



Prospectus

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**Raiffeisen fond dluhopisové stability, otevřený podílový fond,  
Raiffeisen investiční společnost a.s.**

(Raiffeisen bond stability fund,  
open-end mutual fund, Raiffeisen investiční společnost a.s.)

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## 1 LIST OF ABBREVIATIONS

Unless the text of the Prospectus implies otherwise, the following terms and abbreviations have the following meaning 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.

### **ČNB**

Czech National Bank (Česká národní banka).

### **Depository**

UniCredit Bank Czech Republic and Slovakia, a.s. having its registered office in Želetavská 1525/1, 140 92 Praha 4, Company ID (IČ) 64948242, registered in the companies register administered by the Municipal Court (Městský soud) in Prague, section B, entry No. 3608.

### **Distributor**

An entity authorized by the Investments 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.

**Fond**

Raiffeisen fond dluhopisové stability, otevřený podílový fond, Raiffeisen investiční společnost a.s.

**Investment Company**

Raiffeisen investiční společnost a.s. having its registered office in Hvězdova 1716/2b, 140 78 Praha 4 - Nusle, Company ID (IČ) 29146739, registered in the companies register administered by the Municipal Court (Městský soud) in Prague, section B, entry No. 18837, manager of the Fund.

**ISIN**

International unique identifier of securities pursuant to ISO6166 (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 Coll. (Collection of Laws), 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). Follow-Up Records are kept by the individual Distributors.

**Trading Day**

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

- Identification of the Fund;
- ISIN 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 Fund will be announced;
- Date as of which the issuance and redemption of the Unit 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 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 Units are received. An up-to-date list of the selected branches (locations) of Raiffeisenbank is available at [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 Units. An up-to-date list of the Points of Sale is published by the Investment Company in a manner which allows remote access at [www.rfis.cz](http://www.rfis.cz).

**Raiffeisenbank**

Raiffeisenbank a.s. having its registered office in Hvězdova 1716/2b, 140 78 Praha 4, Company ID (IČ) 49240901, registered in the companies register administered by the Municipal Court (Městský soud) 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 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 is the relevant one. Ratings in the following order are used for bonds: 1<sup>st</sup> rating of the issue; 2<sup>nd</sup> rating of the issuer's long-term liabilities in the issue currency; 3<sup>rd</sup> rating of the issuer's long-term liabilities; 4<sup>th</sup> rating of the guarantor's long-term liabilities in the issue currency; 5<sup>th</sup> rating of the guarantor's long-term liabilities. If the 1<sup>st</sup> rating is not available the 2<sup>nd</sup> rating 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<sup>st</sup> rating of the issue; 2<sup>nd</sup> rating of the issuer's subordinated liabilities; 3<sup>rd</sup> 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 explanatory power of the final rating.

**RBI**

Raiffeisen Bank International AG, having its registered office in Am Stadtpark 9, 1030 Vienna, Republic of Austria, registered with the Commercial Court in Vienna under file No. FN 122119m.

**Repo**

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

**Repo Deal**

Repo or Reverse repo.

**Reverse repo**

Acquisition of Securities for money together with an obligation to transfer these Securities as of the set date for the amount equal to the transferred money and interest; Reverse repo is also a purchase together with an agreement to re-sell or borrow the Securities guaranteed by the money.

**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**

Document containing key information for the investors. It contains brief basic characteristics of the Fund necessary for the investors to make an informed judgment 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. (Collection of Laws), on management companies and investment funds, as amended.

**Capital Market Undertakings Act (ZPKT)**

Act No. 256/2004 Coll. (Collection of Laws), on capital market undertakings, as amended.

## **2 COLLECTIVE INVESTMENT FUND**

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

Raiffeisen fond dluhopisové stability, otevřený podílový fond, Raiffeisen investiční společnost a.s. (Raiffeisen bond stability fund, open-end mutual fund, Raiffeisen investiční společnost a.s.)

Abbreviated identification of the Fund: Raiffeisen fond dluhopisové stability (Raiffeisen bond stability fund)

### **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 (ČNB) pursuant to Section 597 b) of the Management Companies and Investment Funds Act, made as of 17. 3. 2014.

### **2.3 Additional information on the Fund**

The Fund is an open-end mutual fund which has not legal personality and is established for an indefinite period of time. The Fund is standard fund. The Fund is a bond fund. It is not a managing or subordinated standard fund. General meeting of Unit-holders is not set up.

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

Merger of the Fund with foreign investment fund comparable to standard fund named Raiffeisen – Český fond konzervativních investic, whose manager was Investment Company Raiffeisen Kapitalanlage-Gesellschaft m. b. H., was approved by the decision of Austrian Financial Market Authority, No FMA-IF25 9099/0001-INV/2014 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.

Following the amendment of the Prospectus that – upon the decision of the Czech National Bank dated 31.5.2016, ref. no. 2016/063386/CNB/570 which acquired legal force on 2016/063386/CNB/570, the type of the Fund Units will have been transformed as of the date of effect of the amendment of the Prospectus, that is 22 July 2016, namely, the Class A2 Units will have changed into Class A1 Units. The transformation of the type of the Units will have been registered in the List of Unit-holders.

## **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 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. Administration means activities pursuant to Section 38 of the Management Companies and Investment Funds Act. 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 and internal audit;
- d) dealing with the investors' complaints;

- e) valuation of the Fund assets and liabilities;
- f) determination of the current value of the Shares;
- 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 Shares:

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 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;

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 no. (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),
- c) internal audit.

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 no. (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 Shares.

## **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 the fungible investment instruments comprising the Fund assets;
- b) keeping custody also of other Fund assets if their nature so allows;
- c) opening and/or keeping of pecuniary accounts and registering the movement of all monies belonging to the Fund assets;
- d) taking care of registering 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 Depository Agreement:
  - i. the Shares have been issued and redeemed;
  - ii. the current value of the Shares 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 of alienation of Fund value assets.

