



**ABLV**

**BANKING / INVESTMENTS \ ADVISORY**

Appendix No. **1A** to State Funded Pension Scheme Funds Management Agreement No. **LP-13/2017** made between the State Social Insurance Agency and ABLV Asset Management, IPAS.

Agreement date: 15.08.2017  
Agreement duration: 31.12.2022

Agreement amended on 27.12.2017; 27.02.2018; 21.03.2018; 07.08.2018.

## **State Funded Pension Scheme Funds Investment Plan**

### **ABLV Active Investment Plan**

### **Prospectus**

Approved at ABLV Asset Management, IPAS Board session on 21.06.2017 and registered with the Financial and Capital Market Commission on 02.08.2017.

Manager of Funds: ABLV Asset Management, IPAS  
Custodian Bank: AS "Citadele Banka"

Amendments to the investment plan prospectus:  
approved on 16.10.2017 and 22.11.2017 and registered with the Financial and Capital Market Commission on 13.12.2017;  
approved on 24.01.2018 and registered in the Financial and Capital Market Commission on 19.02.2018 (Amendments to Section 3 of the Investment Plan Prospectus take effect on 27.08.2018).  
approved on 26.02.2018 and registered in the Financial and Capital Market Commission on 12.03.2018;  
approved on 28.06.2018 and registered in the Financial and Capital Market Commission on 26.07.2018.

Investment plan prospectus and other information about the investment plan and the manager of funds is available in ABLV Asset Management, IPAS office at 23 Elizabetes Street, Riga, LV-1010, Latvia (on working days from 09:00 to 17:30), divisions of the State Social Insurance Agency, and on the Internet: **www.ablv.com** and **www.manapensija.lv**.

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**1. TERMS AND ABBREVIATIONS USED**

Agency	State Social Insurance Agency.
Derivative financial instruments	Financial instruments the value of which varies depending on changes in the set interest rate, securities price, foreign currency rate, price or rate index, credit rating or similar variable and under influence of which one or several financial risks, inherent in primary financial instrument underlying the derivative financial instrument, are transferred between the persons involved in the transaction. To acquire a derivative financial instrument, no initial investment is required or a small initial investment is required, compared with other agreements which in a similar manner depend on the changes of market conditions, moreover, settlements under performance of the agreement take place in the future.
Member State	Member state of the European Union or the European Economic Area.
ETF (exchange traded funds) securities	Investment certificates of a mutual fund traded on the regulated market and equivalent to an open-end mutual fund. ETF securities are transferable securities. A mutual fund issuing investment certificates traded on the regulated market and taking necessary measures to ensure that market price of the investment certificate does not differ substantially from the investment certificate value shall be deemed an issuer of ETF securities.
EUR	Euro – monetary unit of the member states of the European Monetary Union.
Investment Plan	A set of systematized provisions presented in the investment plan prospectus according to which the funds of the State Funded Pension Scheme are invested; in this prospectus – ABLV Active Investment Plan.
Investment Plan participant	A person who has chosen this Investment Plan for management of its part of the State Funded Pension Scheme funds.
Investment Plan share	A unit of the Investment Plan funds that is used for accounting the Investment Plan funds and for transactions using these funds. The Investment Plan share is not a security.
Investment Plan funds	A part of the State Funded Pension Scheme funds that is managed in accordance with this Investment Plan, separately from other assets of the Manager of Funds and from the funds of other investment plans.
Investment Plan prospectus	This Investment Plan prospectus, which provides detailed information on the Investment Plan and its operation.
Investment Plan value	Difference between the value of assets and liabilities of the Investment Plan.
FCMC	The Financial and Capital Market Commission of the Republic of Latvia.
Capital securities	Securities that evidence share in the issuer's capital (e.g., stocks).
Manager of Funds	Investment management company that manages the contributions made to the State Funded Pension Scheme, further benefits (interest), and other assets in accordance with the Law, the Republic of Latvia legal acts, and the articles of association of the Manager of Funds; in this prospectus – ABLV Asset Management, IPAS.
Law	The Republic of Latvia Law on State Funded Pensions, Law on Investment Management Companies, regulations issued by the FCMC, and other normative acts regulating the operation of the State Funded Pension Scheme.
Money market instruments	Liquid debt instruments that can be precisely assessed any time and are usually traded on money market.
OECD member state	In this prospectus – a member state of the Organization for Economic Co-operation and Development whose foreign currency long-term credit rating corresponds to investment grade, according to assessment of an international rating agency.
Debt securities	Securities that evidence the issuer's obligations to the holder of securities (e.g., bonds, promissory notes, etc.).
Management agreement	The agreement on managing the funds of the State Funded Pension Scheme made between the Agency and the Manager of Funds.
Transferable securities	Capital securities, bonds, and other debt securities, other securities without restraint on their alienation and securing the rights to purchase the said transferable securities by means of subscription or exchange.
Regulation	In this prospectus – Commission Delegated Regulation (EU) No 231/2013 of 19 December 2012 supplementing Directive 2011/61/EU of the European Parliament and of the Council with regard to exemptions, general operating conditions, depositaries, leverage, transparency and supervision (Text with EEA relevance).
Auditor	In this prospectus – KPMG Baltics, SIA.

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Custodian Bank	The bank that holds the assets of the Investment Plan, maintains their accounting, performs transactions using the funds of the Investment Plan and other duties, as set forth in the Law, the Republic of Latvia legal acts, and the Custodian Bank agreement; in this Prospectus – AS “Citadele Banka”.
Custodian Bank agreement	The agreement made between the Manager of Funds and the Custodian Bank in writing, according to which the Custodian Bank undertakes to hold the funds of the Investment Plan, to make transactions using those, and to ensure maintenance of the accounts of the Investment Plan in accordance with the Republic of Latvia normative acts, the Investment Plan prospectus, and the orders of the Manager of Funds.
State Funded Pension Scheme	The set of measures arranged by the state for making the contributions, administering the contributed funds, and paying the pensions, which provides the possibility to obtain additional pension capital without increasing the total amount of contributions to the old age pensions by investing a part of the contributions to the old age pensions in financial instruments and other assets according to the procedure set forth by the Law. State funded pension is a part of the state old age pension formed by the accumulated funded pension capital.

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## 2. SUMMARY ON TRANSACTIONS USING INVESTMENT PLAN FUNDS, INVESTMENT PLAN MANAGEMENT COSTS AND REMUNERATION

This information is intended for supplying current and prospective participants of the State Funded Pension Scheme with the general overview of total costs to be covered by them under participation in this Investment Plan.

Funds of the Investment Plan shall be used to make payments for the Investment Plan management and to cover the costs of its transactions related to operation of the Investment Plan and attributable to each particular transaction, including brokerage fees, fees for transactions in current and securities accounts of the Investment Plan, securities settlement fees, payment of taxes and duties, etc. Actual costs shall be covered in accordance with the rates and charges of the Custodian Bank and other counterparties.

### 2.1. Maximum payments for Investment Plan management

The total amount of payments for the Investment Plan management shall not exceed 0.72% (in percentage of the Investment Plan average asset value), calculating over the last 12-month period. The payments for the Investment Plan management shall include the remuneration and the payments mentioned in subclause 2.2 and 2.3.

### 2.2. Remuneration to the Manager of Funds, Custodian Bank, and third parties

Remuneration type		Maximum remuneration amount (% p.a. of the Investment Plan average asset value)
Fixed part of the remuneration	Remuneration to the Manager of Funds	0.60%
	Remuneration to the Custodian Bank	0.12%
Total fixed part of the remuneration		0.72%
Variable part of the remuneration	Remuneration to the Manager of Funds	0.00% <sup>1</sup>
Total fixed and variable part of the remuneration		0.72% <sup>1</sup>

<sup>1</sup> The variable part of the remuneration shall not be applied until 31 December 2019. From 1 January 2020, the maximum amount of the applicable variable part of the remuneration will be determined by making amendments to the Investment Plan prospectus and Basic Information for Participants of the Investment Plan, complying with the restrictions set out in the Law.

