



PROSPECTUS

Conseq korporátních dluhopisů, otevřený podílový fond

Table of Contents

Definitions	3
1. General Fund Information.....	5
2. Manager	5
3. Administrator.....	7
4. Information on the Delegation of Individual Activities to Another Person.....	7
5. Depository	8
6. Investment Strategy.....	9
7. Risk Profile	16
8. Information about Past Performance	19
9. Asset Management Principles, Profit-sharing and Payment of Yields	19
10. Fund-issued Shares	22
11. Fees and Costs	25
12. Other Information	28

Definitions

The following terms shall have the following meanings in the present Prospectus:

“Capital Market Act” means Act No 256/2004 on business on the capital market.

“Class” means a group of Fund-issued shares to which the same rights are attached. Among individual Classes, certain rights attaching to a share may differ in the manner laid down by the Prospectus. The Fund issues Class A (accumulation) shares, in respect of which there is no right to shares in profit or in the yields from the management of Fund assets, and Class D (dividend) shares, to which the said right is attached. Unless otherwise provided by the present Prospectus, the rules laid down herein shall apply equally to Class A shares and Class D shares.

“CNB” means the Czech National Bank.

“collective investment fund” means a collective investment fund within the meaning of the Investment Companies and Investment Funds Act or a similar entity or facility under foreign law. For the purposes of defining the Fund’s investment strategy, including investment limits, “collective investment fund” also means an investment compartment of a collective investment fund, in the form of a public limited liability company with variable capital, or a comparable facility under foreign law.

“Corporate Bond” means a fungible security to which the right to repayment of the amount due and the obligation of the issuer to satisfy that right are attached, the issuer of which is a person other than an international organisation, state, central bank, regional or local government unit or other person exercising powers predominantly in the field of public administration.

“Depository” means UniCredit Bank Czech Republic and Slovakia, a.s., having its registered office at Praha 4 – Michle, Želetavská 1525/1, 140 92, registration number 64948242, incorporated by entry in the Commercial Register kept by the Municipal Court in Prague, Section B, File 3608.

“Emerging Economy” means a country that is ranked among the Emerging Markets according to the European Fund Classification issued by the European Fund and Asset Management Association (EFAMA).

“Fund” means Conseq korporátních dluhopisů, otevřený podílový fond.

“Fund Capital Value” means the value of assets constituting a part of the Fund’s assets and liabilities (hereinafter also referred to as **“Fund assets”**) less the value of debts constituting part of the Fund’s assets and liabilities (hereinafter also referred to as **“Fund debts”**). The Fund Capital Value reflects the deferral or accrual of standard costs, such as the Fund asset management fee or the Fund Depository fee.

“Fund Asset Value” means – for the purposes of calculating the investment limits, overall exposure limits and other limits pursuant to the Prospectus and Government Regulation – the Fund’s assets less the debts thereof.

“Government Regulation” means Government Regulation No 243/2013 on the investments of investment funds and on techniques for the management thereof.

“Implementing Decree on Investment Instrument Records” means Implementing Decree No 58/2006 on the method for the keeping of separate records of investment instruments and records related to the separate records of investment instruments.

“Implementing Decree on Rules” means Implementing Decree No 244/2013 on the more detailed regulation of certain rules under the Investment Companies and Investment Funds Act.

“Investment Companies and Investment Funds Act” means Act No 240/2013 on investment companies and investment funds.

“Investment Company” means Conseq Funds investiční společnost, a.s., having its registered office

at Rybná 682/14, Praha 1, 110 05, registration number 24837202, incorporated by entry in the Commercial Register kept by the Municipal Court in Prague, Section B, File 17126.

“**investment fund**” means an investment fund within the meaning of the Investment Companies and Investment Funds Act or a similar entity or facility under foreign law. For the purposes of defining the Fund’s investment strategy, including investment limits, investment fund also means an investment compartment of an investment fund, in the form of a public limited company with variable capital, or a comparable facility under foreign law.

“**Prospectus**” means this Fund Prospectus.

“**Registrar**” means Conseq Investment Management, a.s., having its registered office at Praha 1, Staré Město, Rybná 682/14, 110 00, registration number 264 42 671, incorporated by entry in the Commercial Register kept by the Municipal Court in Prague, Section B, File 7153, a company keeping records of and distributing shares. Conseq Investment Management, a.s is a securities trader within the meaning of Section 5 of the Capital Market Act and is authorised, pursuant to a permit from the CNB, to provide investment services in accordance with Section 4(2)(a) and (b) of the Capital Market Act, i.e. to receive and forward orders relating to investment instruments, to execute orders relating to investment instruments on a client’s account, and to provide ancillary services in accordance with Section 4(3)(a) of the Capital Market Act, i.e. to act as the depository and administrator of investment instruments, including related services.

“**repurchase agreement**” means the transfer of securities for cash and the simultaneous obligation to accept such securities at a specified date for an amount equal to the original cash and interest; repurchase also means a sell-buy back transaction or the provision of a loan of securities secured by cash.

“**Repurchase Transaction**” means a repurchase agreement or a reverse repurchase agreement.

“**Reputable Rating Agency**” means Standard & Poor’s, Moody’s and Fitch.

“**reverse repurchase agreement**” means the acquisition of securities for cash and the simultaneous obligation to transfer such securities at a precise date for an amount equal to the transferred cash and interest; reverse repurchase agreement also means a buy-sell back transaction or the acceptance of a loan of securities secured by cash.

“**security**” in the present Prospectus also means a book-entry security.

“**SFDR**”, Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector, as amended and as may be further amended.

“**SFTR**” means Regulation (EU) 2015/2365 of the European Parliament and of the Council of 25 November 2015 on transparency of securities financing transactions and of reuse and amending Regulation (EU) No 648/2012.

“**special fund**” means a collective investment fund that does not meet the requirements of European Union law laid down by Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities. Individual types of Special Funds differ by the type of asset in which they invest (for example, real estate special funds, special funds of funds, hedge funds, etc.).

“**Sustainable Investment**”, as defined in Article 2(17) of the SFDR, means an investment in an economic activity that contributes to an environmental objective, as measured, for example, by key resource efficiency indicators on the use of energy, renewable energy, raw materials, water and land, on the production of waste, and greenhouse gas emissions, or on its impact on biodiversity and the circular economy, or an investment in an economic activity that contributes to a social objective, in particular an investment that contributes to tackling inequality or that fosters social cohesion, social integration and labour relations, or an investment in human capital or economically or socially

disadvantaged communities, provided that such investments do not significantly harm any of those objectives and that the investee companies follow good governance practices, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance.

“standard fund” means a collective investment fund that meets the requirements of European Union law laid down by Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities.

“total expense ratio of the Fund” means an indicator, expressed as a percentage, of the ratio of the Fund's total expenses to the average monthly Fund Capital Value; “total expenses” means the sum of the cost of fees and commissions, administrative expenses and other operating expenses in the statement of costs and profit or loss of the collective investment fund pursuant to special legislation, after the deduction of fees and commissions on transactions with investment instruments. Total expense may also be indicated by the term “management fees”.

1. General Fund Information

- 1.1 The Fund's name is: Conseq korporátních dluhopisů, otevřený podílový fond. The Fund may also use the abbreviated name Conseq korporátních dluhopisů or Conseq Corporate Bonds in English.
- 1.2 Permission to establish the Fund was granted under CNB Decision No 2012/11774/570 of 6 December 2012, which became final on 21 December 2012. The Fund is incorporated in the register of mutual funds kept by the CNB in accordance with the Investment Companies and Investment Funds Act. On the date on which the CNB started keeping a register of mutual funds, permits to establish the Fund granted under existing legislation (the Collective Investment Act) lapsed and the Fund has thenceforth been organised on the basis of its entry in the register.
- 1.3 The Fund has been established for an indefinite period.
- 1.4 The Fund is a standard fund.
- 1.5 The Fund is neither a master nor a feeder fund.
- 1.6 The Fund's auditor is KPMG Česká republika Audit, s.r.o., having its registered office at Pobřežní 648/1a, 186 00 Praha 8, registration number 496 19 187, incorporated by entry in the Commercial Register kept by the Municipal Court in Prague, Section C, File 24185, and holding a certificate of the Chamber of Auditors of the Czech Republic under number 071 .
- 1.7 The Fund was established in 2012 and the Fund's first shares were issued in 2013. Up to the date of approval of the present Prospectus, no changes were made in matters relating to the status of the Fund, other than procedure to bring the Fund's circumstances into compliance with the Investment Companies and Investment Funds Act and implementing legislation, and a change in the name of the Fund (the deletion of information on the Investment Company from the Fund's name on 22 July 2014). The most recent change to the Prospectus was approved under CNB Decision No 2017/158165/CNB/570 of 27 November 2017, which entered into force on 29 November 2017 and took effect on 13 November 2017.
- 1.8 The Fund has not set up an assembly of shareholders.

2. Manager

- 2.1 The Fund manager is Conseq Funds investiční společnost, a.s., having its registered office at Rybná 682/14, Praha 1, 110 05, registration number 248 37 202.
- 2.2 The Investment Company's share capital is CZK 4,000,000, which has been paid up in full.

- 2.3 The Investment Company was incorporated on 11 May 2011.
- 2.4 The Investment Company was granted an operating permit under a CNB decision of 24 March 2011 issued under number 2011/2976/570, which became final on 24 March 2011. That decision also approved the senior officers of the Investment Company. As at the date of issue of this version of the Prospectus, there have been no subsequent amendments to the CNB's decision.
- 2.5 The Investment Company is entered in the register of investment companies kept by the CNB.
- 2.6 The Investment Company's senior officers are:
- (a) Jan Vedral, Chairman of the Board of Directors;
 - (b) Hana Blovská, Vice-Chairwoman of the Board of Directors;
 - (c) Lukáš Vácha, Member of the Board of Directors.

- 2.7 Outside the Investment Company, the senior officers engage in the following activities that have meaning in relation to the activities of the Investment Company or the Fund:

Jan Vedral is the chairman of the board of directors and the chief investment manager of Conseq Investment Management, a.s., which is the Investment Company's 100% shareholder and the Registrar within the meaning of the present Prospectus.

Hana Blovská is the vice-chairwoman of the board of directors and the director responsible for marketing and sales at Conseq Investment Management, a.s.

Lukáš Vácha is a member of the board of directors and the commercial director for institutional and private clients at Conseq Investment Management, a.s.