### **7.2.2 Within the activities of the Fund depository, the Depository executes orders issued by the Investment Company in compliance with the Prospectus and in accordance with the Depository Agreement.**

### **7.2.3 A Fund Depository, 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 Depository, shall indemnify them. The Depository 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 Depository, the Depository shall indemnify the Fund for the resulting damage without any undue delay; in such case, it is irrelevant whether the Depository has delegated some activities on another party.**

### **7.2.5 The Depository is obliged to carry out the activities of the depository with due care, acting in the best interests of the Fund and the Unit-holders.**

## **7.3 Consolidation share**

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 profits, through investments primarily (at least 51 % of the value of the assets) in bonds, money market instruments (including term**

deposits) and bond funds denominated in Czech crowns (CZK). To a lesser extent it is possible to invest in bonds, money market instruments (including term deposits) and bond funds denominated in selected foreign currencies. Issuers of the bonds and money market instruments in the portfolio of the Fund include, but are not limited to, governments, multinational institutions or corporations. Shares in other investment funds can represent up to 65 % of the assets of the Fund. Within its investment strategy the Fund can invest in financial derivatives.

- 8.1.2 The investment goal will be achieved by allocation of the money collected in the Fund in particular in short-term and mid-term bonds, money market instruments and bond funds denominated in CZK or, more precisely, with foreign exchange hedging in CZK. The Fund intends to concentrate its investments in bonds issued or guaranteed by the Czech Republic (up to 100 % of the value of the assets of the Fund) or, as the case may be, in bonds issued by a member state of the Organization for Economic Cooperation and Development (OECD), the central bank of such member state, a reputable international financial institution or other entities with credit quality (Rating) specified in section 8.4.20 of the Prospectus. The instruments included in the portfolio of the Fund can be denominated in CZK, EUR, USD and local currencies of Central and Eastern Europe. Weighted average maturity period of the portfolio of the Fund shall not exceed 2 years. The sum of the values of the foreign-currency investment instruments and balances of the foreign-currency money accounts in respect of which foreign exchange hedging in CZK is not applied shall not exceed 7.5 % of the value of the assets of the Fund.
- 8.1.3 Money of the Fund is invested with professional care 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.
- 8.1.4 The Fund is actively managed and it does not intend to copy or follow any specific index or indicator. The Fund represents a capitalisation fund.

## **8.2 Investment policy**

- 8.2.1 Due to its focus according to the AKAT classification, the Fund is a bond fund, which means that it permanently allocates its funds on the bond market and on the money market and in doing so it is obliged to comply with the following rules:
- a) bonds or similar Securities representing the right to payment of the outstanding amount, instruments bearing the risk of debt Securities and money market instruments must be represented in the portfolio of the Fund by at least 80 % share in the assets,
  - b) investments in shares and instruments bearing the risks of shares are not permitted,
  - c) other investment securities representing the right to payment of the outstanding amount (for example, convertible bonds, asset-backed securities - ABS) must not exceed 20 % of the value of the assets of the Fund.
- 8.2.2 Decisions on the investments of the Fund are regulated by 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 and the portfolio manager is responsible for the practical fulfilment thereof, i.e., choice of the particular investment instrument and execution of the transaction. The execution of the investment is preceded by an analysis of economic expediency as well as verification whether the investment is in line 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, a Member State of the Organisation for Economic Cooperation and Development (OECD), a central bank of such Member State, an international financial institution of renown, a self-administration [territorial] organisation,

or by a commercial entity; and/or any similar investment securities accepted for trading in the regulated market in Europe or in any similar regulated market, subject to such market having been listed by the CNB;

2. issued by the Czech Republic, a Member State of the Organisation for Economic Cooperation and Development (OECD), a central bank of such Member State, an international financial institution of renown, a self-administration [territorial] organisation, or by a commercial entity, and/or any similar newly issued investment securities, in respect of which it can be justifiably believed that they would be accepted for trading in any of the markets as per par. 1 within 1 year of the date of termination of their 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 CNB, a supervision 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 in subparagraphs a), and b), under the condition pursuant to section 8.4.7 of the Prospectus.
- 8.3.2 It is possible to acquire an investment security into the assets of the Fund if it complies with the conditions specified in Section 3 (2) of the Regulation.
- 8.3.3 It is possible to acquire an investment security into the assets of the Fund regardless of whether or not it has been paid up.
- 8.3.4 It is possible to acquire an investment security into the assets of the Fund if it contains a derivative in accordance with Section 4 of the Regulation.
- 8.3.5 It is possible to acquire a money market instrument into the assets of the Fund in accordance with Sections 5 through 9 of the Regulation.
- 8.3.6 It is possible to acquire a Security into the assets of the Fund which is issued by a standard fund or a comparable foreign investment fund which, according to its Prospectus or a comparable document, invests no more than 10 % of the value of its assets in the Securities issued by collective investment funds or comparable foreign investment funds.
- 8.3.7 It is possible to acquire a Security into the assets of the Fund which is issued by a special fund or a comparable foreign investment fund if it meets the conditions specified in Section 10 (2) of the Regulation.
- 8.3.8 It is possible to acquire a Security into the assets of the Fund which is issued by a collective investment fund or a comparable foreign investment fund regardless of whether or not it has been paid up.
- 8.3.9 It is possible to enter into a financial derivative contract on the account of the Fund in accordance with Sections 12 through 14 of the Regulation, which means, in particular:
- 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 2 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 2 business days of the date of the deal); both transactions are agreed at the same time;
  - c) Interest rate swaps, 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 listed in section 8.3.9 of the Prospectus may be agreed 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 by way of 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 It is possible to acquire into the assets of the Fund only receivables for the payment of money from an account in Czech or foreign currency on behalf of any of the entities specified in Section 72 (2) of the Management Companies and Investment Funds Act, typically term deposits or similar products agreed with a bank in the Czech Republic or any other Member State, with the maturity period up to 1 year.