The remuneration to the Manager of Funds and the Custodian Bank shall be paid out of the Investment Plan funds. The remuneration to third parties for the services related to the Investment Plan management shall be paid out of the Investment Plan funds; this being the case, the fixed part of the remuneration to the Manager of Funds or the Custodian Bank shall be reduced so that the total maximum amount of the fixed part of the remuneration set forth in this prospectus is not exceeded within the reporting year.

The amount of the variable part of the remuneration to the Manager of Funds shall depend on the Investment Plan performance excess over the reporting index provided by the Law, which is determined as a combination of indexes of debt securities and capital securities and shall be calculated according to the procedure set forth in the Law.

In the interests of the Investment Plan participants, the Manager of Funds and the Custodian Bank may decrease the amount of payments due to them at their discretion, also decreasing the payments within a particular period only.

In the interests of the Investment Plan participants, the Manager of Funds may use its own funds to pay the remuneration to the Custodian Bank and make payments to third parties at the discretion of the Manager of Funds. Therefore, the actual amount of remuneration may be lower than the maximum amount stated herein.

### 2.3. Other payments made out of Investment Plan funds

Funds of the Investment Plan may be used for making other payments related to the Investment Plan operation that are not the transaction costs attributable to each particular transaction; this being the case, the fixed part of the remuneration to the Manager of Funds shall be reduced so that the total maximum amount of the fixed part of the remuneration set forth in this prospectus is not exceeded within the reporting year.

More detailed information on the procedure for determining and making the payments related to the Investment Plan management is provided in section 6 'Investment Plan management' of this prospectus.

This information is intended for supplying current and prospective participants of the State Funded Pension Scheme with the general overview of total costs to be covered by them under participation in this Investment Plan.

### 3. INVESTMENT POLICY AND INVESTMENT RESTRICTIONS

#### 3.1. General information about Investment Plan

The objective of the investment plan ABLV Active Investment Plan is to preserve and increase the value of contributions made to the Investment Plan in the long term, in order to further the funded pension capital increase, which would ensure higher old age pension for the Investment Plan participants.

#### 3.2. Investment policy

Funds of the Investment Plan may be invested in debt securities and money market instruments of the states, local governments, central banks, credit institutions, and commercial companies, in term deposits with credit institutions, capital securities, as well as in mutual funds and ETF securities that invest in the said financial assets.

Funds of the Investment Plan may be also invested in venture capital market and alternative mutual funds.

The investment policy of the Investment Plan does not stipulate the investment concentration in some particular geographic region or national economy sector. The investments of the Investment Plan are diversified among different asset classes, sectors of economy, countries, and issuers, thus ensuring higher investment safety and protection against fluctuations of the Investment Plan asset value and against the risk of default on obligations.

The Investment Plan investments in fixed-income financial instruments ensure stable growth of the Investment Plan value, protecting it against short-term fluctuations. Whereas investments in capital securities enable the opportunity of higher yield in the long term. Up to 50% of the Investment Plan funds may be invested in capital securities or other financial instruments equivalent in terms of risk, as well as in venture capital market and alternative mutual funds. Other funds of the Investment Plan shall be invested in fixed-income financial instruments, including debt securities issued or guaranteed by states, local governments, and commercial companies, term deposits with credit institutions, money market instruments, and other investments permitted by the Law.

The Manager of Funds may hold a part of the Investment Plan funds in cash to enable execution of the orders for redemption of the Investment Plan shares, as well as because of tactical investment considerations.

When investing the funds of the Investment Plan, the Manager of Funds shall act carefully and prudently, solely in the interests of the Investment Plan participants, as well as shall adhere to the precautionary principle, which ensures the reduction of risk, investment safety, quality and liquidity in accordance with the provisions of the Investment Plan, and shall implement the investment policy aimed towards the growth of the funds of the funded pension scheme of the Investment Plan participants.

#### 3.3. Investment objects and types of investments

The funds of the Investment Plan may be invested in the following financial instruments:

- 1) debt securities or money market instruments issued or guaranteed by states and international financial institutions, if those debt securities or money market instruments are issued or guaranteed by:
  - a) Latvia or other Member State,
  - b) OECD member state,
  - c) international financial institution, where one or several Member States are members of the same;
- 2) debt securities or money market instruments issued or guaranteed by state and international financial institutions that do not meet the requirements stated in subclause 1) of clause 3.3 but are admitted to a regulated market registered in Latvia or other Member State or that are not admitted to a regulated market registered in Latvia or other Member State but whose foreign currency long-term credit rating corresponds to investment grade, according to assessment by an international rating agency and whose issue prospectus stipulates that they shall be included in it within a year from the day when subscription for respective instruments begins;
- 3) debt securities or money market instruments issued or guaranteed by local governments, if:
  - a) those debt securities or money market instruments are issued or guaranteed by a local government of Latvia, other Member State, or OECD member state,
  - b) those debt securities or money market instruments meet the requirements of subclause 4) of clause 3.3;
- 4) stocks and other capital securities (hereinafter – capital securities) of commercial companies or debt securities of commercial companies, if those securities:
  - a) are admitted to a regulated market registered in Latvia or other Member State,
  - b) are included in the official or equivalent listing of a stock exchange (regulated market) registered in the OECD member state, and such stock exchange is a full member of the World Federation of Exchanges,
  - c) are not admitted to a regulated market mentioned in subclause (a) or (b) above, but according to the rules of securities issue those securities are supposed to be admitted to the same within a year after commencing the subscription for receipt of such securities. If the said securities are not admitted to a regulated market mentioned

in subclause (a) and (b) within a year after commencing the subscription for their receipt, the Manager of Funds shall repurchase those securities at the price equal to their acquisition cost;

- 5) deposits with a credit institution having a license for operations of a credit institution in the Member State;
- 6) mutual funds, as defined in the Law on Investment Management Companies, registered in Latvia or other Member State, as well as in ETF securities;
- 7) alternative mutual funds, as defined in the Law on Alternative Mutual Funds and Their Managers, registered in Latvia or other Member State;
- 8) derivative financial instruments, if:
  - a) those derivative financial instruments are admitted to a regulated market registered in Latvia or other Member State or are included in the official or equivalent listing of a stock exchange (regulated market) registered in the OECD member state, and such stock exchange is a full member of the World Federation of Exchanges,
  - b) the liabilities under the derivative financial instrument are undertaken by a credit institution having a license for operations of a credit institution and permitted to render financial services in Latvia or other Member State;
- 9) venture capital market – the market that provides funding to the development-stage commercial companies registered in Latvia or other Member State;

The Manager of Funds shall be entitled to make Investment Plan investments in derivative financial instruments for the sake of risk hedging only, i.e., hedging market risks of other financial assets.

The Manager of Funds shall be entitled to hold the Investment Plan funds in the form of liquid assets, including cash, to the extent necessary for the Investment Plan operation.

### 3.4. Investment restrictions

The Investment Plan funds shall be invested complying with the following investment restrictions:

- 3.4.1. Total investments in debt securities or money market instruments issued or guaranteed by one state or international financial institution may not exceed 35 percent of the Investment Plan assets. This restriction may be exceeded in case of investing in debt securities issued by the state of Latvia, as well as where the Investment Plan assets include securities or money market instruments of six or more issues of one issuer and the value of each issue of securities or money market instruments separately does not exceed 20 percent of the Investment Plan assets, as well as during six months after the first contribution is made to the Investment Plan, if the Investment Plan asset value is below EUR 150 000.
- 3.4.2. Total investments in debt securities or money market instruments issued or guaranteed by one local government may not exceed 5 percent of the Investment Plan assets. This restriction shall be not applicable to investments in debt securities issued by local governments of Latvia.
- 3.4.3. Investments in capital securities of one issuer may not exceed 5 percent of the Investment Plan assets and also 5 percent of the share capital and number of voting stocks of the respective issuer.
- 3.4.4. Investments in a commercial company's debt securities of one issuer may not exceed 10 percent of the Investment Plan assets and also 10 percent of the debt securities issued by the respective issuer.
- 3.4.5. Total investments in the securities mentioned in subclause 4) (c) of clause 3.3 may not exceed 20 percent of the Investment Plan assets.
- 3.4.6. Total investments in the securities mentioned in subclause 2) of clause 3.3 may not exceed 10 percent of the Investment Plan assets.
- 3.4.7. Deposits with one credit institution may not exceed 10 percent of the Investment Plan assets. This restriction shall be not applicable to demand claims to the Custodian Bank.
- 3.4.8. Investments in one mutual fund (including investments in ETF securities) may not exceed 10 percent of the Investment Plan assets and 30 percent of net assets of this mutual fund.
- 3.4.9. Investments in one alternative mutual fund may not exceed 10 percent of the Investment Plan assets and 30 percent of net assets of this mutual fund, whereas total investments in alternative mutual funds may not exceed 10 percent of the Investment Plan assets. Total investments in alternative mutual funds may be increased up to 15 percent of the Investment Plan assets if investment is made in different types of alternative mutual funds, which are indicated in the Regulation as dominating types of alternative funds and investment in each such type of alternative investment funds does not exceed 10 percent of the Investment plan assets.
- 3.4.10. Investments in the financial instruments issued by the commercial companies that are included in one group with the Manager of Funds may be made through intermediary of a stock exchange (regulated market) only, and investments in such financial instruments may not exceed 5 percent of the Investment Plan assets.
- 3.4.11. Total investments in mutual funds and alternative mutual funds managed by the commercial companies that are included in one group with the Manager of Funds may not exceed 15 percent of the Investment Plan assets.

- 3.4.12. Total investments in mutual funds and alternative mutual funds managed by the Manager of Funds may not exceed 10 percent of the Investment Plan assets.
- 3.4.13. Total investments in securities or money market instruments issued by one commercial company or by commercial companies of one group may not exceed 10 percent of the Investment Plan assets.
- 3.4.14. The total of deposits with one credit institution or with credit institutions included in one group and investments in the financial instruments issued by the same credit institution or by credit institutions included in one group may not exceed 15 percent of the Investment Plan assets. This restriction shall be not applicable to demand claims to the Custodian Bank.
- 3.4.15. The total of investments in capital securities, alternative mutual funds or the mutual funds and ETF securities that can invest in capital securities or other financial instruments equivalent in terms of risk may not exceed 50 percent of the Investment Plan assets.
- 3.4.16. Investments in derivative financial instruments may be only made for the sake of protection against the risk of fluctuations in value of particular Investment Plan assets, which might arise due to changes in the respective asset price or currency rate, and only provided the provisions containing detailed description of risk management policy and derivative financial instruments valuation methods are submitted to the FCMC by the Manager of Funds.
- 3.4.17. Amount of one investment in venture capital market may not exceed 5 percent of the Investment Plan assets, and the total investments in venture capital market may not exceed 10 percent of the Investment Plan assets. Investments in the capital of development-stage capital company may not exceed five percent of the respective capital company's share capital and the number of voting stocks or shares, and the amount of investment (capital) share in the commercial company established for the sake of funding development-stage commercial companies or investments in the capital of the commercial company established for the sake of funding development-stage commercial companies may not exceed 30 percent of the total investments (capital) or the respective commercial company's capital.
- 3.4.18. Total investments in alternative mutual funds and venture capital market may not exceed 20 percent of the Investment Plan assets, complying with the restrictions on investments in alternative mutual funds set forth in clause 3.4.9 and the restrictions on investments in venture capital market set forth in clause 3.4.17.
- 3.4.19. Where the Investment Plan assets are used for asset sale transactions involving repurchase, the liabilities arising out of such transactions may not exceed 50 percent of the Investment Plan assets. Such transactions may be only performed to ensure short-term liquidity of the Investment Plan for the term of up to three months.
- 3.4.20. For the purposes of this section, the commercial companies included in one group shall mean the commercial companies the financial statements of which are consolidated in accordance with the International Accounting Standards.
- 3.4.21. The Investment Plan funds may be invested in EUR.
- 3.4.22. The Investment Plan funds may be invested in foreign currencies if the total open position of foreign currencies does not exceed 20 percent of the Investment plan assets but open position of each foreign currency does not exceed 10% of the Investment plan assets.
- 3.4.23. The Manager of Funds shall be prohibited from using the Investment Plan funds to perform the following transactions:
- 1) invest in real estate, except investments in alternative mutual funds that may invest in real estate;
  - 2) grant loans;
  - 3) invest in the financial instruments issued by the Manager of Funds, except mutual funds and alternative mutual funds managed by the same, provided the fee for purchase or sale of the certificates of those funds is not paid to the Manager of Funds out of the Investment Plan funds;
  - 4) obtain loans at the expense of the Investment Plan, except loans intended for ensuring short-term liquidity for the term of up to three months, not exceeding 50 percent of the Investment Plan assets;
  - 5) undertake liabilities under a guarantee agreement at the expense of the Investment Plan;
  - 6) exceed the total of 50 percent of the Investment Plan assets when entering into the transactions mentioned in clause 3.4.19 and subclause (4) of this clause;
  - 7) invest in such alternative investment funds whose activity regulations foresee using of leverage, the amount of which in accordance with the calculation provided by the Regulation:
    - a) more than two times exceeds the net asset value of the alternative investment fund if it foresees issuing loans or engaging in crediting transactions;
    - b) more than three times exceeds the net asset value of the alternative investment fund if it does not foresee issuing loans or engaging in crediting transactions.



- 8) to invest in virtual currencies and in such alternative investment funds whose activity regulations foresee to invest more than 10 percent of the fund's net assets in virtual currencies.

3.4.24. The compliance of the Investment Plan investment portfolio with the investment restrictions shall be verified using the investment value determined in section 7 'Methods and procedure for determining value of the Investment Plan funds and of the Investment Plan share'.

### **3.5. Investment restrictions violation consequences**

- 3.5.1. The investment restrictions set forth in this prospectus may be exceeded if the same results from extraordinary unfavourable events on financial markets, for example, rapid unexpected changes in the value of particular Investment Plan investments.
- 3.5.2. Violation of the investment restrictions set forth in this prospectus shall not invalidate the respective transaction, but the Manager of Funds shall compensate all losses incurred by the Investment Plan participants because of such actions.
- 3.5.3. The Manager of Funds shall immediately, however on the following working day at the latest, inform the FCMC in writing about violation of the investment restrictions, as well as about the measures and deadline for their elimination.
- 3.5.4. If the Manager of Funds needs to sell an investment of the Investment Plan to eliminate violation of the investment restrictions, but such sale of investments (assets) on the financial markets is impossible, the Manager of Funds shall repurchase the said investments at their fair value. Fair value of the investments shall be determined in accordance with the FCMC regulations that regulate the preparation of annual reports of the funded pension scheme investment plans.
- 3.5.5. After violations of the investment provisions are eliminated, the Manager of Funds shall immediately assess whether such actions have caused losses to the Investment Plan participants.
- 3.5.6. If the Manager of Funds finds out that the Investment Plan participants incurred losses as a result of investment restrictions violation, the Manager of Funds shall compensate the determined amount of losses on the following working day after evaluation of the losses at the latest, by crediting monetary funds to the respective Investment Plan account.
- 3.5.7. The Custodian Bank shall monitor that the investment provisions set forth in this prospectus are complied with by the Manager of Funds, and in case of detecting a violation of those provisions, shall immediately inform the Manager of Funds and the FCMC of the same in writing.
- 3.5.8. The Custodian Bank shall supervise the process of loss evaluation and compensation, as well as shall supply the FCMC with the confirmation on conformance of the loss evaluation performed by the Manager of Funds to actual amount of losses, as well as the information on crediting the funds designated for loss compensation to the respective Investment Plan account.

### **3.6. Borrowings at the expense of the Investment Plan**

To ensure liquidity of the Investment Plan and discharge of obligations under operation of the Investment Plan, the Manager of Funds may raise additional financing (borrow) at the expense of the Investment Plan for the term of up to three months, provided the total amount of borrowing does not exceed 50 percent of the Investment Plan assets.

The decision on borrowing at the expense of the Investment Plan may be made by the Investment Plan manager in accordance with this prospectus and the decisions of the Board of the Manager of Funds.