- 2.8 The objects of business of the Investment Company, in accordance with its operating permit and transitional provisions of the Investment Companies and Investment Funds Act, are as follows:
- (a) the management of investment funds or foreign investment funds;
 - (b) the administration of investment funds or foreign investment funds.

Further to the operating permit granted by the Czech National Bank, the Investment Company is authorised (the scope of its operating permit is as follows):

- (a) to manage standard funds and comparable foreign investment funds;
- (b) to engage in administration to the extent of activities pursuant to Section 38, paragraph 1, of the Investment Companies and Investment Funds Act in relation to standard funds and comparable foreign investment funds;
- (c) to exceed the governing limit;
- (d) to manage special funds and comparable foreign investment funds; and
- (e) to engage in administration to the extent of activities pursuant to Section 38, paragraph 1, of the Investment Companies and Investment Funds Act in relation to special funds and comparable foreign investment funds.

- 2.9 The Investment Company is part of a group. The holding company is Conseq Investment Management, a.s., having its registered office at Praha 1, Rybná 682/14, Staré Město, 110 00, registration number 264 42 671 (the parent company), the majority member and controlling entity of which is Jan Vedral (see Article 2.7). The group, together with Conseq Investment Management, a.s., comprises its subsidiaries, such being, in addition to the Investment Company, QI investiční společnost, a.s., Conseq penzijní společnost, a.s. and Conseq Finance, a.s.

- 2.10 The Investment Company manages or administrates the following investment funds:
- (a) Conseq realitní, otevřený podílový fond;
 - (b) Conseq nemovitostních fondů, otevřený podílový fond;
 - (c) Conseq korporátních dluhopisů, otevřený podílový fond;
 - (d) Active Invest Dynamický, otevřený podílový fond;

- (e) Active Invest Vyvážený, otevřený podílový fond;
- (f) Active Invest Konzervativní, otevřený podílový fond;
- (g) Conseq Opportunity, otevřený podílový fond kvalifikovaných investorů;
- (h) JET I fond fondů, otevřený podílový fond;
- (i) JET II fond fondů, otevřený podílový fond;
- (j) ENERN TECH III fond fondů, otevřený podílový fond;
- (k) Conseq Private Invest konzervativní portfolio, otevřený podílový fond;
- (l) Conseq Private Invest vyvážené portfolio, otevřený podílový fond;
- (m) Conseq Private Invest dynamické portfolio, otevřený podílový fond;
- (n) Conseq depozitní Plus, otevřený podílový fond;
- (o) Broker Consulting SICAV, a.s.,
- (p) CREDITAS fond SICAV, a.s.,
- (q) Orbit Capital SICAV, a.s.,
- (r) ZDR Investments Public SICAV a.s.,
- (s) Accolade Industrial fond fondů, otevřený podílový fond,
- (t) Conseq FKVI SICAV, a.s.,
- (u) Conseq Funds SICAV, a.s.,
- (v) MINT rezidenční fond SICAV, a.s.,
- (w) Schönfeld & Co Nemovitosti SICAV, a.s.,
- (x) Best Solution Funds SICAV, a.s.,
- (y) Conseq Indexový ETF Aggressive ESG, otevřený podílový fond,
- (z) Conseq fond vysoko-úročených dluhopisů, otevřený podílový fond.

The list of funds managed or administered by investment company is available on the CNB website: https://apl.cnb.cz/apljerrsdad/JERRS.WEB07.INTRO_PAGE?p_lang=cz

3. Administrator

- 3.1 The Investment Company carries out the administration of the Fund. Information about the Investment Company is provided in Article 2 of the Prospectus.
- 3.2 In its administration, the Investment Company carries out all activities for the Fund which are part of the administration of an investment fund pursuant to Section 38, paragraph 1, of the Investment Companies and Investment Funds Act, including but not limited to:
- (a) keeping accounts and ensuring compliance with tax liabilities;
 - (b) providing legal services and compliance activities;
 - (c) appraising the value of the Fund's assets and debts and calculating the present share value;
 - (d) arranging for the issuance and redemption of the Fund's shares;
 - (e) preparing Fund documents, including but not limited to annual reports, semi-annual reports, the Prospectus and the key information document and any amendments thereto;
 - (f) publishing, notifying and providing Fund information and documents to shareholders and other authorised persons, including the Czech National Bank.

These activities are carried out by the Investment Company fully on its own, or the performance thereof has been delegated to another person as detailed in Article 4 of the Prospectus.

- 3.3 The Investment Company engages in the administration of all investment funds referred to in Article 2.10, and is not responsible for the administration of any other investment funds.

4. Information on the Delegation of Individual Activities to Another Person

- 4.1 The Investment Company has delegated Conseq Investment Management, a.s., having its

registered office at Praha 1, Rybná 682/14, 110 00, registration number 26442671 to perform individual activities encompassing management of the Fund, such being by managing Fund risks, including the monitoring of compliance with investment limits.

- 4.2 The Registrar delegated by the Investment Company to perform individual activities, including management of the Fund, is Conseq Investment Management, a.s., having its registered office at Praha 1, Staré Město, Rybná 682/14, 110 00, registration number 264 42 671.
- 4.3 The Investment Company has delegated the Registrar to perform the following activities significant to the Fund, including administration of the Fund:
- (a) appraising the value of the Fund's assets and debts and calculating the present Fund share value;
 - (b) issuing and redeeming Fund shares and keeping records thereof; the offering of investments in the Fund;
 - (c) keeping records of shares and a list of the Fund's shareholders; this shall be without prejudice to the possibility of the keeping of related records by another authorised person within the meaning of Article 10.6;
 - (d) distributing and disbursing monetary consideration in connection with the closure of the Fund;
 - (e) publishing, disclosing, notifying and providing certain information and documents to shareholders, the CNB and other persons;
 - (f) operating a customer service;
 - (g) handling claims and complaints from the Fund's shareholders;
 - (h) compliance and internal audit activities;
 - (i) Fund accounting.
- 4.4 The Investment Company may check and, by issuing orders, influence the performance of activities pursuant to Article 4.1 and 4.3. The Investment Company is entitled to terminate with immediate effect contracts on the basis of which another person has been delegated to engage in the said activities. Delegation shall not prejudice the Investment Company's liability to compensate for damage incurred by a breach of obligations incumbent on it, as the manager and administrator of the Fund, under the Prospectus, the Investment Companies and Investment Funds Act and other legislation.
- 4.5 Another activity related to the management of the Fund's assets which shall be provided by third parties is legal and transaction consulting. External legal and other consultants are selected in accordance with the requirements of professional diligence for a particular case.

5. Depositary

- 5.1 The Fund's Depositary is UniCredit Bank Czech Republic and Slovakia, a.s., having its registered office at Praha 4 – Michle, Želetavská 1525/1, 140 92, registration number 649 48 242, incorporated by entry in the Commercial Register kept by the Municipal Court in Prague, Section B, File 3608.
- 5.2 The Depositary is registered in the investment fund depositary register kept by the CNB.
- 5.3 The Depositary is included in the group within the meaning of the Accounting Act; the entire group is consolidated in accordance with International Accounting Standards as adopted by the European Union (EU IFRS) by the Depositary's sole shareholder and the entire group's parent company, UniCredit S.p.A, established in Milan, Italy.
- 5.4 The Depositary's activities are derived from the Investment Companies and Investment Funds Act and the Implementing Decree on the Depositary, and are specified further in the depositary contract concluded between the Investment Company and the Depositary. In particular, the Depositary:
- (a) has physical custody of Fund assets where the nature thereof so permits;
 - (b) opens and maintains monetary accounts and keeps records of any and all movements of financial resources belonging to the Fund's assets;
 - (c) keeps records, where the nature so permits, or runs checks on the condition of Fund

- assets other than the assets referred to in (a) and (b) above;
- (d) checks whether, in accordance with the relevant legislation, the Prospectus and the depositary contract:
- (i) the Fund's shares have been issued and redeemed;
 - (ii) the present value of Fund shares has been calculated;
 - (iii) the Fund's assets and debts have been appraised;
 - (iv) consideration from transactions with Fund assets has been paid in the normal time limits;
 - (v) yields deriving for the Fund are used; and
 - (vi) orders to acquire or transfer the Fund's assets are executed.
- 5.5 The Depositary does not appraise the Fund's assets and debts, nor does it calculate the present value of Fund shares. These activities have been delegated to the Registrar (Article 4.3).
- 5.6 The Depositary is responsible for the safekeeping of investment instruments in the Fund's assets and for the custody and record-keeping of the Fund's assets, even if the Depositary has delegated such activity to another person.
- 5.7 The Depositary has delegated the custody and other safekeeping of foreign investment instruments, depending on the type of investment instrument, the country of the issuer and the market on which the investment instrument was purchased, to the following companies: CLEARSTREAM BANKING, 42 Avenue JF Kennedy, L-1855 Luxembourg, VAT No LU 10294056, The Bank of New York Mellon SA/NV, 46 Rue Montoyerstraat, B-1000 Brussels, Belgium, company number 0806.743.159, and banks from the UniCredit banking group (including but not limited to UniCredit Bank Austria AG, 1010 Wien, Schottengasse 6-8, Austria, UniCredit Bank Hungary Zrt., Szabadság tér 5-6, H-1054 Budapest, Hungary, and Bank Polska Kasa Opieky S.A., ul. Grzybowska 53/57, 00-950, Warsaw, Poland). The Depositary has opened securities accounts at those entities and, in these securities accounts, the securities of clients (and hence the Fund) are kept separately from the securities of the Depositary. To this end, the Depositary keeps the necessary documentation and correspondence in its records.

6. Investment Strategy

- 6.1 The Fund's objective is to enhance the value of the resources entrusted to it, measured in Czech crowns, to an extent that outperforms the benchmark, which is consistent with the Merrill Lynch/Bank of America EMU Corporate Index (Bloomberg ticker ER00 Index) adjusted for costs or revenues from hedging in Czech crowns (hereinafter referred to as the "**Benchmark**"). For the purposes of the Prospectus, the Benchmark's performance shall be calculated according to the formula below:

$$\frac{((1 + \text{Change in ER00 Index}) * (1 + \text{Avg}(1 \text{ MPRIBOR} - 0.0017) * \text{Days}/360) / (1 + \text{Avg}(1 \text{ MEURIBOR}) * \text{Days}/360) - 1)}$$

where

"Change in ER00 Index" means the performance of the ER00 Index measured from the commencement of the Investment Period (as defined below in Article 11.4 of the Prospectus).