#### **8.4 Investment limits**

- 8.4.1 Unless stated otherwise in the following paragraphs of section 8.4 of the Prospectus, it is not allow investing more than 5 percent of the assets of the Fund into investment securities and financial market instruments issued by a single issuer.
- 8.4.2 Up to 10 % of the value of the assets of the Fund can be invested in investment securities and money market instruments issued by a single issuer, and up to 20 % of the value of the assets of the Fund can be invested in investment securities and money market instruments issued by issuers within a group for which consolidate financial statements are prepared; the sum of these investments, however, must not exceed 40 % of the value of the assets of the Fund.
- 8.4.3 Up to 35 % of the value of the assets of the Fund can be invested in investment securities and the money market instruments issued by a single issuer, provided that these Securities or book-entry Securities are issued by or guaranteed by a country, self-governing regional unit of the country, or an international financial organization whose member is one or more member states.
- 8.4.4 Up to 25 % of the value of the assets of the Fund can be invested in bonds issued by a single bank, single savings and credit cooperative, or a single foreign bank which has its registered office in a member state and is subject to supervision of such member state protecting the interests of the bond owners if the money 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 payment of the bond and payment of the profits; the sum of these investments, however, must not exceed 80 % of the value of the assets of the Fund.
- 8.4.5 Financial derivatives entered into with an admissible counterparty, receivables for the payment of money from an account in Czech or foreign currency according to section 8.4.11 of the Prospectus and investment according to sections 8.4.3 and 8.4.4. of the Prospectus shall not be included in the 40% limit according to section 8.4.2 of the Prospectus.
- 8.4.6 The limits according to sections 8.4.1 to 8.4.4 of the Prospectus shall not include the value of investment securities and money market instruments provided to another party as hedging of financial derivatives specified in Section 13 of the Regulation. This hedging can be included in the limits in net value if final settlement is agreed upon with such other party which will be legally effective and enforceable in all legal systems concerned.
- 8.4.7 It is not possible to invest more than 10 % of the value of the assets of the Fund in investment securities specified in section 8.3.1(c) of the Prospectus and in money market instruments specified in Section 9 of the Regulation.

- 8.4.8 Issuers that form a group shall be considered a single issuer for the purpose of this Prospectus. For the purpose of investment activities of investment funds, a state or another public corporation do not control other entities or form a group together with these entities.
- 8.4.9 It is not possible to acquire into the assets of the Fund more than
- a) 10 % of the total nominal value of the bonds issued by a single issuer, and
  - b) 10 % of the total nominal value or sum of the money market instruments issued by a single issuer.
- 8.4.10 Section 8.4.9 of the Prospectus shall not apply to investment securities or money market instruments which
- a) were issued or which are guaranteed by a state or a self-governing regional unit of a state, or
  - b) were issued by an international financial organization whose member is a member state.
- 8.4.11 Up to 100 % of the value of the assets of the Fund can be invested in investment securities and financial market instruments which were issued or which are guaranteed by the Czech Republic. This fact must be explicitly included in the Key Investor Information on the Fund and in the promotion communication pertaining to the Fund. The assets of the Fund must include at all times Securities from at least 6 different issues, and the Securities from one issue must not represent more than 30 % of the value of the assets of the Fund.
- 8.4.12 It is possible to acquire Securities into the assets of the Fund which are issued by a single collective-investment fund or a comparable foreign investment fund, up to 20 % of the value of the assets of the Fund.
- 8.4.13 It is not possible to acquire Securities into the assets of the Fund which are issued by special funds or comparable foreign investment funds if their total value would exceed 30 % of the value of the assets of the Fund.
- 8.4.14 It is not possible to acquire into the assets of the Fund more than 25 % of the value of the net asset value of a single investment fund or a comparable quantity of a foreign investment fund.
- 8.4.15 Counterparty risk arising from financial derivatives, according to section 8.3.9 of the Prospectus, corresponding with the sum of the positive fair values of these derivatives and from the techniques of management of a standard fund must not exceed for one party
- a) 10 % of the value of the assets of the Fund if such party is an entity specified in Section 72 (2) of the Management Companies and Investment Funds Act, or
  - b) 5 % of the value of the assets of the Fund if such party is an entity other than the entity specified in Section 72 (2) of the Management Companies and Investment Funds Act.
- 8.4.16 For the purpose of calculation of the limits according to sections 8.4.1 to 8.4.7 of the Prospectus, the underlying assets of the financial derivatives entered into on the account of the Fund shall be taken into account; this is not required if the underlying assets are financial indexes or other financial quantitatively represented indicators.
- 8.4.17 Receivables for the payment of money from the accounts in Czech or foreign currency from one of the entities specified in Section 72 (2) of the Management Companies and Investment Funds Act must not represent more than 20 % of the value of the assets of the Fund.
- 8.4.18 The sum of the value of investment securities or money market instruments issued by a single issuer, values of the receivables for the payment of money from the accounts in Czech or foreign currency from a single issuer and the values of the exposure to the counterparty risk arising from the financial derivatives specified in Section 13 of the Regulation associated with that issuer must not exceed 20 % of the value of the assets of the Fund; this shall not affect the provisions in sections 8.4.3 and 8.4.4 of the Prospectus.
- 8.4.19 The investment limits defined in section 8.4.18 of the Prospectus, in sections 8.4.1 through 8.4.7, 8.4.15 and 8.4.17 of the Prospectus cannot be added, and the sum of the values of investment securities or money market instruments issued by a single issuer, values of the receivables for the payment of money from the accounts in Czech or foreign currency from such issuer and the values of the exposure



to the counterparty risk arising from the financial derivatives specified in Section 13 of the Regulation associated with that issuer must not exceed 35 % of the value of the assets of the Fund.

- 8.4.20 The Fund will invest in instruments with Rating at least on the investment level of BBB- / Baa3 or higher. The condition of the minimum Rating on the investment level shall apply for the purpose of the limit mentioned in the previous sentence at the moment of acquisition of the investment security into the assets of the Fund. Restrictions of the Rating specified in the Prospectus shall not apply to investments of the Fund made through purchases of Securities issued by a collective investment fund or a comparable foreign investment fund into the assets of the Fund.
- 8.4.21 Weighted Average Maturity (WAM) of the instruments in the assets of the Fund must not exceed 2 years. Weighted Average Life (WAL) of the instruments in the assets of the Fund must not exceed 5 years.
- 8.4.22 The sum of the values of foreign-currency investment instruments and balances of foreign-currency money accounts to which foreign exchange hedging into CZK is not applied must not exceed 7.5 % of the value of the assets of the Fund.
- 8.4.23 The sum of the values in Securities issued by collective investment funds or comparable foreign investment funds must not exceed 65 % of the assets of the Fund.
- 8.4.24 Bonds or similar Securities representing the right to payment of the outstanding amount, instruments bearing the risk of debt Securities and money market instruments must be represented by at least 80 % in the assets of the Fund. Other investment securities representing the right to payment of the outstanding amount (for example, convertible bonds, asset-backed securities - ABS) must not exceed 20 % of the value of the assets of the Fund. It is not possible to invest in shares, instruments similar to shares and in the Securities issued by collective investment funds, including the so-called exchange-traded funds (ETF) bearing the risk of shares.
- 8.4.25 In the event of diversification of the risk it is possible to depart from sections 8.4.1 through 8.4.7, 8.4.11, 8.4.12, 8.4.13 and 8.4.15 of the Prospectus, but not for more than 6 months from the time of creation of the standard fund.