### **3.7. Ensuring of cash flow**

The Manager of Funds shall ensure the cash flow corresponding to the agreements made at the expense of the Investment Plan.

If the Manager of Funds needs to sell investments of the Investment Plan to ensure the cash flow, but such sale of investments (assets) on the financial markets is impossible, the Manager of Funds shall repurchase the said investments at their fair value. If such repurchase of the Investment Plan investments causes losses to the Investment Plan participants, the Manager of Funds and the Custodian Bank shall proceed according to the provisions of clause 3.5 herein, in which actions to be taken in case of violation of the provisions on investing the Investment Plan funds are set forth.

### **3.8. Selection of the investment objects**

The investment objects are selected in accordance with the principles of the investment policy and investment restrictions set forth in this prospectus, as well as complying with the diversification and risk reduction principles.

The funds of the Investment Plan are managed and the decisions and orders are made by the Investment Plan manager in accordance with the investment policy set forth in the Investment Plan prospectus and the articles of association of the Manager of Funds.

## 4. RISKS

According to provisions of this prospectus, the Investment Plan funds shall be invested in different financial assets, and therefore the Investment Plan investments are subject to various risks pertaining to types of financial assets, as well as countries, sectors, particular issuers, etc.

Given the investment policy and structure of the Investment Plan, major risks associated with the Investment Plan investments are economic risk, market risk, interest rate fluctuation risk, currency risk, credit risk, liquidity risk, and operational risk.

### 4.1. Risks associated with investments

Operation of the Investment Plan is associated with risks that arise due to several factors. Each risk type might adversely affect performance of the Investment Plan and each share of the Investment Plan accordingly. Therefore, the following risk types should be distinguished:

**Market risk** – the risk of losses incurred by the Investment Plan because of decline in financial instruments prices as a result of market factor changes (interest rates, currency rates, overall performance of capital securities market or commodity market, etc.). This risk is reduced by implementing balanced investment policy and adhering to diversification principles, investing the Investment Plan funds in various asset classes, which are subject to different market risk factors.

**Interest rate fluctuation risk** – possible adverse effect of interest rate changes on the value of debt securities. When interest rates grow, the prices of debt securities tend to decrease, and vice versa. This risk is reduced by investing in debt securities with different terms to maturity and different degrees of risk (investment-grade securities and high-yield securities).

**Currency risk** – the Investment Plan assets may be partly invested in financial instruments in foreign currencies, which might be associated with currency risk. In case of unfavourable changes in foreign currency rate to EUR, such investments might cause losses as a result of revaluation of financial instruments. This risk is reduced by complying with the restrictions on investments in foreign currencies set forth in this prospectus. The Manager of Funds may use relevant derivative financial instruments to reduce currency risk.

**Credit risk** – the risk of losses incurred by the Investment Plan in case of the securities issuer or the credit institution with which the Investment Plan funds are deposited being unable or refusing to discharge its obligations. Realization of this risk might cause partial or complete default on obligations under particular financial instrument and adversely affect value of the Investment Plan and each share of the Investment Plan respectively. This risk is reduced by performing appropriate analysis of the issuers prior to investing and by monitoring the issuers' financial and economic situation during the investment period. The Manager of Funds may use relevant derivative financial instruments to reduce the credit risk.

**Liquidity risk** – the risk of impossibility to sell or liquidate the financial instruments included in the Investment Plan investment portfolio, or impossibility to perform a transaction resulting in the position closing within the desired term and without material losses. Consequently, if order for redemption of a large number of the Investment Plan shares is received from the Agency, the Investment Plan might fail to have sufficient free funds for discharging current obligations. This risk is reduced by investing a part of the Investment Plan funds in liquid securities and holding part of the funds in the current account with the Custodian Bank. To ensure liquidity and discharge of the obligations under operation of the Investment Plan, the Manager of Funds may borrow at the expense of the Investment Plan for the term of up to three months.

**Operational risk** – the risk of direct or indirect losses caused by nonconformity or imperfection of internal processes, human or system activities, or external circumstances, which also includes legal and document-related risk. This risk is reduced by elaborated cautious internal control system, improvement of data processing and information security technologies, ensuring continuity of operations and proper personnel qualifications.

### 4.2. Major foreign investment risks

The most significant risks arising under the Investment Plan investments in foreign countries are as follows:

- political risk – the risk arising where events affecting political or economic stability take place in the country or region in which the Investment Plan assets (or part thereof) are invested, as a result of which the Investment Plan might incur losses or be lost;
- economic risk – the risk associated with changes in economic situation in the investment regions, e.g., economic recession, excessive inflation, banking crisis, etc.;
- accounting and double taxation risk – the risk associated with applying different accounting principles in securities accounting and registration systems of different countries, which might cause additional troubles for investments, as well as higher taxation rates might be applied to investments of non-residents abroad, and therefore the Investment Plan property might be more encumbered than when investing in local market;
- legal or legislative risk – the risk of possible amendments to the local and foreign legal acts (including taxation policy), which might cause additional expenses for the Investment Plan;
- information risk – the risk related to unavailability or lack of complete information on persons involved in asset management, investment objects, or their issuers.

#### 4.3. Description of possible risk reduction measures

The Manager of Funds shall strictly comply with the provisions and restrictions set forth in this prospectus, the agreements made with regard to management of the Investment Plan funds, and the Republic of Latvia legal acts, as well as shall regularly assess the investment compliance with those. Where the actual performance indicators of the Manager of Funds comply with the standards set in normative documents, but value of investments has decreased, the reasons for such decrease shall be detected, actions aimed at limiting decrease in the investment value shall be performed, and proposals on amendments to the investment policy or risk management shall be prepared.

Derivative financial instruments shall be used for the sake of reducing risks only, and their use for profit generation is prohibited.

To avoid additional risk burden for the investment portfolios, the transactions in derivative financial instruments may be performed on regulated stock exchanges only, thus avoiding the risk of the transaction counterparty and ensuring immediate closure of the derivative financial instruments position, if necessary.

In order to reduce investment risks, the Investment Plan management shall be performed complying with the diversification and risk reduction principles. The Company shall use **qualitative** and **quantitative** assessment for financial risk management as follows:

- 1) According to **qualitative assessment**, investments shall be made in the investment objects that meet certain parameters. Planning the Investment Plan investments, the Manager of Funds shall consider the safety of investments in each particular country and particular financial instruments and term deposits with banks, i.e., credit ratings assigned to the respective country, bank, or company shall be analyzed. Developing the investment policy of the Investment Plan, the Company shall analyze made investments according to their distribution into maturity bands, geographic location, etc., assessing risk degree of each of those factors.
- 2) **Quantitative assessment** shall be performed by setting the following limits:
  - for particular investment types;
  - for countries and regions;
  - for particular issuers;
  - for open currency positions and total open position.

In case of detecting limit violation, the decision on actions aimed at violation elimination shall be taken, e.g., on changing the Investment Plan asset structure, in compliance with requirements of the Republic of Latvia legal acts and this prospectus.

In case of detecting violation of restrictions set forth in normative documents, the manager shall immediately inform the FCMC of the same and shall take all actions aimed at reduction and liquidation of risk effect.

External audit of the Manager of Funds shall be performed regularly in order to identify possible mistakes and deficiencies in the risk control system.

The investment strategy of the Investment Plan shall be set up so that risks are minimized as much as possible, however the Manager of Funds shall not guarantee that those risks can be completely avoided in the future.

## 5. RIGHTS OF INVESTMENT PLAN PARTICIPANTS

### 5.1. Right to change the manager of funds and investment plan

Each participant of the funded pension scheme shall have the right to choose the manager of funds or investment plan (where one manager of funds offers two or more investment plans) for managing its accumulated funded pension capital, as well as to change those chosen, following the procedure set forth by the Cabinet. Manager of funds of the funded pension scheme may be changed not more than once a year, and investment plan of the same manager of funds of the funded pension scheme may be changed not more than twice a year, as well as additionally on the following instances:

- 1) the FCMC cancels the entry in the register of the managers of funds of the funded pension scheme;
- 2) reorganization of the manager of funds of the funded pension scheme chosen by the participant of the funded pension scheme;
- 3) manager of funds of the funded pension scheme combines the investment plan chosen by the participant of the funded pension scheme with other investment plan (plans) and registers new investment plan prospectus (new edition of the investment plan prospectus) with the FCMC, or integrates the chosen investment plan into other investment plan managed by the same manager of funds of the funded pension scheme;
- 4) manager of funds of the funded pension scheme transfers the investment plan managed by the same to another manager of funds of the funded pension scheme.