"Avg(1MPRIBOR - 0.0017)" means the geometric mean of the money-market one-month PRIBOR rate less 0.0017 since the commencement of the Investment Period.

"Days" means the number of days since the commencement of the Investment Period.

"Avg(1MEURIBOR)" means the geometric mean of the money-market one-month EURIBOR since the commencement of the Investment Period.

In order to achieve its objective, the Fund invests primarily in a diversified set of Corporate Bonds.

- 6.2 Investment in the Fund is suitable for shareholders who wish to use the Fund to invest in

Corporate Bonds as a means of expanding their portfolio. The Fund's shares are suitable for investors who have certain experience of investing in securities and who are prepared to take a risk arising from the concentration of investments in the same kind of investment instruments on which the Fund's investment policy is focused (bonds). The Fund is suitable for investors who are prepared to keep their investment in the Fund for at least three to five years.

- 6.3 **No returns on any part of an investment in the Fund or earnings from any such investment are assured or guaranteed. The Fund is not an assured or a guaranteed fund. No third-party guarantees are provided for the purposes of investor protection.**
- 6.4 The Fund does not mirror and has no intention of mirroring any index. The Fund tracks the Benchmark referred to in Article 6.1.
- 6.5 The Fund's investment strategy is not systematically focused on a particular economic sector, a particular geographical area, or on a particular part of the financial market. The Fund's investment strategy concentrates on Corporate Bonds as the prevailing type of asset. After a certain period of time, the Fund's investments may become focused in the manner set out in the first sentence of this Article if this is deemed to be appropriate for the Fund pursuant to an evaluation by the Investment Company.
- 6.6 The Fund is a standard fund. The Fund's investment method is consistent with the definition of bond funds within the meaning of the European Fund Classification issued by the European Fund and Asset Management Association (EFAMA) and within the meaning of the Fund Classification Methodology issued by the Czech Capital Market Association (AKAT CR). The Fund specialises in investments in investment-grade Corporate Bonds without restricting investments in instruments issued by issuers established in Emerging Economies and is a fund with a dominant currency (CZK) with no restriction on duration.
- 6.7 The Fund invests in the following types of financial assets:**
- (a) Liquid bonds or similar securities representing a right to payment of an amount owed (hereinafter referred to as "**bonds**") and money market instruments admitted to trading:
 - 1. on a European regulated market or in the multilateral trading system of an operator established in a Member State of the European Union; or in another State party to the Agreement on the European Economic Area (hereinafter referred to as a "**Member State**"); or
 - 2. on a market analogous to a regulated market established in a non-Member State, or which are traded on a market analogous to a regulated market established in a non-Member State, if such markets are entered in the list of foreign markets analogous to a regulated market established in a non-Member State kept by the Czech National Bank;
 - (b) bonds from a new issue, if the terms of issue include the issuer's undertaking that an application will be submitted for admission to trading on any of the markets referred to in (a), and if the application for admission to trading on any of the markets referred to in (a) is submitted so that these bonds are admitted to trading within one year from the date on which the issuance thereof is completed;
 - (c) money market instruments other than those referred to in (a), provided that legislation on the issue or issuer guarantees the protection of investors or savings and that they meet at least one of the following four conditions:
 - 1. they are issued by a local government unit of a Member State, the central bank of a Member State, the European Central Bank, the European Union, the European Investment Bank, a state or a member of a federation, or an international financial organisation which has one or more Member States as members, or on behalf of whom such entities have assumed a guarantee;
 - 2. they are issued by an issuer, the securities issued by which are admitted to trading on a European regulated market or on a market referred to in (a), point 2;
 - 3. they are issued or guaranteed by a person who is subject to the oversight of the CNB or an oversight body of another Member State, and the other conditions laid down in Section 6(1)(c), point 4, of the Government Regulation are met; or
 - 4. they are issued by an issuer who is an admissible counterparty pursuant to Section 6(3) of the Government Regulation (hereinafter referred to as an "**admissible**

counterparty") and, simultaneously, is a person referred to in Section 6(1)(d) of that Regulation, provided that the person investing in that money market instrument enjoys protection analogous to that of a person investing in a money market instrument referred to in points 1, 2 or 3;

and that they comply with the following two conditions:

5. the Investment Company has sufficient information available about that money market instrument, including information facilitating a proper assessment of the credit risks associated with investments in such an instrument; and
 6. the money market instrument is not subject to limited transferability.
- (d) bonds which do not meet the conditions laid down in (a) or (b) and money market instruments which do not meet the conditions laid down in (a) or (c) but which, according to an expert assessment by the Investment Company, correspond to a level of risk under which the Fund is classified and to the Fund's investment objective, and, with respect to money market instruments, if the issuer is a person referred to in (c), point 1, 2 or 3;
 - (e) securities issued by a standard fund, if, according to the prospectus or comparable document of that fund, a maximum of 10% of the value of its assets may be invested in securities issued by a collective investment fund;
 - (f) securities issued by a special fund, if, according to the prospectus or comparable document of that fund, assets cannot be acquired for its assets and liabilities unless, according to the Government Regulation, they can be acquired for the assets and liabilities of a standard fund, where this can be classified under the European Fund Classification as a corporate bond fund and complies with the conditions referred to in Section 10(2) of the Government Regulation; and
 - (g) claims to the payment of cash from an account in Czech or foreign currency against any of the persons referred to in Section 72(2) of the Investment Companies and Investment Funds Act (hereinafter referred to as "**deposits**") with a maximum of one year to maturity.

6.8 The Fund may invest in derivative financial instruments admitted to trading on the markets referred to in Article 6.7(a) if their underlying value constitutes an asset which, according to the Prospectus, can be acquired for the Fund's assets, an exchange rate, or a currency. The Fund may invest in derivative financial instruments that are not admitted to trading on the markets referred to in Article 6.7(a) if they meet the following conditions:

- (a) the underlying asset of such derivatives comprises instruments which may, according to this Article, constitute the underlying value of derivative financial instruments admitted to trading on markets referred to in Article 6.7(a);
- (b) those derivatives are negotiated with an admissible counterparty who is subject to the oversight of the CNB, an oversight body of another Member State, or an oversight body of another state;
- (c) those derivatives are valued every business day in a reliable and verifiable manner and the Fund has the opportunity, on its own initiative, to assign, serve notice on, or otherwise terminate them at any time for the amount which may be achieved between contractual partners and under conditions which are not significantly imbalanced for either of the parties, or may enter into a new derivative for that amount which offsets the underlying assets of that derivative by means of the procedure laid down in Section 37 of the Government Regulation.

The Fund invests in derivative financial instruments that are traded, for example, on the France Futures and Options Exchange (MATIF), Deutsche Terminbörse (DTB), New York Mercantile Exchange, or Tokyo International Financial Futures Exchange (Tiffe).

6.9 In particular, swaps (including credit default swaps), futures, forwards and options may be acquired as Fund assets. Investment is permitted only in those derivative financial instruments consistent with the Fund's investment policy and risk profile. The most used types of derivative financial instruments in the management of the Fund are:

a. Swaps.

"Swaps" generally means an agreement between two parties to mutually buy and sell underlying instruments at a predetermined price that is settled at certain moments in the

future.

A currency swap is a combined transaction consisting, on the one part, of currency conversion with spot settlement and, on the other part, of “forward” currency conversion with future settlement. It shall be used by the Fund to hedge the Fund’s assets against adverse movements in foreign currencies. The Fund shall apply this technique (instrument), for example, when it intends to buy an asset in foreign currency but does not wish to assume a currency risk. In this case, together with the purchase (conversion) of the required amount of foreign currency, it shall also engage in the sale (conversion) of the same amount of such currency back into the Fund’s currency with settlement in the future, i.e. a currency swap.

An interest rate swap usually involves the exchange of variable interest claims for fixed interest claims or vice versa. They may also function as an exchange of fixed interest claims for other fixed interest claims or as an exchange of variable interest claims for other variable interest claims, if interest payments are offset by interest claims of the same kind in the Fund’s assets. Depending on estimated developments in interest, the Investment Company may therefore – without selling the Fund’s assets – avoid the risk of interest rate fluctuations, thereby preventing interest losses. Therefore, in keeping with a forecast rise in interest rates, for example, a fixed rate portion of the portfolio may be converted into variable interest claims or, vice versa, in anticipation of falling interest rates the variable interest portion may be converted to fixed interest claims. Interest rate swaps shall be used by the Fund to hedge assets against any predicted adverse movements in interest rates.

A credit default swap (CDS) is an agreement between two parties, according to which the purchaser of the CDS pays the seller a regularly determined amount (premium). The premium is calculated as the CDS spread, expressed in basis points p.a., multiplied by the nominal value of the contract. In contrast, the seller undertakes to pay the nominal value of the contract if, during the validity of the CDS contract, a credit event occurs with respect to a reference issuer. A credit event normally means, in particular, bankruptcy, insolvency, restructuring or the denial of liabilities, a moratorium on due liabilities, etc. The Fund may use this instrument to hedge against possible adverse developments in corporate bond prices due to the expansion of market-driven credit spreads (for example, in response to adverse developments in the issuer’s financial management or to generally negative developments on the financial markets), and also to hedge against the risk of a credit event on the part of the issuer, which may lead to non-compliance with liabilities under maturing bonds issued by the issuer.

b. Forwards.

“Forward” generally means a non-standardised agreement between two parties to buy or sell an underlying instrument at a predetermined price, with settlement at a future date.

A foreign exchange forward comprises currency conversion with settlement in the future. The exchange rate for settlement is derived (calculated) from the spot current rate and adjusted for the difference resulting from the different interest rates of the relevant currencies of the currency pair for the period from the date of conclusion of the contract until the date of settlement thereof. This instrument is used most commonly when the Fund holds an asset denominated in a foreign currency and expects adverse movements in the foreign currency compared to the currency of the Fund. To avoid having to sell the asset in question, the said currency conversion is simply arranged with settlement in the future so that the exchange rate is fixed against adverse movements in the future. Naturally, a situation may arise where the forecast for the currency movement is incorrect and the movement of the foreign currency is actually favourable in relation to the Fund’s currency. In this case, the economic impact of the transaction is reflected within the Fund to the effect that the Fund will not share in the proceeds resulting from the favourable movement in the foreign currency compared to the currency of the Fund.

In the management of the Fund’s assets, the Investment Company may also operate with types

of derivative financial instruments not explicitly listed above provided that they are consistent with the investment objectives of the Fund.