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

- 8.5.1 A credit or loan on the account of the Fund can only be accepted if
- a) the maturity period of such credit or loan does not exceed 6 months, and
  - b) the sum of the value of all such accepted credits and loans does not exceed 10 % of the value of the assets of the Fund (without prejudice to the limit for exposure of the Fund with respect to financial derivatives).
- 8.5.2 The assets of the Fund cannot be used to grant a credit or loan unrelated to the management thereof; this shall not affect sections 8.3.3, 8.3.8, 8.4.15, 8.4.16 of the Prospectus and Section 30 through 44 of the Regulation.
- 8.5.3 The assets of the Fund cannot be used to grant a donation, to back the debt of another party or to pay a debt which is not related to the management thereof; this shall not affect sections 8.3.3, 8.3.8, 8.4.15, 8.4.16 of the Prospectus and Section 30 through 44 of the Regulation.
- 8.5.4 On the account of the Fund, it is not possible to enter into an agreement on sale of investment instruments which are not owned by the Fund or which it holds temporarily.

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

- 8.6.1 Techniques for the management of a standard fund are only Repo transactions pursuant to Sections 31 through 33 of the Regulation and financial derivatives pursuant to Sections 12 and 13 of the Regulation.
- 8.6.2 Techniques specified in section 8.6.1 of the Prospectus can only be used 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 profits if the risk taken is in accordance with the risk profile of the Fund,
- c) the use of these techniques does not bypass the rules laid down by the Regulation and determined by the Prospectus or the investment strategy of the Fund, and
- d) the debts of the Fund resulting from the use of these techniques are always fully covered by the assets of the Fund.
- 8.6.3 A repo transaction using the assets of the Fund can be executed only with an admissible counterparty which is subject to the supervision by the state in which it has its registered office and only if the obligation under it can be terminated without a notice period or with a notice period of less than 7 days. When arranging Repo transactions, the measures of Sections 30 through 33 of the Regulation shall be respected.
- 8.6.4 Manager of the Fund shall mitigate the risk arising from the use of financial derivatives as follows:
- a) If a financial derivative is to be settled by the Fund by supplying the underlying asset the Manager shall hold the underlying asset concerned as at the moment of the execution of the contract and throughout the term of the contract corresponding with such derivative within the assets of the Fund; for currency derivatives which have the characteristics of a hedging derivative 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 money the Manager shall hold within the assets of the Fund as at the moment of the execution of the contract and throughout the term of the contract corresponding with such derivative money or a highly liquid asset in the value corresponding to the settlement price of the financial derivative concerned;
  - c) With the exception of the cases according to section 8.6.5 of the Prospectus, the Manager shall not use the underlying asset, money or a highly liquid asset covering one financial derivative for covering another financial derivative; also, the Manager shall not use for covering of the financial derivative assets and money which are subject to Repo transactions;
  - d) The Manager shall make ensure that the underlying asset of the financial derivative correspond to the investment strategy and the risk profile of the Fund; and
  - e) The Manager shall obtain the other contracting party's consent to the settlement of the financial derivative prior to its maturity, provided that the settlement will correspond with the fair value of the financial derivative.
- 8.6.5 The Manager of the Fund holds the money 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 a situation according to section 8.6.4b) of the Prospectus and if another financial derivative has been entered into
- 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 7 days.
- 8.6.6 Calculation of the total exposure of the Fund is performed at least once a day, using a standard liability method, the value at risk (VaR) method, or another advanced risk measurement method in accordance with Sections 36 through 43 of the Regulation. The Manager of the Fund shall ensure that the chosen method of calculation of the total exposure is appropriate with respect to the applied investment strategy of the Fund, types and complexity of the derivatives used, and the share of derivatives in the assets of the Fund. The following shall be taken into account when calculating the total exposure of the Fund:
- a) Current value of the underlying assets of the derivatives,

- b) Counterparty risk with respect to the party with which the derivatives are entered into,
- c) Expected future movements on the market,
- d) Time after which the positions of the fund related to the derivatives can be closed, and
- e) Techniques for management specified in sections 8.6.1 and 8.6.2 of the Prospectus, if they use a leverage effect or if they lead to an increase of the exposure of the fund to the market risk.

8.6.7 If the calculation of the total exposure of the Fund is performed using a standard liability method the exposure with respect to financial derivatives must not exceed 100 % of the net asset value of the Fund at any time; if the limit is exceeded due to the changes of the 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 would comply with the limit.

8.6.8 If the calculation 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 % of the value of the capital of the Fund.

8.6.9 If the calculation 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 medium-term investment horizon who prefer low risk and the corresponding level and stability of the yield, and the intention of the investors is primarily to maintain the fair value of their money. The Fund is also suitable for investors without any knowledge of the principles and instruments of the capital markets and without experience in trading in investment instruments. A typical investor should be aware of the risks associated with investments in bonds, money market instruments and other instruments bearing the risk of bonds (including but not limited to credit, interest, foreign-exchange and concentration risk) and should be prepared to accept the risk of possible loss resulting from the investment. The Fund is suitable for investors who plan to invest money for at least 2 years.

## 9 INFORMATION ON THE RISKS

### 9.1 Risk profile of the fund

9.1.1 Prices of the Securities in capital markets can go up and down, and their development cannot be predicted. The 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 the yield. A success of the investment or return on the amount invested, however, is not guaranteed.

9.1.2 The current value of the Unit (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):

←Typically lower reward		Typically higher reward→				
←Lower risk		Higher risk→				
1	2	3	4	5	6	7

The synthetic indicator takes into account the fluctuation of the value of the Unit and illustrates the potential return on the investment relative to the associated risk profile of the Fund. The higher this number is the greater the return may be but also less predictable, and the investor may therefore also suffer a loss. Even the lowest number does not mean that the investment is completely risk-free, but it suggests that in comparison with higher numbers this investment offer a lower but more predictable return.