### 5.2. Right to obtain information

The Investment Plan participants shall have the right to obtain information on the Investment Plan, the Custodian Bank, and the Manager of Funds. The said information can be obtained at the office of the Manager of Funds, office of the Custodian Bank, divisions of the Agency, and on the Internet at [www.ablv.com](http://www.ablv.com) and [www.manapensija.lv](http://www.manapensija.lv).

### 5.3. Right to obtain accumulated funded pension capital

Upon reaching the age at which they qualify for old age pension, or later, the participants of the funded pension scheme may choose one of the following options:

- 1) add the accumulated funded pension capital to non-funded pension capital and have the old age pension calculated in accordance with the Law on State Pensions;
- 2) use the accumulated funded pension capital to purchase a life insurance policy (life annuity).

If a participant of the funded pension scheme becomes a participant of the European Union pension scheme, the accumulated funded pension capital of this participant shall be transferred to the European Union pension scheme.

If a participant of the funded pension scheme dies before qualifying for old age pension, all funded pension capital registered before the death day of such participant will be credited to the state pension special budget and taken into account when calculating the survivor's pension to dependent family members of the deceased participant of the funded pension scheme in accordance with the Law on State Pensions.

## 6. INVESTMENT PLAN MANAGEMENT

### 6.1. Manager of Funds

#### 6.1.1. Information about the Manager of Funds

Name: ABLV Asset Management, IPAS  
Legal address: 23 Elizabetes Street, Riga, LV-1010, Latvia  
Tel.: +371 6700 2777  
Fax: +371 6700 2770

The executive body of the Manager of Funds is located at the legal address of the Manager of Funds.

Date of establishment: 30 March 2006  
Registration No.: 40003814724  
Licences: Licence for rendering investment management services No. 06.03.07.263/458, issued in Riga, on 4 August 2006 reregistered on 3 June 2011 and 9 May 2017.

The Company's registered and paid-in capital is equal to EUR 650 000.

Shareholders of the Manager of Funds: ABLV Bank, AS  
Registration No.: 50003149401  
The share in voting share capital is 100.00%.

#### 6.1.2. Council of the Manager of Funds

Council is the body elected by the shareholders, which supervises the functioning of the Board to the extent set forth in the articles of association. Council is not directly involved in management of the Investment Plan funds.

Chairman of the Council – Ernests Bernis.

Education:

1995 – University of Latvia, Faculty of Economics, Bachelor's Degree in Economics.

Work history (last five years):

27.08.2002 – present: ABLV Bank, AS, Chairman of the Board;

30.03.2006 – present: ABLV Asset Management, IPAS, Chairman of the Council.

Share in other companies:

ABLV Bank, AS, reg. No. 50003149401 – 4.93%; Cassandra Holding Company, SIA, reg. No. 40003251208 – 99.92%; SIA Jūras avots, reg. No. 40003630337 – 80%.

Work in other companies:

ABLV Bank, AS, reg. No. 50003149401 – Chairman of the Board; ABLV Bank Luxembourg, S.A., reg. No.: B.162.048 – Chairman of the Council; ABLV Capital Markets, IBAS, reg. No.: 40003814705 – Chairman of the Council; PEM, SIA, reg. No.: 40103286757 – Member of the Board; AmberStone Group, AS, reg. No. 40103736854 – Chairman of the Council; Pillar, SIA, reg. No. 40103554468 – Chairman of the Board; Pillar 3, SIA, reg. No. 40103193067 – Chairman of the Board; Pillar 4 & 6, SIA, reg. No. 40103210494 – Chairman of the Board; Pillar 7 & 8, SIA, reg. No. 40103240484 – Chairman of the Board; Pillar 11, SIA, reg. No. 40103258310 – Chairman of the Board; Pillar 2, 12 & 14, SIA, reg. No. 50103313991 – Chairman of the Board; Pillar 18, SIA, reg. No. 40103492079 – Chairman of the Board; Pillar 19, SIA, reg. No. 40103766952 – Chairman of the Board; Pillar 20, SIA, reg. No. 40103903056 – Chairman of the Board; Pillar 21, SIA, reg. No. 40103929286 – Chairman of the Board; ABLV Building Complex, SIA, reg. No.: 40203037667 – Chairman of the Board; New Hanza Capital, AS, reg. No. – 50003831571 – Chairman of the Council.

Description of the rights and obligations related to the Investment Plan management: duties of the Chairman of the Council also include supervision of the work of the Board of the Manager of Funds, supervision of the internal control system of the Manager of Funds, control over establishment of efficient management information system of the Manager of Funds, consideration of opinions of internal audit and certified auditors of the Manager of Funds, as well as other rights and obligations of the Chairman of the Council set forth in the Law, the articles of association and internal normative documents of the Manager of Funds.

Member of the Council – Aldis Paegle.

Education:

Currently – Stockholm School of Economics, Executive MBA programme;

2001 – Vidzeme University of Applied Sciences, Professional degree in Business Administration.

Work history (last five years):

01.01.2014 – 30.11.2016: AS Citadele banka, Member of the Board;

01.09.2010 – 31.12.2013: AS Citadele banka, Head of Financial Division.

Share in other companies: none.

Work in other companies: none.

Description of the rights and obligations related to the Investment Plan management: duties of the Member of the Council also include supervision of the work of the Board of the Manager of Funds, supervision of the internal control system of the Manager of Funds, control over establishment of efficient management information system of the Manager of Funds, consideration of opinions of internal audit and certified auditors of the Manager of Funds, as well as other rights and obligations of the Member of the Council set forth in the Law, the articles of association and internal normative documents of the Manager of Funds.

### **6.1.3. Board of the Manager of Funds**

The Board is the executive body of the Manager of Funds, which governs and represents the Manager of Funds, implements the strategy and policies of the Manager of Funds, as well as manages the funds of the Manager of Funds in accordance with legal acts, articles of association of the Manager of Funds, decisions of the meetings of shareholders, and the requirements of the normative documents of the Manager of Funds.

The Board consists of 3 Members of the Board. The Chairman of the Board is appointed by the Council from among the Members of the Board.

Chairman of the Board – Leonīds Kijs

Education:

2000 – RSEBAA, specialty 'Business Administrator', higher professional qualification.

Work history (last five years):

30.03.2006 – present: ABLV Asset Management, IPAS, Chairman of the Board;

30.03.2006 – present: ABLV Capital Markets, IBAS, Chairman of the Board;

11.07.2016 – present: AS Money Express Credit, Member of the Council;

22.05.2013 – present: SIA LK Investment, Member of the Board.

Share in other companies:

SIA LK Investment – 100%.

Description of the rights and obligations related to the Investment Plan management: the Chairman of the Board, together with other Members of the Board of the Manager of Funds, is in charge of running the business of the Manager of Funds, is responsible for the operations of the Manager of Funds, ensures the accounting maintenance of the Manager of Funds in accordance with the legal acts, implements the strategy and policies of the Manager of Funds, as well as the Chairman of the Board has other rights and obligations of the Chairman of the Board set forth in the Law, the articles of association and internal normative documents of the Manager of Funds.

Deputy Chairman of the Board – Jevgenijs Gžibovskis

Education:

2002 – Moscow State Industrial University; specialty 'Management', bachelor's degree.

Work history (last five years):

30.03.2006 – present: ABLV Asset Management, IPAS, Member of the Board;

30.03.2006 – present: ABLV Capital Markets, IBAS, Member of the Board.

Share in other companies: none.