- 6.10 The Fund may use derivative financial instruments only to mitigate the risk attaching to the Fund's investing activity, to reduce the Fund's costs or to generate additional income for the Fund. The Fund must be able, at any given moment, to comply with its obligation to transfer financial resources or to deliver an underlying asset arising from a derivative financial instrument negotiated on the Fund's account. The Fund's total exposure to derivative financial instruments, calculated by any of the methods referred to in Section 44 of the Government Regulation, must not exceed the limits imposed therein.
- 6.11 The Fund may engage in Repurchase Transactions to mitigate the risk attaching to the Fund's investing activity, to reduce the Fund's costs or to generate additional income for the Fund. A Repurchase Transaction may be negotiated only with an admissible counterparty subject to the oversight of the oversight body of the state in which it is established. Repurchase Transactions may apply only to investment securities and to money market instruments which, according to the present Prospectus, may be acquired as Fund assets. Repurchase Transactions may be negotiated only upon fulfilment of other conditions laid down in the Government Regulation.
- 6.12 The types, limits, method of use and requirements regarding the qualitative criteria of derivative financial instruments and Repurchase Transactions which may be used for the efficient management of the Fund's assets, the procedure for mitigating the degree of risk associated with the use of derivative financial instruments and the calculation of the Fund's total exposure are governed by the Government Regulation.
- 6.13 Description of securities financing transactions:
- (a) For the purposes of Article 14(1) of the SFTR, the Investment Company declares that the Fund uses securities financing transactions within the meaning of Article 3(11)(a) to (c) of the SFTR; the Fund does not draw on operations that, by nature, are margin lending transactions or total return swaps.
 - (b) The Fund may enter into a Repurchase Transaction solely with a view to the efficient stewardship of the Fund portfolio. The maximum proportion of assets under management allocatable through Repurchase Transactions may not exceed 50% of the total assets under management, in which respect, depending on market conditions, the real proportion will range from 0% to 50%. All assets received under such Repurchase Transactions are treated as collateral received. Upon receipt of credit against collateral in the form of a security, the security provided is usually of higher fair value than the credit received. Conversely, upon the provision of credit against collateral, the fair value of the collateral received is required to be higher than the value of the credit extended.
 - (c) Assets received as collateral must meet the terms and conditions laid down in Articles 6.7, 6.9 and 6.11 of the Prospectus. The subject of Repurchase Transactions mainly comprises government bonds or treasury bills of OECD members, securities issued by the central bank of an OECD member, or liquid corporate bonds and money market instruments of solvent issuers redeemable with a maturity consistent with the Fund's investment policy/investment profile. Assets received as collateral shall be kept safe at the Depositary, where the nature thereof so allows, or at a third party to whom safekeeping is delegated by the Depositary.
 - (d) Collateral received is fair-valued daily. If the fair value of collateral received is lower than the value of the credit extended, the counterparty will be required to supplement the value of the collateral, most commonly by sending the variation margin. The counterparty's requirement to supplement the variation margin if collateral is provided will be duly verified by comparing the fair value of the collateral provided and the credit received.
 - (e) The issuer of an investment instrument received as collateral must not be a company associated with the manager. The manager shall materially verify that the degree of correlation between the credit risk of an investment instrument and the transaction counterparty is low. The collateral received is subject to basic diversification principles, which the manager applies with due professional care. Where the collateral received is of a non-pecuniary nature, it cannot be resold or reused as collateral.
 - (f) Repurchase Transactions may be negotiated only with an admissible counterparty referred

to in Section 6(3) of the Government Regulation subject to the oversight of the oversight body of the state in which the counterparty is established. The criteria for selecting an appropriate counterparty include the counterparty's legal status, country of establishment and rating (as a rule, the counterparty is a financial institution established in an OECD country and having an investment-grade rating).

- (g) Any and all interest income received in connection with Repurchase Transactions is Fund revenue; any and all interest expense linked to Repurchase Transactions is a Fund expense. Transaction costs associated with Repurchase Transactions constitute a Fund expense in accordance with Article 11.6 of the Prospectus. In its Repurchase Transactions, the Fund does not rely on any third parties (e.g. agent lenders).
- (h) The management of risks associated with Repurchase Transactions consists primarily of the selection and approval of appropriate counterparties; factors such as rating, registered office, regulatory environment and current financial situation are taken into account. Another risk management tool is the daily valuation of collateral received and a comparison thereof with the fair value of the credit extended. The risk of the reuse of collateral is managed in particular by the judicious selection of collateral. In particular, an emphasis is placed on the liquidity of an investment instrument, the possibility of reliably valuing that instrument on a daily basis, and the issuer's credit quality. The transaction risk, settlement risk and operational risk associated with Repurchase Transactions are managed in accordance with guiding principles for the management of such risks at the level of the Investment Company.

6.14 The Fund may acquire investment securities or securities issued by another collective investment fund even if not fully paid.

6.15 Investment instruments in which the Fund invests must comply with the qualitative criteria established by the Government Regulation.

6.16 The **investment limits** for the Fund's investments in financial assets are as follows:

- (a) Bonds and money market instruments issued by a single issuer may constitute no more than 5% of the Fund Asset Value, unless otherwise specified.
- (b) Notwithstanding the limit under (a), the Fund may invest:
 - up to 10% of the Fund Asset Value in bonds and money market instruments issued by a single issuer and up to 20% of the Fund Asset Value in bonds and money market instruments issued by issuers within a holding for which consolidated financial statements are drawn up; however, the sum of these investments must not exceed 40% of the Fund Asset Value;
 - up to 35% of the Fund Asset Value in bonds and money market instruments issued by a single issuer where those securities have been issued or guaranteed by a state, a local government unit of a Member State or an international organisation of which one or more Member States are members;
 - up to 25% of the Fund Asset Value in bonds issued by a single bank established in a Member State which is subject to the oversight of that state safeguarding the interests of bondholders, if the financial resources acquired through the issue of these bonds are invested in such types of assets that, until such time as the bonds mature, cover the liabilities of the issuer related to such bonds, and that may, in case of the insolvency of the issuer, be used preferentially to redeem the bond and to pay the yield; the sum of such investments, however, must not exceed 80% of the Fund Asset Value.

Investments under the second and third indent above are not included in the limit of 40% under the first indent above.

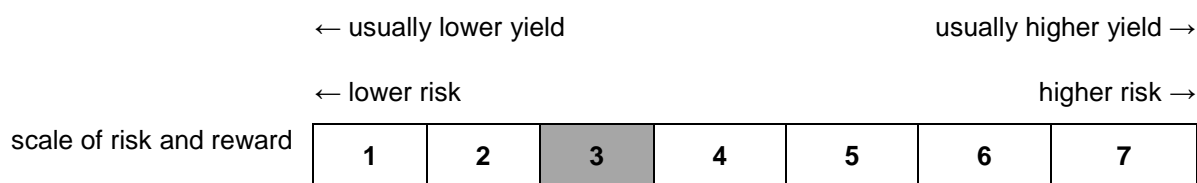
- (c) The counterparty risk deriving from derivative financial instruments not admitted to trading on the markets referred to in Article 6.7(a), corresponding to the sum of positive fair values of those derivatives and from standard fund management techniques, must not exceed the following for any one contracting party:
 - 10% of the Fund Asset Value where the contracting party is a person referred to in Section 72(2) of the Investment Companies and Investment Funds Act; or

- 5% of the Fund Asset Value if the contracting party is a person other than a person referred to in the preceding indent.
 - (d) Deposits with a single person meeting the conditions referred to in Article 6.7(g) must not constitute more than 20% of the Fund Asset Value. The sum of deposits at banks and foreign banks must not exceed 20% of the Fund Asset Value.
 - (e) The sum of investments in bonds or money market instruments issued by a single issuer, deposits with that issuer and the values of exposure to counterparty risk deriving from derivative financial instruments not admitted to trading on the markets referred to in Article 6.7(a) must not exceed 20% of the Fund Asset Value. This is without prejudice to the limits referred to in the second and third indent of (b).
 - (f) The limits referred to in (a) to (e) and (m) of this Article cannot be aggregated and the sum of values of investments in bonds or money market instruments issued by a single issuer, deposits with that issuer and the values of exposure to counterparty risk deriving from derivative financial instruments not admitted to trading on the markets referred to in Article 6.7(a) must not exceed 35% of the Fund Asset Value.
 - (g) The Fund may invest up to 10% of the Fund Asset Value in securities issued by a single standard fund or by a single special fund. Investments by the Fund in securities issued by collective investment funds must not exceed 10% of the Fund Asset Value. More than 25% of the Asset Value of a single collective investment fund cannot be acquired as Fund assets.
 - (h) The Fund must not acquire assets constituting more than 10% of the total nominal value of bonds issued by a single issuer or more than 10% of the total nominal value or the total number of money market instruments issued by a single issuer.
 - (i) The proportion of bonds, money market instruments, deposits and claims deriving from reverse repurchase agreements must be at least 80% of the Fund Asset Value.
 - (j) The proportion of Corporate Bonds must be at least 70% of the Fund Asset Value.
 - (k) The open position in currencies other than the Czech crown (CZK) must be less than 30% of the Fund Asset Value. Investing in CZK-denominated instruments also means investing in instruments in other currencies provided that the currency risk in relation to CZK is hedged.
 - (l) Bonds issued by issuers who have been assigned a rating falling within a non-investment grade (a rating of BB-/Ba1 or worse) by the majority of Reputable Rating Agencies which have evaluated the issuer may account for no more than 30% of the Fund Asset Value. If a bond issuer has not been assigned a rating by any Reputable Rating Agency, an evaluation of the issuer's creditworthiness, drawn up by the Investment Company, may be used to calculate the limit referred to in the preceding sentence.
 - (m) The proportion of securities referred to in Article 6.7(d) must not exceed 10% of the Fund Asset Value.
- 6.17 The limits referred to in Article 6.16(h) need not be observed:
- (a) on the acquisition of securities as Fund assets if, at this time, it is impossible to determine the total nominal value or the total number thereof, such being for the period strictly necessary;
 - (b) where they concern investment instruments or money market instruments issued or guaranteed by a state or a local government unit of a Member State, or issued by an international organisation which has one or more Member States as members.
- 6.18 The limit referred to in Article 6.16(d) need not be observed in relation to the Depositary on the issuance or redemption of Fund shares. Deposits exceeding the set limit due to the crediting of an amount corresponding to the selling price of issued shares must be invested without undue delay after being credited to the Fund's account. Deposits exceeding the set limit due to the collection of financial resources to ensure the financial settlement of the redemption of shares must be sent to the account of the Investment Company or the Registrar within the prescribed period.
- 6.19 The Fund need not comply with the above asset structure in the application of a preferential subscription right attaching to investment securities and money market instruments held in its assets now or in the future.

