification of the emergence of a title to redemption of the units within a set period, without deduction (except for justifiable expenses).
- 15.3.16 The manager of the receiving fund shall publish on the fund website information of the occurrence of the relevant date of the merger. The administrator of the receiving fund shall facilitate replacement of the units issued by the mutual fund, which was dissolved by the merger, for units issued by the newly created mutual fund, within three months of the relevant day of the merger, in a ratio determined according to the amount of the fund assets value of the mutual fund per one unit of the merging mutual fund. If such exchange ratio does not seem to be reasonable, the manager of the receiving mutual fund shall pay to the Unit-holders of the merging mutual fund, through the administrator of such fund, compensation in cash.
- 15.3.17 Pursuant to Section 408 of the Management Companies and Investment Funds Act, the fund manager of the receiving fund needs not observe for the term of up to six months the investment limits stipulated by the Government Ordinance in respect of investment securities, financial market instruments, securities issued by investment funds or foreign international investment funds, derivatives or receivables in respect of payments of pecuniary funds from accounts denominated in the Czech or foreign currencies, if reasons for that exist due to the consequences of a merger.

#### **Liquidation of the Fund**

- 15.3.18 Within six months of the date of dissolution of the Fund, the Fund Manager shall encash the assets in the Fund and repay the debts incurred by the Fund. Subsequently, the administrator shall pay to the Unit-holders their shares in the liquidation balance within 3 months. If the conditions for substitute fulfilment pursuant to the Civil Code are met, their shares in the liquidation balance shall be deposited in court custody. Such shares in the liquidation balance shall not be deposited in court custody and it shall pass to the Government if the court fee for the petition for commencing a custody proceeding exceeds the amount which is to be deposited in court custody.

#### **Transformation of the Fund into a joint-stock company with variable registered capital**

- 15.3.19 Such transformation of the Fund into a joint-stock company with variable registered capital shall require a licence from the CNB.
- 15.3.20 The Administrator of the Fund to be transformed shall publish on the Fund website the transformation project, its articles of association, the by-laws of the joint-stock company with variable registered capital into which the Fund is to be transformed, the notification of title to redemption of the Units, and the decision of the CNB to approve the transformation, all that within one month of the force of that decision. Upon the publication of the notification of title to redemption, the Unit-holders of the transformed funds shall be entitled to have redeemed their Units without deductions, within two months of the date of the publication of the notification.
- 15.3.21 The Fund, which is being transformed into a joint-stock company with variable registered capital will be dissolved and its Unit-holders will become holders of investment equity in the newly established joint-stock company with variable registered capital, commencing on the date of registration of the newly established joint-stock company in the Companies Register.
- 15.3.22 The Administrator of the joint-stock company with variable registered capital into which the Fund was transformed, shall facilitate replacement of the Units issued by the dissolved Fund with investment equity of the newly created joint-stock company with variable registered capital, within three months of the effective date of the transformation in a ratio determined according to the amount of the Fund assets value per one Unit of the dissolved Fund. If such exchange ratio does not seem to be reasonable, the fund manager of the joint-stock company with variable registered capital shall pay to the Unit-holders, through the Administrator, compensation in cash.



**15.4 Transformation of the Fund into foreign investment fund without legal personality**

- 15.4.1 The Management Companies and Investment Funds Act permits transformation of the Fund into a foreign investment fund without legal personality as long as such transformation is also permitted under the laws of the country, which will become the home country of the transformed foreign investment fund.
- 15.4.2 Such transformation of the Fund into a foreign investment fund without legal personality shall require a licence from the CNB.
- 15.4.3 The Administrator of the transformed Fund shall publish on the Internet site of the Fund information about the emergence of a title to redemption of the Units, the transformation project, and the decision of the CNB approving such transformation, within one month of legal force of such decision. Upon the publication of the notification of title to redemption, the Unit-holders of the transformed funds shall be entitled to have redeemed their Units without deductions, within two months of the date of the publication of the notification.
- 15.4.4 The Fund will become a foreign investment fund without legal personality on the date pursuant to the laws of the home country of the foreign investment fund without legal personality or, otherwise, on the date of the deletion of the Fund from the list of mutual funds maintained by the CNB.
- 15.4.5 The party which carries out activities for the foreign investment fund without legal personality comparable with the activities of an administrator, shall facilitate, within 3 months of the relevant day of the transformation, delivery of the Securities or book-entry Securities to the investors in the transformed foreign investment fund in exchange for their Units. If such exchange ratio does not seem to be reasonable, the party that carries out the activities comparable with the activities of the Fund Manager for the transformed investment fund without legal personality, shall pay to the Unit-holders compensation in cash through the party which carries out the activities of the Administrator for the fund.