Description of the rights and obligations related to the Investment Plan management: the Deputy Chairman of the Board, together with other Members of the Board of the Manager of Funds, is in charge of running the business of the Manager of Funds, is responsible for the operations of the Manager of Funds, ensures the accounting maintenance of the Manager of Funds in accordance with the legal acts, implements the strategy and policies of the Manager of Funds, as well as the Deputy Chairman of the Board has other rights and obligations of the Deputy Chairman of the Board set forth in the Law, the articles of association and internal normative documents of the Manager of Funds.

Member of the Board – Sergejs Gačenko

Education:

2005 – University of Latvia, Faculty of Economics and Management, Master of Social Science in Economics;

2003 – University of Latvia, Faculty of Economics and Management, Bachelor of Social Science in Economics.

Work history (last five years):

15.11.2013 – present: ABLV Asset Management, IPAS, Member of the Board;

03.07.2012 – 15.11.2013: ABLV Asset Management, IPAS, Portfolio Manager;

22.11.2007 – 22.06.2012: IPAS DNB Asset Management, Fund Manager.

Share in other companies: none.

Description of the rights and obligations related to the Investment Plan management: the Member of the Board, together with other Members of the Board of the Manager of Funds, is in charge of running the business of the Manager of Funds, is responsible for the operations of the Manager of Funds, ensures the accounting maintenance of the Manager of Funds in accordance with the legal acts, implements the strategy and policies of the Manager of Funds, as well as the Member of the Board has other rights and obligations of the Member of the Board set forth in the Law, the articles of association and internal normative documents of the Manager of Funds.

#### 6.1.4. Investment Plan manager

The Investment Plan manager is Jevgenijs Gžibovskis (see additional information in clause 6.1.3).

Description of the rights and obligations related to the Investment Plan management: the Investment Plan manager is appointed by the Board. The Investment Plan manager is responsible for managing the funds of the Investment Plan. The Investment Plan manager manages the property of the Investment Plan in accordance with the articles of association of the Manager of Funds and the investment policy set forth in the Investment Plan prospectus, complying with the respective investment restrictions. During the absence of the Investment Plan manager, the duties of the Investment Plan manager are performed and the Investment Plan funds are managed by the Chairman of the Board of the Manager of Funds or by an employee of the Manager of Funds competent in investment matters, who is appointed by the Chairman of the Board of the Manager of Funds.

The Investment Plan manager also manages the funds of the subfunds ABLV Emerging Markets USD Bond Fund and ABLV Emerging Markets EUR Bond Fund of the open-end mutual fund ABLV Emerging Markets Bond Fund managed by the Manager of Funds.

#### 6.1.5. Shareholder of the Manager of Funds

The shareholder of the Manager of Funds whose share in the share capital of the Manager of Funds exceeds 10% of the total number of shares is ABLV Bank, AS, registration No. 50003149401. ABLV Bank, AS holds 100% of the issued shares of the Manager of Funds.

#### 6.1.6. Mutual funds under management of the Manager of Funds

The Manager of Funds does not manage other investment plans.

Funds of the following mutual funds are managed by the Manager of Funds:

- Open-end mutual fund **ABLV Global Stock Index Fund** (having two subfunds: **ABLV Global USD Stock Index Fund** and **ABLV Global EUR Stock Index Fund**), the funds of which are invested in the ETF securities replicating the index structure of the stocks of commercial companies from developed and developing countries that are traded on regulated markets, thus benefiting from the global economy development.
- Open-end mutual fund **ABLV Emerging Markets Bond Fund** (having two subfunds: **ABLV Emerging Markets USD Bond Fund** and **ABLV Emerging Markets EUR Bond Fund**), the funds of which are invested in debt securities issued or guaranteed by central banks, states, and local governments of developing countries, as well as in debt securities issued or guaranteed by credit institutions or commercial companies, provided the developing country holds more than 50% of the credit institution's or commercial company's capital.
- Open-end mutual fund **ABLV High Yield CIS USD Bond Fund**, the funds of which are invested in debt securities issued or guaranteed by the commercial companies or credit institutions registered in the CIS states.

- Open-end mutual fund **ABLV European Corporate EUR Bond Fund**, the funds of which are invested in debt securities issued or guaranteed by commercial companies or credit institutions registered in the European countries.
- Open-end mutual fund **ABLV Global Corporate USD Bond Fund**, the funds of which are invested in debt securities issued or guaranteed by commercial companies or credit institutions registered in the countries of the global USD bond market.
- Open-end mutual fund **ABLV Emerging Markets Corporate USD Bond Fund**, the funds of which are invested in debt securities issued or guaranteed by commercial companies or credit institutions registered in the developing countries.
- Open-end mutual fund **ABLV US Industry USD Equity Fund**, the funds of which are invested in the ETF securities replicating the index structure of the stocks of commercial companies operating in different economy sectors that are traded on the US regulated markets.
- Open-end mutual fund **ABLV European Industry EUR Equity Fund**, the funds of which are invested in the ETF securities replicating the index structure of the stocks of commercial companies operating in different economy sectors that are traded on the regulated markets of the European countries.
- Open-end mutual fund **ABLV Multi-Asset Total Return USD Fund**, the objective of which is to provide the investors with the opportunity to make diversified investments in different asset classes, depending on the economic cycle stage and situation in financial markets, thus achieving the capital growth. To achieve the objective, the fund's assets are invested in debt securities of commercial companies, credit institutions, governments, local governments, or central banks, as well as in ETF securities, capital securities issued by commercial companies and credit institutions.

#### **6.1.7. Amount of remuneration payable to the Manager of Funds, procedure for determining and paying the same**

The Manager of Funds shall receive payments for management and maintenance of the Investment Plan funds, and the amount of those payments is stated in clause 2.2 above.

The payment to the Manager of Funds that is included in the fixed part of the payment for the Investment Plan management, as well as the payment to the Manager of Funds for the Investment Plan performance or variable part of the payment for the Investment Plan management shall be calculated and withheld in accordance with the procedure set forth in the applicable normative acts.

The fixed part of the payment to the Manager of Funds shall be calculated every working day by multiplying the Investment Plan asset value of the previous calculation day by the rate of remuneration payable to the Manager of Funds in percentage terms and the number of calendar days since the last day for which the remuneration has been calculated, and dividing by the number of calendar days in a year. Fixed part of the payment to the Manager of Funds for the current month shall be accrued during the month by summing up the remuneration calculated for each calculation day in this month, and the same shall be paid to the Manager of Funds out of the Investment Plan funds on the tenth working day of the following month at the latest.

Variable part of the payment to the Manager of Funds shall be calculated every working day and accrued during a year by summing up the calculated variable part of the payment for each calculation day. Variable part of the payment to the Manager of Funds depends on the Investment Plan return excess over the reporting index provided by the Law, which is determined as combination of indexes of debt securities and capital securities, but the same may not exceed the maximum amount stated in this prospectus. Variable part of the remuneration to the Manager of Funds, if any, shall be withheld and paid to the Manager of Funds out of the Investment Plan funds on the tenth working day after the end of the current calendar year at the latest.

#### **6.1.8. Delegation of the Investment Plan management services to a third party**

Following the procedure set forth in the Law, the Manager of Funds may transfer the right of rendering particular Investment Plan management services to other person possessing adequate qualifications and experience in rendering the respective services. If a third party to which some of the Investment Plan management services have been delegated by the Manager of Funds transfers such delegated services to another person in full or in part, the Manager of Funds, following the procedure set forth in the Law, shall ensure that the FCMC permission is obtained prior to the transfer of respective services and the Investment Plan participants are informed of the same in accordance with the procedure stated herein.

Pursuant to the service delegation agreements made between the Manager of Funds and ABLV Bank, AS, registration No. 50003149401, services concerning the following are rendered to the Manager of Funds by ABLV Bank, AS: (i) administration of the Investment Plan, including handling of legal matters and provision of internal audit services, (ii) arrangement of the information provision to the current and potential participants of the scheme on the Investment Plan, Funds Manager and Custodian Bank and public relations, (iii) management and development of information systems, (iv) distribution of the products and services of the Manager of Funds to the clients of ABLV Bank, AS.

When delegating some of the Investment Plan management services to a third party, the Manager of Funds shall inform the Investment Plan participants about the type of the service being delegated and shall supply the information about the third party to which the service is delegated, as set forth in the Law, by publishing the same at the website of the Manager of Funds.