With respect to the date of creation of the Fund, the calculation of the synthetic indicator cannot be based on actual historical variability of the value of the Unit, and the calculation of the synthetic

indicator relies on a modelled development of the value of the Unit based on the assumed placement of assets in state or company bonds or in bonds issued by financial institutions within the investment rating level with Weighted Average Maturity of 2 years.

As of the date of adoption of this Prospectus the Fund was included in risk category 2. This number of calculated based on the information from the past which is not always a reliable guide when it comes to the risk profile of the Fund in the future. Inclusion of the Fund in the respective 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 remote access at [www.rfis.cz](http://www.rfis.cz) and it can also be found in the 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-upon 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 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 organized markets which are generally recognized, are accessible to the public and function correctly, or on 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 organized market if the registration is achieved no later than one year after the issue of the Securities. In individual Securities, which are only traded to a limited extent or in certain segments of the stock exchange there may be a problem 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 Units and in suspension of the issuance and redemption of Units according to section 13.3.4 of the Prospectus.
- 9.2.3 Risk of settlement – A risk that the settlement of a transaction will not be as originally expected due to the fact that the counterparty fails to pay or fails to supply the investment instruments within the set period. This risk consists primarily of the potential loss of investment opportunity. With respect to the fact that transactions of the Fund, with the exception of transactions whose nature rules this out (e.g., primary subscription for Securities) and with the exception of FX (foreign exchange) operations, occur essentially against a money payment (delivery versus payment) the risk of direct loss is low.
- 9.2.4 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.
- 9.2.5 Operational risk – 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.
- 9.2.6 Developing markets risk – Sum of risks which typically do not occur in 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 privatized 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, i.e., 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 create new taxes, sometimes retroactive;
  - 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.

The result of these risks may be increased volatility of prices of investment instruments.

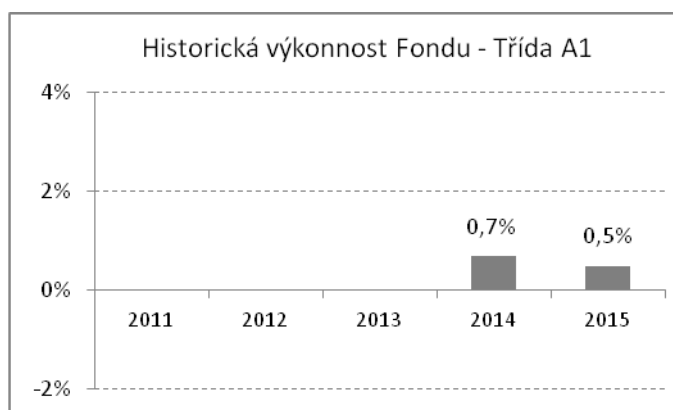
- 9.2.7 Interest rate risk – is a risk of change of the interest rates. It is a special part of the market risk. Changes of market interest rates can result, among other things, from a change of the economic situation and the responding policy of the relevant central bank. If the market interest rates grow the prices of Securities with fixed interest rate usually decrease, and vice-versa. The 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. Fixed-interest Securities with shorter time to maturity, however, have typically lower returns than fixed-interest Securities with longer time to maturity.
- 9.2.8 Currency risk – It is also a part of the market risk. It is related to the movements of the 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.
- 9.2.9 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).
- 9.2.10 Repo Deals risks – 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 is derived 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. The Fund would in such cases face the risks associated with the holding of such investment instruments, in particular, the market risks.
- 9.2.11 Risk of premature dissolution, and/or erasure, 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 net asset value of the Fund 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, decision of a court, or for reasons specified in section 15.3 of the Prospectus, the Fund may be dissolved or, more precisely, deleted from the list maintained by the Czech National Bank. With respect to this fact, it is not guaranteed that a Unit-holder can be Unit-holder of the Fund for the whole time of its investment horizon, which may have negative impact on the expected return on the investment.
- 9.2.12 Concentration risk – The risk consists of the possibility of a failure of the investment if the invested money is 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 money among the different issuers or types of issuers. The probability of a failure of the 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 the same commodity.

### 9.3 Risk management

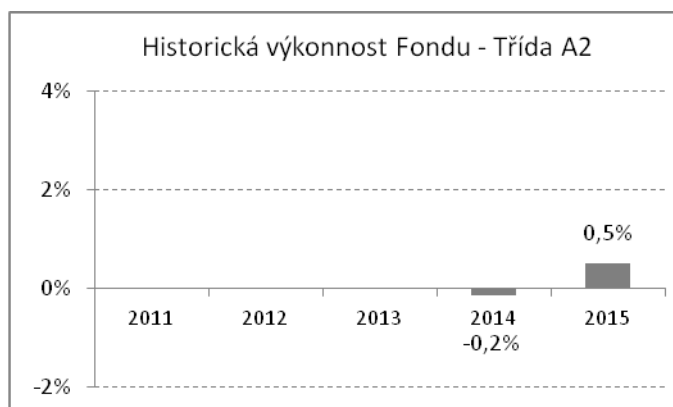
The Investment Company is responsible for risk management and takes necessary measures to be able to check and measure at any time the risks associated with the different positions in the portfolio as well as the overall risk of the portfolio.

## 10 INFORMATION ON HISTORICAL PERFORMANCE

The calculation of the historical performance is based on the value of the Fund net asset value and on the assumption that all yield of the Fund has been re-invested. Any information on the historical performance of the Fund does not serve as an indicator of future performance. The determination of the Fund historical performance incorporates all and any fees and costs paid from the Fund assets, with the exception of any potential entry and exit fees (surcharges and deductions) related to the issuance and redemption of the Fund Units. The Fund has existed since 2014. Such performance is determined in CZK.



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



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

The A2 Class – Dividendová Units will have been transformed as of the date of effect of the amendment of the Prospectus (see par. 2.4 of the Prospectus) to A1 Class – Kapitalizační Units.