- 6.20 If the Fund fails to observe the asset structure above for reasons beyond its control, or because of the exercise of a preferential subscription right attaching to investment securities or money market instruments held by the Fund as assets, the Fund, taking into account the interests of its shareholders, shall ensure the compliance of its asset structure with the rules above without undue delay.
- 6.21 The Fund must not enter into contracts on the sale of assets which are not held as Fund assets.
- 6.22 With the exception referred to in Article 6.24 below, the Fund must not grant loans, credit or donations from its assets, and must not use its assets to secure a third party liability or to pay a debt unrelated to the management of the Fund's assets. This is without prejudice to the above provisions concerning the definition of investment instruments in which the Fund invests, and the rules for the spread and mitigation of risks associated with the Fund's investing activities.
- 6.23 The Fund may accept credit or a loan with a maturity of no longer than six months. The sum of all credit and loans must not exceed 10% of the Fund Asset Value. This is without prejudice to the limit under the final sentence of Article 6.10.
- 6.24 The Fund may draw on its assets to provide security for credit or loans received, provided that the provision of such security has a positive economic impact. The provision of security must be consistent with the Fund's overall investment strategy and must not unreasonably increase the risk to the Fund's portfolio. Decisions on the provision of security are taken by the Investment Company's board of directors.
- 6.25 Instead of the issuer's rating, for the purposes of assessing the quality of investment instruments under the present Prospectus, the rating of the person who issued the unconditional and irrevocable guarantee for the fulfilment of the issuer's liabilities under the financial instruments (hereinafter referred to as the "**Guarantor**") shall be applied if the Guarantor's rating is better than the issuer's rating.

7. Risk Profile

- 7.1 **The value of an investment in the Fund may fall as well as rise over time, depending on developments on financial markets and other factors, and a return on initially invested amounts is not guaranteed. In view of the potential for unpredictable fluctuations on financial markets, the Investment Company cannot guarantee the achievement of the set objectives. The Investment Company warns investors that the Fund's past performance is no guarantee of the same performance in the future.**
- 7.2 The Fund's risk profile in the form of a synthetic indicator is shown on the scale of risk and reward categories below, with the attached verbal explanation:



Explanation and important information:

- (a) historical data, such as are used in calculating the synthetic indicator, may not be a reliable indication of the future risk profile of the Fund;
- (b) the Fund's risk and reward category is not guaranteed to remain unchanged and the categorisation of the Fund may shift over time;

- (c) the lowest category does not mean a risk-free investment;
- (d) the Fund has been classified on the scale of the category highlighted above, based on historical volatility calculated according to methodology developed by competent authorities working within the European Securities and Markets Authority (ESMA), formerly the Committee of European Securities Regulators (CESR), for the following reasons:
 - (i) the high proportion of investment-grade Corporate Bonds;
 - (ii) the Fund's open positions in currencies other than CZK are largely hedged;
 - (iii) the Fund's supplementary assets consist primarily of deposits, liquid bonds, money market instruments and securities issued by collective investment funds.
- (e) the Fund does not offer any guarantee of a return on investments or other capital coverage;
- (f) the synthetic indicator shown in the scale above does not adequately capture the following risks of substantial importance for investments in the Fund:
 - (i) the liquidity risk, where a significant level of the Fund's investment is made in Corporate Bonds, which are by their nature sufficiently liquid, yet which may under certain circumstances have a relatively low level of liquidity, so as to have an impact on the level of liquidity risk of the Fund as a whole;
 - (ii) operational risks and risks related to the safekeeping of assets;
 - (iii) currency risk entailing changes in the Fund Capital Value, depending on the volume of the Fund's open exposures in currencies other than CZK and exchange rate changes.

These risks are explained in Article 7.3 below.

7.3 Description of significant risks arising from investment in the Fund:

The risk of the unstable present value of a security issued by the Fund as a result of the asset mix or the method for the management of the Fund's assets. In view of the fact that the Fund's assets consist mainly of bonds, shareholders must be aware that, despite best efforts at the safe management and diversification of the Fund's assets, fluctuations in the bond market may also prompt fluctuations in the value of the Fund's shares. At the same time, especially early in the Fund's existence, the Fund's individual assets account for a significant proportion of the Fund's total assets, and thus unfavourable developments in the price of an individual asset may have a significant impact on developments in the price of the Fund's shares.

The market risk arising from the impact of changes in the overall market developments on the prices and values of the different types of the Fund's assets. Developments in exchange rates, interest rates, credit spreads, and, where appropriate, other market indicators, always affect the value of assets in general. The extent of this effect depends on the exposure of the Fund's assets to such risks (e.g. a change in the market value of a bond triggered by an interest rate change, etc.).

The credit risk, whereby the issuer or counterparty fails to comply with its liabilities. The credit risk may lie in particular in the fact that entities which have payment liabilities towards the Fund (e.g. debtors in respect of investment instruments) fail to comply with their liabilities. The Investment Company minimises these risks primarily by selecting counterparties achieving a certain rating, by setting volume limits on claims against individual counterparties, and by establishing appropriate contractual arrangements. One element of credit risk is the settlement risk, i.e. the risk that the counterparty will not pay or will not supply investment instruments at the agreed time.

The settlement risk associated with the fact that a transaction is not settled as expected because the counterparty fails to pay or deliver investment instruments within the prescribed time limit. This risk is represented, in particular, by the counterparty's failure at the moment of settlement of the transaction. These risks are minimised primarily by selecting credible counterparties and by settling transactions in investment instruments in the context of reliable settlement systems.

Liquidity risk. This risk lies in the fact that a particular Fund asset is not monetised in a timely manner and for a reasonable price, and that as a result the Fund will not be able to meet obligations to redeem shares on request, or that the redemption of shares by the Fund may be suspended. For these reasons, the shareholders bear the risk of a suspension in the issuance and redemption of the Fund's shares. The risk is limited by the Fund's investing activity in

investment instruments that are liquid, and in particular are traded on the relevant markets in a sufficient volume, and by maintaining the necessary amount of the Fund's assets in the form of deposits payable within one year (Article 6.16(d)).

The currency risk, whereby the value of an investment may be affected by an exchange rate change. The currency risk is a subset of the market risks described above.

The risk associated with different types of derivative financial instruments that the Fund intends to acquire. The risks associated with financial types of derivatives are essentially market risks, either currency or interest rate risks, depending on the underlying asset of the derivative, and the credit risk of the counterparty. For derivatives, it is necessary to draw attention to the implications of leverage, which generally means that even a slight change in the price of the underlying instrument from which the derivative is derived results in a relatively large change in the price of the derivative.

The risk of the loss of assets entrusted for safekeeping or other custody, which may be caused in particular by the insolvency, negligence or wilful misconduct of the person who has safekeeping or other custody of the Fund's assets or securities issued by the Fund. The Fund's assets are placed in the safekeeping or, where excluded by the nature of the items, in other custody with a Depository, which is a reputable financial institution. Nevertheless, there may be a risk that, as a result of the insolvency, negligence or wilful misconduct of that person, such assets may be lost. This applies mutatis mutandis to the keeping of records of Fund-issued investment instruments (shares) by the Registrar or a person keeping related records in accordance with Article 10.6.

The risk associated with the Fund's investment focus on particular industrial sectors, states or regions, other parts of the market or particular types of assets. The Fund's investment focus on particular industrial sectors, states or regions induces the systemic risk that developments in that sector will affect a significant portion of the Fund's portfolio. This systemic risk is addressed by diversification, i.e. the distribution of investments across multiple industrial sectors, states and regions.

Operational risk. This risk consists of loss arising from inadequate or failed internal processes, the human factor, or from external events. This risk is mitigated by maintaining an adequate management and control system at the Investment Company.

Risk of Fund closure. The Fund may be closed, for example, on the basis of such a decision by the Investment Company, due to the merger of the Fund, the winding-up of the Investment Company with liquidation of assets, or due to such a decision by the CNB, for example, if the Fund has no Depository for more than three months, or if the average Fund Capital in the last six months fails to reach an amount equal to EUR 1,250,000. This may result in a situation where shareholders do not hold an investment in the Fund for the full duration of the intended investment horizon. Shareholders are hereby warned that no guarantee exists or is given regarding the possibility for a shareholder to remain in the Fund.

Repurchase Transaction risk. There are two core risks associated with Repurchase Transactions – the counterparty risk and the underlying asset risk, i.e. the risk posed by the investment instrument itself. The main risk with a repurchase agreement is the risk of counterparty default due, for example, to a rise in the price of a hedging investment instrument held in the counterparty account, which may be motivation for the investment instrument not to be returned. With a reverse repurchase agreement, there is an underlying asset risk resulting, for example, from the fact that a Fund receivable need not be repaid, with the investment instrument used for hedging then passing to the Fund's assets. In such an eventuality, the Fund would be exposed to risks associated with the holding of such an investment instrument, in particular market risk.