**15.5 Contact place for provision of additional information**

Address: Raiffeisen investiční společnost a.s.  
140 78 Praha 4, Hvězdova 1716/2b  
Telephone: 800 900 900  
E-mail: [info@rb.cz](mailto:info@rb.cz)  
Internet: [www.rfis.cz](http://www.rfis.cz)

- 15.5.1 Prior to investing, investors shall be provided with a hard copy of a duly updated Key Investor Information. Unit-holders or Unit subscribers may receive a hard copy – unless further stipulated otherwise – of the current wording of the Prospectus and a hard copy of the latest version of the annual report and the semi-annual report of the Fund through the Points of Sale and at the registered office of the Investment Company, upon request and free of any charge. The above-mentioned documents are also published in a manner allowing for remote access on the Internet address: [www.rfis.cz](http://www.rfis.cz).
- 15.5.2 Under the conditions specified in the self-executable regulation of the European Union governing disclosure of key information, the Key Investor Information and the Prospectus may be distributed only upon carriers that do not constitute a hard copy or published only on the Internet address: [www.rfis.cz](http://www.rfis.cz).
- 15.5.3 The investors, upon request and over and above the information contained in the Prospectus, will receive from the Administrator information about:
- quantitative limitations applied in the management of risks associated with investments of the Fund;
  - techniques applied in the management of the Fund;
  - development of the main risks associated with investments of the Fund; and
  - trends in the yields in respect of each type of assets, which can be acquired in the Fund assets.

**15.6 Basic information about the tax system/Taxation****Warning**

- 15.6.1 This part of the Prospectus contains only a simplified summary of the tax issues related to the activities of the Fund and the tax implications for individual investors. Investors are hereby explicitly warned that the tax treatment of their income from the Fund or capital gains from the sale of the Units depends on the applicable tax regulations at the time of the realisation of the respective income or capital gain. The tax treatment may differ in respect of the individual investors. It is recommended to contact your tax advisor for information on the tax implications for particular investors.

**Basic information about the tax system/Taxation relating to the Fund**

- 15.6.2 The tax treatment of the Fund is governed by the applicable tax regulations. Act no. 586/1992 Coll., on income tax, as amended (hereinafter the „Income Tax Act“) governs the taxation of incomes from the Fund. At the time of the approval of the Prospectus the revenues generated by the Fund are subject to a 5-percent income tax. Taxation of revenues from foreign sources is also governed by the applicable international double taxation treaties (hereinafter the “Double Taxation Treaties”).

**Basic information about the tax system/Taxation relating to holding and transfer of Units**

- 15.6.3 The Income Tax Act governs taxation of the income generated by the Unit-holders in relation to holding, transfer, inheritance, and donating of the Units. Taxation of income related to holding or transfer of the Units applicable to non-resident Unit-holders is also regulated by the relevant Double Taxation Treaties.

**Transfers of Units**

- 15.6.4 Taxation of the proceeds from the sale of the Units by natural persons is determined by the duration of the holding of the Units. Pursuant to the applicable legislation in force at the time of the commencement of the activities of the Fund, profit from the sale of the Units held by the investor for a period in excess of three years from their acquisition is exempted from income tax. Legal entities and natural persons that have included the Units in their business assets, shall have the proceeds from the sale of the Units always reported in their tax returns, included in their tax bases, and taxed using the appropriate tax rate. If any revenues from the redemption of the Units are paid out to recipients who are not tax residents in the Czech Republic, the Investment Company, in cases defined by the law, shall deduct so-called income tax security from the amount payable for the redeemed Units.

**15.7 Summary of the remuneration system**

The Investment Company, by way of an internal directive, has introduced and exercised a system of remuneration of its employees and managers (workers). The system incorporates an entitlement component of remuneration (salary) and a discretionary remuneration component (bonus); the discretionary remuneration is paid out upon the fulfilment of certain conditions, which usually depend on the profit generated by the Investment Company, the RBI financial group, and the assessment of performance of the worker in question. Specific procedures for remuneration will be applied in relation to those employees who have a significant impact on the risks to which the Investment Company or the investment fund managed by it may be exposed to. The system is set up so that it should ensure that the rules on conflict of interest should not be violated and that no excessive risk is taken. Details of the current remuneration system, including a description of how bonuses are calculated, and the identification of the persons responsible for granting bonuses and benefits, are available on the Internet at [www.rfis.cz](http://www.rfis.cz), and such description will be provided to the Unit-holders free of charge in paper form upon request.