## 6.2. Custodian Bank

### 6.2.1. Information about the Custodian Bank

Name of the Custodian Bank:	AS "Citadele Banka"
Legal address:	Republikas laukums 2A, Riga, LV-1010, Latvia
	Tel.: +371 6701 0000
	Fax: +371 6701 0001

The Custodian Bank's executive body is located at the Custodian Bank's legal address.

Date of establishment:	30 June 2010
Registration No.:	40103303559
Licences:	Licence for credit institution operations No. 06.01.05.405/280.

### 6.2.2. Rights and obligations of the Custodian Bank under management and accounting of the Investment Plan funds

The Manager of Funds shall make an agreement with the Custodian Bank on custody of the Investment Plan funds and maintenance of the Investment Plan accounts. While performing the duties set forth in the Law, the Custodian Bank shall act honestly, fairly, professionally, independently from the Manager of Funds, and solely in the interests of the Investment Plan and the Investment Plan participants. If the rights of the Manager of Funds to manage the Investments Plan funds are terminated, the rights to manage the Investment Plan shall be transferred to the Custodian Bank, except where the management of the Investment Plan funds is transferred to other manager of funds, following the FCMC permission.

The obligations of the Custodian Bank shall be the following:

- 1) hold the Investment Plan property in accordance with the Law and the Custodian Bank agreement;
- 2) ensure that the Investment Plan value is calculated in accordance with the Law and the Investment Plan prospectus;
- 3) execute the orders of the Manager of Funds, provided those do not contradict the Law, the Investment Plan prospectus, and the Custodian Bank agreement;
- 4) ensure that the Investment Plan income is used in accordance with the Law and the Investment Plan prospectus;
- 5) ensure that under transactions using the Investment Plan property the remuneration to the Investment Plan is paid in due time;
- 6) upon the FCMC request, provide the information obtained by the Custodian Bank under performance of the duties of the Custodian Bank;
- 7) lodge claims of the Investment Plan investors against the Manager of Funds, if required by the respective circumstances;
- 8) lodge counter-claims in case of execution levied upon the Investment Plan property under its obligations;
- 9) monitor that contributions to the Investment Plan and payments out of the same are performed in accordance with the Law and the Investment Plan prospectus;
- 10) monitor that payments under the transactions using the Investment Plan property are duly performed;
- 11) supervise that the investment restrictions set forth in the Investment Plan prospectus are complied with by the Manager of Funds;
- 12) cooperate with the Agency and the sworn auditors appointed by the same, upon the Agency request, provide the statements of accounts of the Manager of Funds concerning the management of funds of the funded pension scheme, as well as ensure that all documents regarding management of funds of the funded pension scheme possessed by the Custodian Bank are available to the sworn auditors appointed by the Agency (for audit of the Manager of Funds);
- 13) as soon as possible, however on the following working day at the latest, inform the FCMC, the Agency, and the Council of the Manager of Funds in writing about the actions by the Manager of Funds that are contrary to the Law, the Investment Plan prospectus, and the Custodian Bank agreement, where the Custodian Bank becomes aware of such actions;
- 14) execute the Agency's orders for transferring the funds of the scheme managed by the Manager of Funds to other manager of funds in case of entry on the Manager of Funds being cancelled in the register of the managers of funds of the funded pension scheme;
- 15) perform other actions set forth in the applicable legal acts with regard to the Custodian Bank.

Rights of the Custodian Bank shall be the following:

- 1) obtain any information necessary for performance under the Custodian Bank agreement from the Manager of Funds;
- 2) not to execute the orders of the Manager of Funds if those contradict the Law, the Investment Plan prospectus, and the Custodian Bank agreement;
- 3) obtain remuneration for rendering the services set forth in the Custodian Bank agreement out of the Investment Plan property.

### **6.2.3. Amount of remuneration payable to the Custodian Bank, procedure for determining and paying the same**

The Custodian Bank shall obtain remuneration for rendering the services set forth in the Custodian Bank agreement in accordance with the agreement between the Custodian Bank and the Manager of Funds. Remuneration to the Custodian Bank shall be paid out of the Investment Plan funds and shall be included in the fixed part of the payment for the Investment Plan management, the amount of which is stated in clause 2.2 above.

Remuneration to the Custodian Bank that is included in the fixed part of the payment for the Investment Plan management shall be calculated and withheld in accordance with the procedure set forth in the applicable legal acts. Remuneration to the Custodian Bank shall be calculated every working day by multiplying the Investment Plan asset value of the previous calculation day by the rate of remuneration payable to the Custodian Bank in percentage terms and the number of calendar days since the last day for which the remuneration has been calculated, and dividing by the number of calendar days in a year. Remuneration to the Custodian Bank for the current month shall be accrued during the month by summing up the remuneration for each calculation day in this month, and the same shall be paid to the Custodian Bank on the tenth working day of the following month at the latest.

### **6.3. Auditor**

Name of the Auditor:	KPMG Baltics, SIA
Registration No.:	40003235171
Legal address:	7 Vesetas Street, LV-1013, Riga, Latvia

KPMG Baltics, SIA, executive body is located at KPMG Baltics, SIA, legal address.

Licences: licence No. 55 of the Latvian Association of Certified Auditors for rendering audit services.

KPMG Baltics, SIA, is one of the largest audit, management, and tax advisory companies in Latvia.

## **7. METHODS AND PROCEDURE FOR DETERMINING VALUE OF INVESTMENT PLAN FUNDS AND INVESTMENT PLAN SHARE**

### **7.1. Value of the Investment Plan funds**

Value of the Investment Plan funds is equal to the difference between the value of assets and liabilities of the Investment Plan.

Value of the Investment Plan funds shall be calculated in accordance with the procedure set forth in the Law, complying with the procedures of the Manager of Funds and other internal documents of the Manager of Funds.

Value of the Investment Plan funds shall be calculated by the Manager of Funds on the basis of the information provided by the Custodian Bank about the Investment Plan funds (cash accounts, securities portfolio, and other property), and the calculation shall be done in accordance with the procedure set forth in the Law and the Prospectus. The Custodian Bank shall inform the Manager of Funds on the prices of securities held for trading and on the foreign currency rates.

Accounting of the Investment Plan shall be performed in accordance with the Law, the Regulations on the Preparation of Annual Reports of State-Funded Pension Scheme Investment Plans and the Regulations on the Preparation of Reports on the Management of State-Funded Pension Scheme Assets issued by the FCMC, as well as other legal acts of the Republic of Latvia. For evaluation of the financial report items, the International Accounting Standards published by the International Accounting Standards Board shall be applied.

### **7.2. Principles and methods of evaluating the Investment Plan assets**

To determine the value of the Investment Plan funds, the following general accounting principles shall be complied with:

- 1) it is assumed that the Investment Plan will be managed on a going concern basis;
- 2) the evaluation methods used are the same as those in the previous reporting year;
- 3) the evaluation is performed applying due caution:
  - only revenues received before the day of preparing the financial report are included in the Investment Plan financial report,
  - all possible expenses are taken into account regardless the time of their origination (i.e., those related to the reporting year and the previous periods);
- 4) the revenues and expenses related to the reporting period are taken into account regardless the payment date and the date of receiving or making the invoice;
- 5) all items having substantial influence on evaluation and decision taking by users of the Investment Plan financial report shall be stated;
- 6) assets and liabilities items and their components shall be evaluated separately;
- 7) all transactions shall be recorded and presented in the financial report considering their economic nature and essence, but not legal form.

Deviation from the said accounting principles shall be possible due to substantial reasons. Any such instance shall be described in notes to the financial report, indicating the influence it will have on the Investment Plan assets and liabilities, financial status, and financial results.

After recognition, the financial assets and liabilities shall be evaluated as follows:

- the financial assets held for trading shall be stated at their fair value, i.e., the amount at which the financial asset can be exchanged by performing a transaction between well-informed, interested, and financially independent persons;
- the financial assets held to maturity shall be stated at their amortized acquisition cost.

### **7.3. Evaluation of debt securities and money market instruments**

Fair value of held-for-trading debt securities shall be determined at last published or known securities BID prices available to the Custodian Bank.