Integration of Sustainability Risks

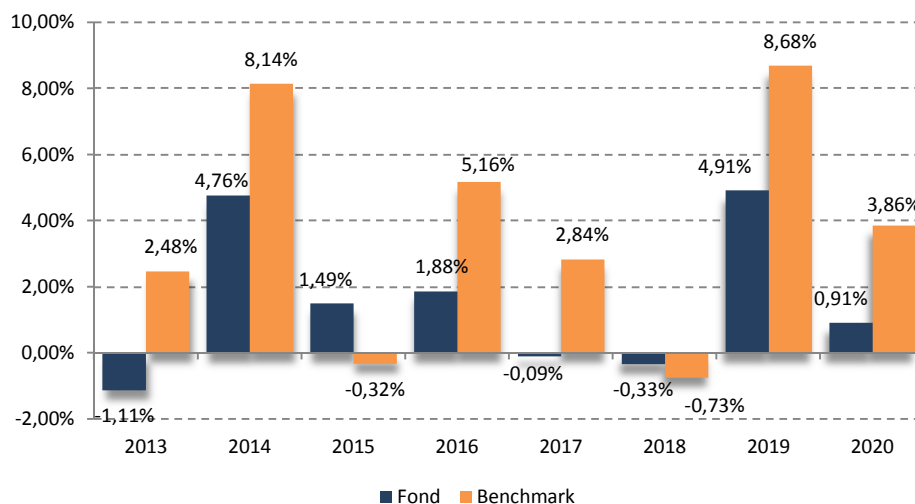
Pursuant to the SFDR, the Investment Company is required to disclose the manner in which Sustainability Risks are integrated into the investment process and the results of the assessment of the likely impacts of Sustainability Risks on the returns of each of the Funds. Sustainability Risk means an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment. The Investment Company has determined that Sustainability Risk is relevant for each of the Funds. The Investment Company invests on behalf of each of the Funds in

companies that demonstrate good corporate governance practices in terms of management structure, remuneration, high quality reporting and transparency. The Investment Company considers Sustainability Risks from the early stages of idea generation and throughout the research process and where a company's standards have material weaknesses, the company will not progress to the next stage of the investment process. The Investment Company does not apply exclusion lists in the management of the investment strategies of each Fund. There is no guarantee that these measures will mitigate or prevent Sustainability Risks materializing in respect of a Fund. The likely impact on the return of a Fund from an actual or potential material negative impact in the value of an investment due to an environmental, social or governance event or condition may be varied and depend on several factors. The potential impacts of Sustainability Risks on the returns of a Fund will depend on the Fund's exposure to such investments and the materiality of Sustainability Risks. The assessment of Sustainability Risk is inevitably subjective to a degree and there can be no guarantee that all investments made by a Fund, even those which integrate the management of Sustainability Risks into their investment selection processes will reflect beliefs or values of any particular investor on sustainable investments. In addition, the circumstances in which Sustainability Risks are not or cannot be integrated into investment decision-making or the assessment of a Sustainability Risk itself may change over time depending on the availability of relevant data or other information which may become available.

8. Information about Past Performance

- 8.1 Information about the Fund's past performance is no indicator of future performance.
- 8.2 A graph of the Fund's past performance is presented below. For the sake of comparison, the graph shows the Benchmark performance tracked by the Fund (as defined in Article 6.1 of the Prospectus). The Fund's performance does not include any charges associated with the issuance (subscription) or redemption of the Fund's shares.

Accumulation Class A performance graph (CZ0008473873), commencing 15 January 2013:



Important notice:

- information about the Fund's past performance has only limited usefulness as an indicator of future performance;
- the performance shown does not include any charges associated with the issuance or redemption of shares;
- the Fund was established in 2012 and the Fund's first shares were issued in January 2013;
- performance to date is calculated in CZK.

9. Asset Management Principles, Profit-sharing and Payment of Yields

- 9.1 The Fund's accounting period is the calendar year.
- 9.2 Assets and debts from the Fund's investing activity are fair-valued pursuant to Section 196 of the Investment Companies and Investment Funds Act and other legislation, including but not limited to the Government Regulation.
- 9.3 The Fund's assets and debts are valued daily as at each business day. If 30 June or 31 December is not a business day, the Fund's assets are also valued as at that day. The valuation of the Fund's assets is the responsibility of the Registrar.
- 9.4 The Investment Company keeps account of the balance and movement of assets, debts and other liabilities, costs and revenues, and the profit and loss on Fund assets separately from the Investment Company's own accounts and the accounts of other funds under management to the extent required to determine the value of Fund Capital for the individual Share Classes (Article 9.6), also broken down by Class. The Investment Company, in accordance with accounting methods under legislation governing accounting, ensures that accounting for the subject of accounting is carried out in ledgers separately for each individual mutual fund whose assets it manages, thus enabling it to compile financial statements for each mutual fund. The Fund's financial statements must be audited.
- 9.5 The board of directors of the Investment Company is responsible for the approval of the Fund's financial statements, decisions on the distribution of profit or other yields from Fund assets and decisions on the coverage of any loss incurred in the financial management of the Fund.
- 9.6 The Fund issues Class A (accumulation) shares, in respect of which there is no right to shares in profit or in the yields from the management of Fund assets, and Class D (dividend) shares, to which the said right is attached. Unless otherwise referred to in the Prospectus, the shareholders of both Classes of Fund shares are treated equally and the rules laid down in the Prospectus apply to them without difference.
- 9.7 The Fund Capital Value per Fund Share Class (hereinafter referred to as the "**Fund Capital Value of the Class**") is determined as the Fund Capital Value multiplied by the allocation ratio for the Class of Fund shares (hereinafter referred to as the "**Class Allocation Ratio**"). The Class Allocation Ratio on Day D is determined according to the following equation:

$$AP_{TD} = (VK_{T(D-1)} + PLV_{T(D-1)} - PLO_{T(D-1)} - DIVI_{T(D-1)}) / (VK_{(D-1)} + PLV_{(D-1)} - PLO_{(D-1)} - DM_{(D-1)})$$

where

AP_{TD} is the Class Allocation Ratio on Day D;

$VK_{T(D-1)}$ is the Fund Capital Value of the Class, including all specific Class costs, determined as at the date preceding Day D, when the Fund's assets were last valued (Article 9.3) prior to Day D (hereinafter referred to as "**Day D-1**");

$PLV_{T(D-1)}$ is the value of newly issued shares in the Class from Day D-1 until Day D;

$PLO_{T(D-1)}$ is the value of redeemed shares in the Class from Day D-1 until Day D;

$DIVI_{T(D-1)}$ is the volume of disbursed and reinvested shares in profit and yields from management assigned by the Fund to shares in the Class from Day D-1 until Day D. The moment of assignment is the date on which the Fund Capital Value is reduced due to the distribution of shares in profit and yields from management among the shareholders;

$VK_{(D-1)}$ is the Fund Capital Value on Day D-1;

$PLV_{(D-1)}$ is the value of all newly issued Fund shares from Day D-1 until Day D;

$PLO_{(D-1)}$ is the value of all redeemed Fund shares from Day D-1 until Day D;

$DIVI_{(D-1)}$ is the volume of disbursed and reinvested shares in profit and yields from management assigned by the Fund from Day D-1 until Day D.

Specific Class costs means all costs associated solely with a particular Class, in particular the fee for the management of Fund assets (Article 11.3).

For the initial determination of the Fund Capital Value of a Class on the settlement date of the initial issue, the Allocation Ratio of the Class is determined as the share of the value of the shares issued in that Class relative to the value of all Fund shares issued at the moment of the initial issue.

Shareholders of the same Class share in the Fund Capital Value of the Class at a ratio of the number of shares they hold in that Class to the total number of shares issued in that Class.

- 9.8 The Fund disburses shares in Fund profit (hereinafter referred to as “**profit-sharing**” or “**shares in profit**”) pertaining to Class D shares. Shares in profit pertaining to Class A shares are not disbursed; they are reflected in the increased value of the Class A share. Advances on profit are not paid.
- 9.9 Shareholders have the right to share in profit under the preceding paragraph provided that they hold Class D shares as at the date of the meeting of the Investment Company’s board of directors where the decision is taken to distribute the Fund’s profit from the previous calendar year. That date is the record date for claims to the payment of shares in profit from the previous calendar year (hereinafter referred to as the “**dividend record date**”). Every year, the Investment Company publishes the date of the meeting of the board of directors on the website www.conseq.cz no later than three months after the approval of the Fund’s financial statements. The share of Class D in the profit is determined according to the Class D Allocation Ratio determined on the dividend record date.
- 9.10 In the context of Article 9.9, the issuance and redemption of Class D shares is suspended prior to the dividend record date; until the dividend record date, inclusive, it is not then possible to issue or redeem shares. This ensures that Fund shares will not be sold at the higher selling price, reflecting the Fund’s profit, applicable prior to the dividend record date, in respect of which there would be no claim to the payment of a share in the profit, and that Fund shares will not be redeemed for the higher buy-back price, reflecting the fund’s profit, applicable prior to the dividend record date, in respect of which there would be a claim to the payment of a share in the profit (duplicate profit-sharing). The issuance or redemption of Fund shares, the selling or buy-back price of which reflects Fund profit, may be requested no later than on the reference date for the issuance of a share (Article 10.12) or on the reference date for the redemption of a share (Article 10.19) where this precedes the dividend record date by at least three business days.
- 9.11 The profit from the results of Fund asset management pertaining to Class D shares shall be distributed, as provided for in the preceding paragraphs, in such a way that each shareholder is paid the after-tax yield in an amount corresponding to the number of Class B shares held by the shareholder as at the dividend record date multiplied by the share of the profit per Class D shares.
- 9.12 The Investment Company disburses shares in profit directly or indirectly via the Registrar. If the Registrar, under a contract concluded between a shareholder and the Registrar, maintains a shareholder memorandum account, the Registrar credits an amount corresponding to the share in profit to that account without undue delay after disbursement of the amount of the share in profit by the Investment Company, otherwise the Register maintains an amount corresponding to the share in profit as the Registrar’s debt towards the person keeping the related records pursuant to Article 10.6. Shares in profit shall automatically be reinvested via the Registrar, i.e. Class D shares shall be issued for them to the shareholder’s account, within four business days of the dividend record date, unless the shareholder requests the payment thereof. If a written request is received from a shareholder for the payment of shares in profit, those shares shall be paid by the Investment Company via the Registrar within 10 business days of the dividend record date. A request for the payment of shares in profit may be submitted to the Investment

Company, to the Registrar or, in a situation where shareholders have an asset account maintained by a person keeping related records pursuant to Article 10.6, via that person no later than five calendar days before the dividend record date, unless the Investment Company or the Registrar lays down more detailed rules governing the setting of dates and method of payment of shares in profit, of which shareholders are informed no later than 30 calendar days before the dividend record date via www.conseq.cz.

- 9.13 If, where a share in profit is to be paid, a claim to exemption from income tax is lodged in accordance with the relevant provisions of the Income Tax Act, the shareholder, no later than five calendar days before the dividend record date, shall submit to the Investment Company, via the Registrar, any and all documents demonstrating the claim to tax exemption (e.g. an extract from the foundations register proving that the Fund shares in question are part of a foundation's assets).
- 9.14 The right to the payment of shares in profit becomes time-barred upon expiry of the limitation period, i.e. three years from the date on which the obligation to pay the share in profit should have been met, or from any such later date on which the shareholder learns or should and could have learnt of the obligation to pay a share in profit; at the latest, the right to payment of shares in profit becomes time-barred upon expiry of 10 years from the date on which the obligation to pay a share in profit should have been met.