**15.8 Methods and frequency of publication of reports on the management of the Fund**

- 15.8.1 The Investment Company, pursuant to Section 233 of the Management Companies and Investment Funds Act, not later than four months after the end of the relevant calendar year, shall publish the annual report of the Fund in a manner allowing for remote access on the Internet address: [www.rfis.cz](http://www.rfis.cz). The Investment Company, pursuant to Section 237 of the Management Companies and Investment Funds Act, not later than two month after the expiration of the first six months of the calendar year, shall publish the semi-annual report of the Fund in a manner allowing for remote access on the Internet address: [www.rfis.cz](http://www.rfis.cz). The Investment Company shall also send within the same terms

its annual report and semi-annual report, together with the annual report and semi-annual report of the Fund, to the Czech National Bank.

15.8.2 The previous provisions in the present Article of the Prospectus shall be without prejudice to the obligations of the Investment Company to publish its financial statements and its annual report pursuant to special legislation.

15.8.3 Upon the expiration of the relevant term, the Investment Company shall publish the following information in a manner allowing for remote access on the Internet address: [www.rfis.cz](http://www.rfis.cz).

- a) at least once in a month, information about the current value of the assets of the Fund and information about the price for the issuance and redemption of the Units;
- b) for every calendar month, information about the number of issued and redeemed Units and information about the amount for which the Units are issued and redeemed;
- c) for every calendar month, information about the structure of the Fund assets as of the last day of the month.

#### 15.9 Supervisory authority of the Fund

Name: Czech National Bank (Česká národní banka)  
Address: Na Příkopě 28, 115 03 Praha 1  
Telephone: + 420 224 411 111  
E-mail: [podatelna@cnb.cz](mailto:podatelna@cnb.cz)  
URL address: [www.cnb.cz](http://www.cnb.cz)

#### 15.10 Note to the investors

- The licence to act as an Investment Company and supervision by the CNB do not guarantee any return on investment or any performance of the collective investment fund, they cannot exclude any breach of the legal obligations or the Prospectus by the manager of the collective investment fund, the administrator of the collective investment fund, the depository of the collective investment fund, or any other person, and they do not guarantee that any losses caused by such breach will be compensated.
- If the Units are supposed to be offered outside the territory of the Czech Republic, they will not be offered, transferred or delivered to persons in respect of which the Investment Company would be required to guarantee any taxes in the event of redemptions of the Units of the Fund.
- The Units cannot be offered, sold, transferred or delivered, either directly or indirectly, in the United States of America or its territories, dependencies or territories subjected to the jurisdiction of the United States of America (hereinafter the "U.S.") or, as the case may be, to persons that:
  - have a U.S. citizenship or permanent residence in the U.S.;
  - were born in the U.S.;
  - have a residence address or mailing address or address of the registered office in the U.S.;
  - have placed a standing order for transfer of funds to an account maintained in the U.S. or periodically send instructions from an address in the U.S.;
  - have authorized a person with an address in the U.S.; or
  - have been established under the laws of the U.S.

If any existing Unit-holders should become such persons related to the U.S., they are required to seek without delay the redemption of the Units of the Fund.

The Units have not been and will not be registered in the U.S. under the U.S. Securities Act of 1933, as amended, and the Fund has not been and will not be registered under the Investment Company Act of 1940, as amended. The Investment Company was registered as a sponsored entity (sponsored by Raiffeisenbank a.s. by the Internal Revenue Service (IRS) under the U.S. Foreign Account Tax Compliance Act (FATCA) and was assigned GIIN 3EHN6Q.00000.SP.203.

**The present Prospectus is issued in accordance with the Management Companies and Investment Funds Act and the Decree on Prospectus, and it contains complete and true information.**

Effective date: 30.4.2016

Prague, dated 25.4.2016

Ing. Jaromír Sladkovský  
Chairman of the Board of Directors  
Raiffeisen investiční společnost a.s.

Ing. Michal Ondruška  
Member of the Board of Directors  
Raiffeisen investiční společnost a.s.