Where published or known price of the securities on which coupon income is paid does not include the accrued interest, i.e., coupon, the securities value shall be increased by the coupon amount for the period from the coupon accrual start date to the working day following the day of calculating the Investment Plan value. If it is impossible to apply last published or known BID price to determine the fair value of debt securities after acquisition of those, the value of debt securities shall be determined based on the acquisition price of those securities.

If the financial instruments cannot be evaluated using the above methods due to some reasons, the value of financial instruments shall be determined in accordance with the International Accounting Standards.

Where it is impossible to credibly determine the fair value of the held-to-maturity debt securities and debt securities that are not publicly traded on stock exchanges or other regulated markets applying the procedure described above, those shall be evaluated at amortized acquisition cost calculated applying the effective interest rate method, according to which the

securities are accounted at total of their acquisition cost and amortized discount or premium value (Agio, Disagio), and applying the rate that precisely discounts the future cash flow expected till maturity of the financial asset or next date of interest rate change to current accounting value of the financial asset for recognition of income and reduction of accounting value.

#### **7.4. Evaluation of term deposits**

All term deposits with credit institutions shall be evaluated based on the deposit principal, which is increased by the amount of accrued interest daily.

#### **7.5. Evaluation of investment certificates of mutual funds**

Investments in mutual funds shall be evaluated at fair value. The value of investment certificates of open-end mutual funds or investment certificates (shares) of similar collective investment undertakings shall be determined based on the last investment certificates repurchase price available to the Custodian Bank as at the day of calculating the value of the Investment Plan assets.

#### **7.6. Evaluation of capital securities and ETF securities**

Capital securities and ETF securities shall be evaluated at fair value. Fair value of capital securities or ETF securities shall be determined at last published or known securities BID prices available to the Custodian Bank.

If the abovementioned is impossible or because of existing market conditions, the available (known) market price (LAST) of the last transaction in this financial instrument shall be used to determine the fair value of the financial instrument.

Where capital securities are not publicly traded on stock exchanges or other regulated markets and their fair value cannot be credibly determined according to the procedure described above, those capital securities shall be evaluated at their acquisition cost.

#### **7.7. Evaluation of derivative financial instruments**

Derivative financial instruments shall be evaluated at fair value. The value of derivative financial instruments shall be determined according to the last published or known price available to the Custodian Bank.

Derivative financial instruments quoted on stock exchanges or other regulated markets shall be evaluated at the price at which those instruments can be sold (last stock exchange closing purchase price as at the day of calculating the Plan value). Derivative financial instruments not quoted on stock exchanges or other regulated markets shall be evaluated at the price of the compensating transaction confirmed by the transaction counterparty as at the day of calculating the Plan value or, where such is not available, at the price calculated through market price of the underlying asset. A compensating transaction is a transaction resulting in liquidation of the derivative financial instrument.

#### **7.8. Evaluation of investments in venture capital market and alternative mutual funds**

Investments in venture capital market and alternative mutual funds shall be evaluated at fair value. Fair value of investments in venture capital market shall be determined on the basis of the latest available financial report of the respective commercial company or the information provided in other statement distributed by the governing body of the commercial company. If fair value of investments in alternative mutual funds cannot be credibly determined according to the provisions of clause 7.5, the same shall be evaluated following the procedure described in this clause.

#### **7.9. Revaluation of investments in foreign currency**

According to the International Accounting Standards and the International Financial Reporting Standards, the Investment Plan assets denominated in a foreign currency shall be daily revaluated applying the official reference rate published by the European Central Bank (ECB) or, in case the ECB official reference rate is not available due to any reason, applying the currency rate available to the Custodian Bank that is published in market data system (Reuters, Bloomberg, etc.) as at the day of calculating the Investment Plan value.

#### **7.10. Evaluation of the Investment Plan liabilities**

Value of the liabilities shall be calculated by summing up all payments due at the expense of the Investment Plan, including remuneration to the Manager of Funds, Custodian Bank, Auditor, and third parties payable out of the Investment Plan property, liabilities under the Investment Plan borrowings, and other liabilities.

#### **7.11. Accounting of income and expenses**

Income and expenses related to the reporting period are presented in the Investment Plan statement of income and expenses regardless the date of their receipt or payment. The accrued income shall be included in the Investment Plan statement of income and expenses only if there are no doubts regarding receipt of the same.

### 7.12. Evaluation of the Investment Plan share

Value of the Investment Plan share:

- 1) is the ratio between the value of the Investment Plan funds as at the moment of calculation and the number of the Investment Plan shares registered as at the moment of calculation;
- 2) is used for calculation and redemption of the Investment Plan shares performed within the period from the last moment of calculation to the next moment of calculation;
- 3) is determined in euro and rounded off to seven decimal places;
- 4) is equal to one euro as at the moment of commencing the operation of the Investment Plan.

Value of the Investment Plan funds and value of the Investment Plan share shall be determined at the end of each working day at 24:00, following the receipt of the notice on the Investment Plan portfolio from the Custodian Bank. Until 9:00 on the next working day, the Manager of Funds shall inform the Agency of the calculated value of the Investment Plan share to be used for calculation and redemption of the Investment Plan shares within the period till the next moment of calculation.

The Investment Plan shares shall be calculated in accordance with the following conditions:

- 1) the Manager of Funds shall calculate new shares of the Investment Plan by expressing the funds credited from the Agency's account to the Investment Plan account with the Custodian Bank in the Investment Plan shares (hereinafter – newly calculated Investment Plan shares);
- 2) newly calculated Investment Plan shares are the ratio between the funds credited from the Agency's account in one calculation period and the value of the Investment Plan share in the respective calculation period;
- 3) the number of the Investment Plan shares shall be calculated and rounded off to seven decimal places.

### 7.13. Frequency of determining the value of the Investment Plan share and disclosure thereof

Value of the Investment Plan funds and value of the Investment Plan share shall be published every working day. Information on the value of the Investment Plan funds and the value of the Investment Plan share shall be available in the office of the Manager of Funds, the office of the Custodian Bank, on the Internet at [www.ablv.com](http://www.ablv.com) or [www.manapensija.lv](http://www.manapensija.lv), as well as in the office of the Agency.

### 7.14. Procedure for reinvestment of the Investment Plan income

All income of the Investment Plan shall be reinvested in different assets, following the investment policy and the investment restrictions set forth in the Investment Plan prospectus.

### 7.15. Economic year of the Investment Plan

The reporting period of the Investment Plan is 12 months, and the same matches the calendar year and the reporting year of the Manager of Funds.

## 8. INFORMATION ON TAXES AND DUTIES

According to the Law, the Investment Plan is not a legal entity and shall not pay taxes. If taxation of the investment objects and the transactions using the Investment Plan funds becomes set forth in legislation, the Manager of Funds will cover such tax payments out of the Investment Plan funds.

No taxes will be applied to the scheme participants in case of changing the manager of funds or the investment plan. Contributions of the Investment Plan participants to the Investment Plan shall not be taxed.

The pensions calculated upon reaching the pension age and taking into account the funded pension capital of the participant of the State Funded Pension Scheme shall be taxed in accordance with the general procedure set forth in the Republic of Latvia normative acts.

*The information provided in this section is general, and the same is true as at the moment of compiling this prospectus, and the Manager of Funds shall not be responsible for the taxation procedure in any specific case. The Investment Plan participants are recommended to constantly monitor the amendments to effective normative acts of the Republic of Latvia and consult their tax advisors regarding the taxation matters, if necessary.*

**9. CONFIRMATION OF THE BOARD OF THE MANAGER OF FUNDS ON AUTHENTICITY OF THE INFORMATION PROVIDED IN THE INVESTMENT PLAN PROSPECTUS**

We represent that the information provided in this prospectus is true and there are no concealed facts that might damage the interests of current and prospective participants of the State Funded Pension Scheme.

**ABLV Asset Management, IPAS**

Chairman of the Board

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Leonīds Kļiņš

**ABLV Asset Management, IPAS**

Deputy Chairman of the Board

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Jevgenijs Gžibovskis