10. Fund-issued Shares

- 10.1 The Fund issues shares which are not admitted to trading on a European regulated market or in a multilateral trading system, and the price of which is not published by any such market.
- 10.2 Fund shares are book-entry securities.
- 10.3 The Fund's shares have no nominal value.
- 10.4 The present value of the Fund's shares is indicated in Czech crowns (CZK).
- 10.5 The Fund's shares are allocated an identification designation according to the international numbering system for the identification of securities (ISIN), i.e. CZ0008473873 for Class A shares and CZ0008473881 for Class D shares.
- 10.6 The Registrar keeps records of shares in a separate register in holders' accounts or clients' accounts. If the Registrar keeps shares in clients' accounts, the holder of a clients' account keeps records relating to the records kept by the Registrar in holders' accounts on the basis of a contract with the Registrar. The holder of a clients' account may only be a person authorised to keep related records. The separate register kept by the Registrar and the related records are kept pursuant to Section 93 of the Capital Market Act and the Implementing Decree on Investment Instrument Records.
- 10.7 The Fund's shares establish the same shareholder rights; a difference in the manner in which the individual share Classes share in Fund profit and in yields from Fund asset management (Article 9.8) and the difference in the fee for Fund asset management for each of those Classes (Article 11.3) do not constitute a breach of this principle. Shareholders are entitled to have their shares redeemed by the Investment Company, which is required to redeem such shares under the conditions laid down in the Investment Companies and Investment Funds Act and the present Prospectus. The Investment Company redeems shares only on the Fund's account. Shareholders are not entitled to request the distribution of the Fund's assets or the closure of the Fund.
- 10.8 The present value of shares in each Class is determined as a proportion of the Fund Capital Value of the Class and the number of shares issued in that Class, rounded to four decimal places.
- 10.9 The present share value is determined daily as at each business day. If 30 June or 31 December is not a business day, the present share value is also determined as at that date. The present value is determined on the following business day.

- 10.10 The present value of shares in each Class is published on the Investment Company's website (Article 12.3). The present share value is published no later than on the third business day following the date as at which the value is determined. The present value is valid for an application for the issuance or redemption of shares in the relevant Class submitted no later than on the date as at which the present value is determined.
- 10.11 The Investment Company issues the Fund's shares for an amount equal to the present value of shares in the relevant Class prevailing as at the reference date.
- 10.12 The reference date for the issuance of a share is any business day.
- 10.13 The minimum amount for which Fund shares may be issued is CZK 10,000 for an initial purchase of Class A shares and CZK 500,000 for an initial purchase of Class D shares, and CZK 2,000 for each subsequent purchase of Class A shares and CZK 50,000 for each subsequent purchase of Class D shares. The Investment Company or the Registrar may decide to accept an application for the issuance of shares at a lower amount.
- 10.14 Applications for the issuance of shares are submitted to the Investment Company directly, via the Registrar or, for shareholders whose asset account is maintained by a person keeping related records in accordance with Article 10.6 (hereinafter referred to as a "**Subregistrar**"), via the Subregistrar. The Subregistrar purchases and redeems the Fund's shares via the Registrar on behalf of shareholders whose asset accounts the Subregistrar maintains in the related records. Applicants remit an amount to the Investment Company, Registrar or Subregistrar to cover the selling price of shares or make the undertaking to pay the selling price of shares. In a contract concluded between an applicant for the issuance of shares and the Investment Company, Registrar or Subregistrar, more detailed rules may be established for the determination of deadlines for the submission of applications for the issuance of shares, for the remittance of the amount from which the selling price of shares is to be paid, and for the determination of the front-end load and the manner of payment thereof to the Investment Company, Registrar or Subregistrar. The amount of the front-end load paid to the Investment Company, Registrar or Subregistrar may be a maximum of 2.5% of the present share value per share.
- 10.15 Applications for the issuance of shares shall be served by shareholders or the Subregistrar on the Investment Company or Registrar not later than midday on the reference date. The Investment Company or Registrar may decide to accept an application for the issuance of shares delivered later on the same day. Applications for the issuance of shares submitted at any time in the period from the previous reference date to the current reference date (while respecting the periods referred to in the preceding sentences) are deemed to have been submitted on the reference date. The Investment Company confirms to the Registrar, for the purposes of informing the applicant for the issuance of shares, or the Subregistrar, the number of shares, the present value and the selling price no later than the second business day following the reference date. The applicant or the Subregistrar shall pay the selling price to the Investment Company directly or through the Registrar no later than on the third business day after the reference date. If the selling price in this period is credited to the Fund's account, on the same day the Investment Company issues the Fund's shares via the Registrar. As at the date of issuance, the Registrar credits the corresponding number of shares to the shareholder's asset account or to the Subregistrar's asset account maintained by the Registrar. The Subregistrar credits the corresponding number of shares to the shareholder's asset account maintained in the related records in accordance with Article 10.6 as at the same day on which the shares are credited to the Subregistrar's asset account in the separate records kept by the Registrar. Rights attaching to a share are established on the date of issuance thereof.
- 10.16 The selling price of issued shares is paid by the applicant seeking the acquisition thereof to the Investment Company directly, via the Registrar, or, by agreement with the Investment Company or the Registrar, directly to the Fund's account. The Investment Company, the Registrar or, directly, the applicant or the Subregistrar transfers an amount to the Fund's account corresponding to the selling price of the shares issued.
- 10.17 To maintain the stability of the Fund and its credibility, the Investment Company reserves the right to decide which applications from applicants seeking the acquisition of shares to accept.
- 10.18 Each shareholder is entitled to redeem the Investment Company's shares at a selected financial amount or number of shares. The Fund sets special deadlines for the submission of

applications for the redemption of shares; such deadlines are each business day.

- 10.19 The Investment Company redeems shares at the present value of a share of the relevant Class prevailing on the date on which the application for the redemption of shares is submitted (the reference date).
- 10.20 The minimum amount for which an individual redemption of shares may be made is CZK 2,000. The Investment Company or the Registrar may decide to accept an application for the redemption of shares at a lower amount. If the redemption of shares were to result in a decrease in the volume of shares held by a shareholder to a level below CZK 10,000 in respect of Class A shares or below CZK 500,000 in respect of Class D shares, the shareholder is required to apply for the redemption of shares in the relevant Class to the full extent of the shares held by the shareholder. The Investment Company or the Registrar may decide to accept an application for the redemption of shares which does not comply with the rule under the preceding sentence.
- 10.21 Applications for the redemption of shares may be submitted to the Investment Company directly, via the Registrar or, for shareholders whose asset account is maintained by the Subregistrar, via the Subregistrar. Applications shall be served by shareholders or the Subregistrar on the Investment Company or Registrar not later than midday on the reference date. The Investment Company or Registrar may decide to accept an application for the redemption of shares delivered later on the same day. Applications for the redemption of shares submitted at any time in the period from the previous reference date to the current reference date (while respecting the periods referred to in the preceding sentences) are deemed to have been submitted on the reference date. The Investment Company confirms to the Registrar, for the purposes of informing the shareholder or the Subregistrar, the number of shares to be redeemed, the present value thereof and the amount for the redemption thereof no later than the second business day following the reference date, and arranges, via the Registrar, for the cancellation of the redeemed shares in the records pursuant to Article 10.6 on the third business day following the reference date. As at that date, the Registrar debits the corresponding number of shares to the shareholder's asset account or to the Subregistrar's asset account. The Subregistrar debits the corresponding number of shares to the shareholder's asset account maintained in the related records in accordance with Article 10.6 of the present Prospectus on the same day on which the shares are debited to the Subregistrar's asset account in the separate records kept by the Registrar. The Investment Company, itself or through the Registrar, financially settles the redemption of shares on the third business day following the reference date; to this end, financial settlement means the dispatch of the corresponding monetary amount to the account of the shareholder or the Subregistrar. The time limits referred to in this Article apply unless the redemption of shares is suspended.
- 10.22 To redeem shares at a selected financial amount, the corresponding full number of shares, calculated as a ratio of the required amount to the share price, rounded up or down to a full number, in accordance with mathematical rules, is removed from the asset account of the shareholder or the Subregistrar; a maximum of all Fund shares held in the asset account of a shareholder or Subregistrar may be redeemed. The difference between the price of the next higher or lower whole number of shares being redeemed and the amount required is paid to the shareholder together with the amount for the shares redeemed, or, where applicable, the amount paid is lower, by that difference, than the amount sought by the shareholder.
- 10.23 Upon payment of the amount for redeemed shares, the amount paid is transferred by bank wire transfer in accordance with the contract between the shareholder and the Investment Company or Registrar or the contract between the Subregistrar and the Registrar. That contract may also lay down more detailed rules for determining the dates and manner of payment of the amount for the redeemed shares.
- 10.24 The Investment Company may suspend the issuance or redemption of Fund shares for up to three months where this is necessary to protect the rights or legally protected interests of shareholders. The Investment Company may suspend the issuance or redemption of Fund shares in particular at the end or the beginning of the calendar year, in cases of natural disasters, in justified cases where there is very strong turbulence in the capital markets, in case of problems with the liquidity of the Fund's assets, if high purchases or redemptions of shares could jeopardise assets in the Fund, or in other justified cases.
- 10.25 The Investment Company's board of directors decides on the suspension of the issuance or

redemption of shares, and in doing so is required to draw up a record of its decision. That record specifies the date and exact time of the decision on the suspension, the reasons and time of the suspension, and the period for which the issuance or redemption of shares is suspended. The Investment Company delivers the record on the suspension of the issuance or redemption of the Fund's shares to the CNB without undue delay and at the same time publishes, on its website, the date and exact time of the decision on the suspension of the issuance or redemption of shares, the reasons, the moment of suspension and the period for which the issuance or redemption of shares is suspended. If the suspension of the issuance or redemption of the Fund's shares threatens the interests of shareholders, the CNB cancels the decision. The Investment Company forthwith publishes, on its website, information that the CNB has cancelled the suspension of the issuance or redemption of the Fund's shares. The Investment Company, after the resumption of the issuance and redemption of shares, issues or redeems shares, the issuance or redemption of which has been suspended, for the present value established on the date of resumption of the issuance and redemption of shares. Shareholders are not entitled to interest on arrears for the period of suspension of the issuance or redemption of shares, unless the Investment Company, on the date of suspension of the issuance or redemption of shares, is already in arrears with payment of an amount for redemption or if the CNB cancels the decision to suspend the issuance or redemption of shares. In this case, the Investment Company pays interest on arrears from its assets.

10.26 At the time of publication of this version of the Prospectus, the Fund's shares are issued and redeemed at the Registrar's registered office. At the time of publication of this version of the Prospectus, the Fund's shares are publicly offered or issued in another Member State.