## 11 PRINCIPLES FOR THE MANAGEMENT OF THE FUND AND PAYMENT OF PROFIT SHARE OR YIELD (DIVIDENDS)

- 11.1.1 The Fund is managed by the Investment Company, with professional care. The Investment Company exercises the ownership rights to the assets of the Fund on its behalf and on the account of the Unit-holders.
- 11.1.2 In the management of the assets of the Fund, the Investment Company follows the rules of prudent practices, rules for the management of assets in the Fund, and the rules of conduct consisting, among

other things, of giving priority to the Unit-holders' interests over own interests and the interests of third parties.

- 11.1.3 The accounting period of the Fund is the calendar year, starting on 1 January and ending on 31 December of each calendar year. The first accounting period of the Fund starts on the date of registration in the relevant list maintained by the Czech National Bank.
- 11.1.4 The financial statements of the Fund shall be audited. The approval of the financial statements as well as the decision on the distribution of profits or on coverage of losses shall belong to the Board of Directors of the Investment Company.
- 11.1.5 The profit/loss represents the difference between yields and costs resulting from the management of the Fund assets.
- 11.1.6 Any profits created shall be retained in the Fund as a source of further investments, thus increasing the value of the Units. If the Investment Company manager the Fund so that it generates a loss, such loss shall be covered by applying any profits generated in the previous years. If they do not suffice, such loss shall be covered by reducing the net asset value of the Fund.
- 11.1.7 The assets and liabilities of the Fund shall be valued 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 Unit is in accordance with the applicable regulations, in particular Sections 190 through Section 202 of the Management Companies and Investment Funds Act.
- 11.1.8 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 accounting period or, as the case may be, as of the date of the extraordinary financial statements.
- 11.1.9 The first determination of the current value of the Unit shall be made on and as of the date pursuant to the Notification of Commencement of Offering, then the current value of the Unit shall be determined usually for each Business Day.
- 11.1.10 The current value of Units of the Fund is determined usually for every business day, on the following Business Day, but at least once in 2 weeks, or for every day when Units were issued and redeemed. The current values of the Units are published in a manner allowing remote access at [www.rfis.cz](http://www.rfis.cz). In justified cases, the Investment Company may determine the current value of the Unit valid for several days.
- 11.1.11 The current value of Units of the Fund shall be calculated with precision to 6 decimal places with subsequent arithmetic rounding to 4 decimal places.
- 11.1.12 The current value of the Unit shall be calculated as a share of the Fund net asset value and the number of Units. The determination of the net asset value of the Units will be based on the value of the Fund assets as of the date in respect of which the determination of the topical net asset value of the Unit has been determined. 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 Fund net asset value shall be determined as a sum of the values of capital funds, retained profit/loss, and the profit/loss for the current year.
- 11.1.13 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 Units of the Fund**

- 12.1.1 The Fund issues Units. All Units are issued in book-entry form, unregistered. The Units may also be issued in the form of global Units.
- 12.1.2 The Fund Units have been allocated ISIN: CZ0008474293.
- 12.1.3 The Units have no nominal value.

- 12.1.4 The Units will be issued and redeemed for a term as shown in the Notification of Commencement of Offering for CZK 1, however, not longer then for the term of three months.
- 12.1.5 The Units are not accepted for trading in the European regulated market or a multilateral trading system.
- 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 of redeemed Units are made only in CZK.

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

- 12.2.1 Records of the Units are kept by the entity keeping Separate Records on the accounts of the owners or on the accounts of the customers. A customer account can be opened, based on the relevant agreement, by the entity keeping Separate Records only for an entity authorized to keep Follow-Up Records. An owner account can be opened by the entity keeping Separate Records or entity keeping Follow-Up Records under relevant agreement with the owner. Separate Records and Follow-Up Records shall be kept in accordance with Section 93 of the Capital Market Undertakings Act and the Decree on keeping records or, as the case may be, according to the corresponding similar regulation in the EU Member State where the entity keeping Separate Records or the entity keeping Follow-Up Records has its registered office.
- 12.2.2 An individual or legal entity becomes Unit-holder on the date of registration of the Units on its owner account in the Separate Records or registration on the customer account in the Separate Records and owner 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**

- 12.3.1 The Units of the Fund shall have the following rights:
- a) Unit-holder's share in the assets of the Fund,
  - b) 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 redemption of the Unit,
  - c) Right to the payment of the current value of the Unit no later than 2 weeks after the date of receipt of the request for redemption of the Unit,
  - d) Right to the payment of the share upon dissolution of the Fund with liquidation, no later than 3 months after the date of settlement of the receivables and payables resulting from the management of the assets of the Fund,
  - e) Right to receive 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) Right to redemption of Units 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 shall not be entitled to payments of a profit share or any other proceeds generated by the Fund, and such profit shall be retained in full as part of the Fund assets, as source of further investments (to be reinvested).

## **12.4 Proving the ownership right to the Unit**

Ownership right to the Unit shall be proven by the owner account statement from the Separate Records or, if applicable, the owner account from the Follow-Up Records, and an identification card.



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

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

- 13.1.1 The Investment Company issues Units for the amount of the current value of the Fund published for the respective Trading Day. The amount can be increased by the entry surcharge.
- 13.1.2 The request for issuance of Units must be delivered by the Distributor to the entity keeping Separate Records on the Trading Day no later than 4 p.m. The request for issuance of Units submitted at any time during the period from the previous of the Trading Day until the above-mentioned time shall be deemed to have been submitted on the Trading Day. The entity keeping Separate Records may accept the requests also after the above-mentioned deadline on the same day.
- 13.1.3 The request for issuance of Units may specify a specific number of Units or a particular amount in CZK which the Unit-holder wishes to invest.
- 13.1.4 In the event of issuance of Units upon the request for issuance of Units specifying a specific number of Units the Unit-holder will be issued the number of Units specified by him against the payment of the amount corresponding to the product of the number of Units issued and the current value of the Unit published as of the Trading Day (and, if applicable, increased by the entry fee) rounded up to 2 decimal places. The resulting rounding difference will be used to increase the assets of the Fund.
- 13.1.5 In the event of issuance of Units upon the request for issuance of Units specifying a particular amount in CZK which the Unit-holder wishes to invest the Unit-holder will be issued the number of Units which corresponds to the share of the invested amount and the current value of the Unit published as of the Trading Day (and, if applicable, increased by the entry fee) rounded down to the whole number. The resulting rounding difference will be used to increase the assets of the Fund.
- 13.1.6 The issuance of the Units occurs by registering the Units on the owner account in the Separate Records or by registering the Units on the customer account in the Separate Records and the owner account in the Follow-Up Records, i.e., new Units are issued, without undue delay after the Trading Day, but not before the money is credited to the account of the Fund with the entity keeping Separate Records. Issuance of Units is typically performed within 5 Business Days after the Trading Day.
- 13.1.7 The minimum investment amount per each single investment, including the entry fee, in the event of once-off purchases of Units equals CZK 500. If the intended investment amount is lower than the minimum investment amount, the Investment Company may reject such application for the issue of Units.

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

- 13.2.1 The Investment Company redeems Units using the money in the Fund at the current value of the Unit published as of the Trading Day. The Investment Company shall charge no exit fee.
- 13.2.2 The request for redemption of Units must be delivered by the Distributor to the entity keeping Separate Records on the Trading Day no later than 4 p.m. The request for redemption of Units submitted at any time during the period from the previous of the Trading Day until the above-mentioned time shall be deemed to have been submitted on the Trading Day. The entity keeping Separate Records may accept the requests also after the above-mentioned deadline on the same day.
- 13.2.3 The request for redemption of Units may specify a specific number of Units or a particular amount in CZK which the Unit-holder wishes to receive. The request may only be accepted from the Unit-holder, i.e., from the person who has Units and the respective quantity registered on his/her owner account.
- 13.2.4 In the event of redemption of Units upon the request for redemption of Units specifying a specific number of Units the Unit-holder will be paid an amount corresponding to the product of the number of Units redeemed and the current value of the Unit published as of the Trading Day rounded down to 2 decimal places. The resulting rounding difference will be used to increase the assets of the Fund.
- 13.2.5 In the event of redemption of Units upon the request for redemption of Units specifying a particular amount in CZK which the Unit-holder wishes to receive, the Unit-holder will be paid an amount corresponding to the product of the number of Units redeemed (calculated as a share of the redeemed amount and the current value of the Unit 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 rounded down to 2 decimal places. The resulting rounding difference will be used to increase the assets of the Fund.

- 13.2.6 The redemption of the Units occurs by deregistering the Units from the owner account in the Separate Records or by deregistering the Units from the customer account in the Separate Records and the owner account in the Follow-Up Records, i.e., these Units are cancelled. At the same time, the Investment Company will financially settle the redemption of the Units. Financial settlement shall mean, for this purpose, transfer of the respective amount of money to the account of the Unit-holder or, as the case may be, of the entity keeping Follow-Up Records. Redemption of Units is typically performed within 5 Business Days after the Trading Day, but not later than within two days of the Trading Day.
- 13.2.7 The minimum volume of Units redeemed from the Unit-holder is 500 or is expressed by an equivalent amount in CZK. In the event that the number of Units on the owner account or on the customer account in the Separate Records or on the owner account in the Follow-Up Records is lower than 500 the Investment Company may redeem all Units registered on such account.

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

- 13.3.1 The request for issuance or redemption of the Unit 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 Units through the entity keeping Separate Records on behalf of the Unit-holders.
- 13.3.3 The Unit-holder will be informed about the issuance or redemption of Units by an account statement sent by the entity that keeps the owner account in the Separate Records or the owner account in the Follow-Up Records according to the agreed-upon frequency of the change statements, but always in accordance with the applicable regulations stipulating the deadline for sending such confirmation.
- 13.3.4 In exceptional cases the Investment Company may decide to suspend the issuance and redemption of Units, for a maximum period of three months, if it is necessary 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 possible error is significant, in the case of reduced liquidity of the assets of the Fund. The report of the decision to suspend issuance and redemption of Units shall be published by the Investment Company in a manner allowing remote access at [www.rfis.cz](http://www.rfis.cz).

### 13.4 Special provisions for handling Units

- 13.4.1 Change of the owner of Units occurs by transfer or transition. A transfer or transition of Units can be only performed through the entity keeping Separate Records or Follow-Up Records.
- 13.4.2 If the reported information on the Unit-holder change (including information regarding tax residence), the Unit-holder is obliged to report these changes immediately in particular through one of the Points of Sale or, if applicable, to the Investment Company. The Unit-holder shall be responsible for the consequences, if any, of a failure to comply with this obligation.

## 14 FEES AND COSTS

### 14.1 Structure of the fees and expenses

One-off fees charged prior to or after the completion of the investment (This is the maximum amount that an investor may be charged prior to the investment, or prior to the pay-out of the investment)	
Entry fee (surcharge)	up to 1 % of the amount invested <sup>1</sup>
Exit fee (deduction)	0 % of the amount redeemed
Expenses paid from the assets of the Fund during the year	
Total expense ratio (TER) <sup>2</sup>	0.62% <sup>3</sup>

<b>Synthetic TER<sup>4</sup></b>	<b>0.66%<sup>3</sup></b>
Expenses paid from the assets of the Fund under special conditions	
<b>Performance fee</b>	not set

<sup>1)</sup> Surcharge:

- Based on a decision of the Investment Company, the Unit-holders can be charged a lower surcharge.
- The amount of the surcharge may be determined in increments according to the volume of the amount invested.
- Information on the current amount of the surcharge and its incremental decrease, if any, according to the volume of the amount invested is available at the registered office of the Investment Company, at all Points of Sale and at [www.rfis.cz](http://www.rfis.cz).
- The Unit-holders who are not charged the surcharge may be charged by the distributor of the Units a fee for the arrangement of the purchase of the Units which 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 net fund asset value. The indicator shows the expense covered from the Fund assets.

<sup>3)</sup> The total expense ratio (TER) Synthetic TER and 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 required also to state 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 of the Fund assets into the target fund; the percentage of the ratio of withdrawals, surcharges, and fees payable to the target funds to the average monthly net asset value of the Fund assets will be included in the TER of the target funds. Since the Fund did not invest in the previous year more than 10% of the Fund asset value in Securities issued by other collective-investment funds, the value of the Synthetic TER is not presented.

## 14.2 Expenses paid from the assets of the Fund

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

- Administration and court fees,
- Taxes,
- Fee for the performance of the function of depository pursuant to section 14.3 of the Prospectus,
- Investment Company's fee for the management of the assets and administration of the Fund pursuant to section 14.4 of the Prospectus,
- Costs of the accounting and tax audit,
- Bank fees for the maintenance of accounts and handling the money,
- Fee for the custody, administration and deposition of foreign Securities in foreign banks or other depositories, fee for the custody of the Securities entrusted to the Depository for custody, fee for the maintenance of asset accounts and administration of the Securities with the central depository,
- Interests on the credits and loans received,
- Costs of the charges and commissions for investment instrument operations,
- Costs of expert opinions, if required by a generally binding regulation.

## 14.3 Fee paid to the Depository

The fee for the performance of the activities of the depository shall be determined according to the value of the net asset value of the Fund as of the last calendar day in the given month and shall be calculated as a monthly aliquot part of the agreed-upon annual rate which may not exceed 0.05% p.a. of the net asset value of the Fund, and the minimum annual fee is CZK 95,000.00. The Depository's fee is charged on monthly basis and is increased by the applicable value added tax. Specific and detailed arrangements regarding the amount of the fee are provided in the depository agreement.

## 14.4 Fee paid to the Investment Company

- 14.4.1 Payments to the Investment Company shall be determined by the Board of Directors of the Investment Company in the amount of up to 0.5% 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 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 fee paid to the Investment Company for each type of Units is specified in section 14.4.1 of the Prospectus and represents the maximum value in % of the average annual net asset value of the Fund. The average annual net asset value shall be calculated as arithmetic mean of the net 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 remote access at [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 a product of the net asset value determined as of the last calendar day of the respective month and the currently valid amount of the fee and coefficient 30/360. If the calculation of the fee starts during a calendar month the advance payment for the first month shall be calculated with the coefficient ACT/ACT (current number of days in the period/current number of days in the year). The subsequent annual billing shall be prepared by the Investment Company based on the audit of the annual financial statements by an auditor, but no later than three months after the end of the accounting period.
- 14.4.4 If the Fund should procure 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 in the assets of the Fund.
- 14.4.5 If the Fund should procure Securities issued by any other 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 For the calculation of the current value of the Unit the Investment Company shall take into account the liability of the Fund to the Investment Company consisting of the Investment Company fee as a liability reserve the amount of which shall be calculated as a product of the net asset value determined as of the respective date, the currently valid amount of the fee, coefficient 30/360, and the portion of the number of days lapsed in the month/30. If the Fund generates a profit before tax, the Investment Company shall take into account the liability of the Fund to the Investment Company as the product of profit before tax and rate of the Performance fee.
- 14.4.7 The Investment Company, in determining the current value of the Units, shall take into account, as an active accrual, the liability of the Fund to the Investment Company due to an incentive received in connection with investing in collective investing funds; its amount shall be determined as the product of the value of the assets of the collective investment fund belonging as of the relevant date to the Fund, the current rate of such incentive, the 30/360 coefficient, and the ratio of the expired days in the month/30.

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

All and any fees payable by and expenses incurred by the Fund serve the management of the Fund assets and they result in reduction of the appreciation of the invested funds.

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

The individual acts 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 Shares, 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 Shares 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 Share issued by the merging mutual fund, which was dissolved by the amalgamation, with shares 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 share 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 Shares 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 shares 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 shares issued by the mutual fund, which was dissolved by the merger, for shares 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 share 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 in 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 Shares, 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 Shares 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 Shares 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 Share 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.

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

- 15.3.23 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.
- 15.3.24 Such transformation of the Fund into a foreign investment fund without legal personality shall require a licence from the CNB.
- 15.3.25 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 Shares, 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 Shares without deductions, within two months of the date of the publication of the notification.
- 15.3.26 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.
- 15.3.27 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 Shares. 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.

#### **15.4 Information about transformation of types (classes) of units issued**

If any Units are supposed to be transformed, the Investment Company shall publish such intention, together with information about suspension of issuance and redemption of Units in a manner allowing for remote access, at the web site [www.rfis.cz](http://www.rfis.cz), at least 30 days prior to the intended date of the registration of such change of the type of the Units in the List of Unit-holders, and it shall allow the Unit-holders to at any time redeem their Units free of any deductions, with the exception of period during which suspension of issuance and redemption of the units is postponed. Afterwards, the Investment Company, pursuant to Section 122 of the Management Companies and Investment Funds Act, will notify the Unit-holders in an identical manner about the date of registration the change of the type of the Units in the List of Unit-holders.

#### **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:	<a href="mailto:info@rb.cz">info@rb.cz</a>
Internet:	<a href="http://www.rfis.cz">www.rfis.cz</a>



- 15.5.1 Prior to investing, investors shall be provided with a hard copy of a duly updated Key Investor Information. Unit-holders or Share 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:
- a) quantitative limitations applied in the management of risks associated with investments of the Fund;
  - b) techniques applied in the management of the Fund;
  - c) development of the main risks associated with investments of the Fund; and
  - d) 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 Shares 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 Shares**

- 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 Shares. Taxation of income related to holding or transfer of the Shares applicable to non-resident Unit-holders is also regulated by the relevant Double Taxation Treaties.

### **Transfers of Shares**

- 15.6.4 Taxation of the proceeds from the sale of the Shares by natural persons is determined by the duration of the holding of the Shares. Pursuant to the applicable legislation in force at the time of the approval of the Prospectus, profit from the sale of the Shares held by the investor for a period in excess of three years from their acquisition are exempted from income tax. Legal entities and natural persons that have included the Shares in their business assets, shall have the proceeds from the sale of the Shares 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 Shares 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 Shares.

## 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).
- 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 Shares;
  - for every calendar month, information about the number of issued and redeemed Shares and information about the amount for which the Shares are issued and redeemed;
  - 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:	<a href="mailto:podatelna@cnb.cz">podatelna@cnb.cz</a>
URL address:	<a href="http://www.cnb.cz">www.cnb.cz</a>

## 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 Shares 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 Shares of the Fund.

- The Shares 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 Shares of the Fund.

The Shares 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 the Prospectus, and it contains complete and true information.**

Effective date: 1.10.2016

Prague, dated 23.9.2016

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.