10.27 Shareholders do not pay any fees to the person responsible for the records of shares, unless the contract concluded between a shareholder and the Investment Company, the Registrar or the Subregistrar specifies a fee for keeping shares in the records of the Registrar or the Subregistrar.

11. Fees and Costs

11.1 Information on fees charged to investors and costs covered from the Fund's assets are listed in the table below:

One-off fees charged before or after an investment (this is the maximum that may be charged to an investor before an investment is made or before the proceeds of the investment are paid out:			
	Class A	Class D	
Front-end load (surcharge)	2.50%	2.50%	of the value of the shares issued (see Article 10.2 for more details)
Back-end load (deduction)	0.00%	0.00%	of the value of the shares redeemed
Charges taken from the Fund over a year:			
Total expense ratio (Management fees)	1.11% p.a.	0.75% p.a.	(Class A – of the average net value of the Fund's assets pertaining to Class A shares; Class D – estimate – see the note below)
Charges taken from the Fund under certain specific conditions:			
Performance fee	12.00%	12.00%	of the value above the Benchmark's performance (see Article 11.2 for more details)

Note:

Class D was not open as at the date of publication of this Prospectus. The total expense ratio of the Fund is equal to the ratio of total operating costs of the Fund to the average monthly value of the Fund Capital in 2020 and may change every year.

The Fund's assets are used to cover the fee payable to the Investment Company (see Articles 11.3 and 11.4), the Depositary's fee (see Article 11.5) and the costs referred to in Article 11.6

below. Fees and expenses paid from the Fund's assets ensure the management of its assets and may reduce the returns on the funds invested.

11.2 The front-end load is charged by the Investment Company, Registrar or Subregistrar pursuant to Article 10.14 to an investor for arranging the purchase (issuance) of shares. The amount of the front-end load, which is revenue of the Investment Company, the Registrar or the Subregistrar, is no more than 2.5% of the value of the shares issued. The specific amount of the front-end load is published in the price lists of the Investment Company and the Registrar, available at the Investment Company's registered office.

11.3 The Investment Company is entitled to a fee, payable from the Fund's assets, for the management and administration of the Fund. The fee for the management of the Fund's assets is set as the sum of shares of the average Fund Capital Value of the Class (Article 9.7) for the accounting period; these shares may be a maximum of 1.4% for Class A and 1.1% for Class D. The specific amount of these shares is set by the Investment Company's board of directors. Unless otherwise determined by the Investment Company's board of directors, this share is 1.0% for Class A and 0.7% for Class D. Information on the current amount of the fee for the management of the Fund's assets may be obtained by shareholders from the Registrar in accordance with Article 12.13. The average Fund Capital Value of the Class for the accounting period is calculated as the simple arithmetic average of the Fund Capital Values of the Class on each day for which a present share value is set. The fee for the management of the Fund's assets is paid monthly in arrears and the amount of each monthly payment is determined by the equation:

$$MF = (PrVK_A * PP_A + PrVK_D * PP_D) / 12$$

where

MF is the monthly amount of the fee for the management of the Fund's assets (CZK).

$PrVK_N$ is the arithmetic average of the Fund Capital Values of Class A (for $N = A$) or Class D (for $N = D$) on each day for which a present share value is set, calculated for the relevant month (CZK).

PP_N is the relevant rate of such remuneration determined by the Investment Company's board of directors for Class A or Class D (% p.a.).

11.4 The Investment Company is also entitled to a performance fee for the management of the Fund's assets in the amount of 12% of the amount by which the yield of the Fund's portfolio exceeds the benchmark performance in the relevant investment period (see Article 6.1 of the Prospectus). Investment period means the period commencing on each 1 January, or on the date of establishment of the Fund and ending on 31 December of the same year, or on the date of closure of the Fund (the "**Investment Period**"). The performance fee is paid annually; the amount of each such consideration is determined according to the following equation:

$$AMF = 0.12 * MAX (VKP_{(P)} - VKP_{(P-1)} * (BMK_{(P)} / BMK_{(P-1)}) - Z (OBJ_{(i)} * BMK_{(P)} / BMK_{(i)}); 0)$$

where

AMF is the annual amount of the performance fee for managing the Fund's assets, derived from the rise in the Fund Capital, expressed in CZK.

$VKP_{(P)}$ is the Fund Capital Value on the last day of the Investment period, before taking into account the performance fee accrued in the investment period.

$BMK_{(i)}$ is the value of the in Benchmark in the investment period for the i-th valuation day.

$BMK_{(P)}$ is the value of the Benchmark on the last day of the Investment period.

$BMK_{(P-1)}$ is the value of the Benchmark on the last day of the preceding Investment period.

$OBJ_{(i)}$ is the value of all issued shares less the value of all shares redeemed and all dividends

assigned on the i-th day of valuation. The calculation is made according to the following equation.

$$OBJ_{(i)} \text{ is } (PLV_{(i)} - PLO_{T(i)} - DIVI_{T(i)})$$

where

$PLV_{(i)}$ is the value of all issued shares of the Fund on the i-th day of valuation.

$PLO_{(i)}$ is the value of all redeemed shares of the Fund on the i-th day of valuation.

$DIVI_{(i)}$ is the volume of disbursed and reinvested shares in profit and yields from management assigned by the Fund on the i-th day of valuation.

There is a claim to a performance fee only if the Fund Capital Value per Class A share on the last day of the Investment period exceeds the Fund Capital Value per Class A share on the last day of the preceding Investment period for which the performance fee was last paid.

A future debt of the Fund in the form of a performance fee payable to the Investment Company after expiry of the investment period is determined, for the purposes of calculating the Fund Capital Value, for each day; the daily accrued value of this liability will be weighted by the probability of satisfying the condition set out in the preceding paragraph.

The amounts of the fee for managing the Fund's assets and the performance fee indicated in this Prospectus are exclusive of value added tax, where such activity is subject to this tax.

- 11.5 The Depositary is entitled to a fee, payable from the Fund's assets, for acting as the Fund's depositary. The depositary fee is set as a portion of the average Fund Capital Value for the accounting period and may be a maximum of 0.15%. The specific amount of the portion referred to in the preceding sentence is laid down in the depositary contract. The Fund depositary fee is paid monthly in arrears and the amount of each monthly payment is determined on the basis of the Fund Capital Value on each day for which a present share value (CZK) is set according to the equation:

$$DF = PrVK * PPd / 12$$

where

DF is the monthly amount of the Fund depositary fee (CZK).

PrVK is the arithmetic average of the Fund Capital Values on each day for which a present share value is set, calculated for the relevant month (CZK).

PPd is the relevant rate of the depositary fee laid down by the depositary contract (%).

- 11.6 Other expenses covered from the Fund's assets are:
- (a) the cost of debt;
 - (b) costs associated with trades in investment instruments (commissions, fees to market organisers and securities traders);
 - (c) fees for the custody and administration of investment instruments;
 - (d) fees for maintaining investment instrument asset accounts;
 - (e) costs associated with Repurchase Transactions;
 - (f) the costs of option, future and other derivative transactions;
 - (g) fees to banks for account maintenance and the handling of financial resources;
 - (h) interest on credits and loans received by the Fund;
 - (i) costs associated with the management of a share issue;
 - (j) accounting and tax audit costs;
 - (k) court, administrative and notary fees;
 - (l) taxes;
 - (m) other costs not explicitly specified in subparagraphs (a) to (l), which the Investment Company or Registrar, acting with due diligence, necessarily and efficiently incurs in

connection with the management or administration of the Fund.

- 11.7 All other expenses and costs related to the management of the Fund's assets which are not specified in Articles 11.2 to 11.6 are included in the fee for the management of the Fund's assets and are covered by the Investment Company.
- 11.8 The Investment Company is entitled to retain fees paid to it by issuers of investment vehicles or by their authorised persons (administrators, distributors, etc.) for services in the administration of subscriptions, redemptions, sales and purchases of investment vehicles, and in the management of the relevant records, provided that the acceptance thereof does not conflict with the obligations of the Investment Company to act in a qualified, honest, and fair manner and in the best interests of the Fund and its shareholders. More information will be provided to shareholders in the manner laid down in Article 12.13.
- 11.9 The Investment Company has adopted principles for the remuneration of employees and senior officers (hereinafter referred to as "employees") in a method and to an extent consistent with the size of the Investment Company and the size of the funds under its management, its internal organisation and nature, and the scope and complexity of its operations. The principles of remuneration:
- (a) are consistent with due and effective risk management and support such risk management;
 - (b) do not encourage risk-taking inconsistent with the risk profile, prospectus or founding documents of the funds under the Investment Company's management;
 - (c) do not interfere with the observance of the Investment Company's obligation to act in the best interest of the funds;
 - (d) are consistent with the business strategy, objectives, values and interests of the Investment Company, the funds under its management, and its shareholders; and
 - (e) include measures to avoid conflicts of interest.

Detailed information on the current principles of remuneration, including a description of how remuneration and benefits are calculated, and the identity of persons responsible for granting remuneration and benefits, including the composition of the remuneration committee, if established, are available on the website at www.conseq.cz; copies of the current principles of remuneration in paper form will be provided to shareholders free of charge by the Investment Company on request.

12. Other Information

Information on the Prospectus and the key information document

- 12.1 The information referred to in this Prospectus or in the key information document is kept up-to-date. The Investment Company monitors whether or not the Prospectus or the key information document needs to be updated. Where the Prospectus or the key information document needs to be revised, the necessary changes are subject to approval by the Investment Company's board of directors.
- 12.2 Any amendment to the Prospectus requires the prior consent of the Czech National Bank, otherwise it shall be null and void. The consent of the Czech National Bank is not required for an amendment:
- (a) to information directly resulting from changes related to the Investment Company, the Fund or the Depositary;
 - (b) necessitated directly by an amendment to legislation;
 - (c) to information on performance or on actual or forecast financial results of the Fund which requires regular updating; or
 - (d) that does not affect the status or interests of the Fund's shareholders.
- 12.3 The current version of the Prospectus and amendments hereto are published on the Investment Company's website at www.conseq.cz.
- 12.4 In addition to the Prospectus, the Fund also publishes a key information document. Information

in the key information document must be consistent with the information contained in this Prospectus.

- 12.5 The date of signature of this Prospectus and the given name and surname of the member or members of the governing body are listed at the end of this Prospectus.
- 12.6 Each subscriber of securities issued by the Fund must be (i) provided with the key information document free of charge sufficiently in advance of the investment; and (ii) provided, on request, with the Prospectus on request. Subscribers of shares issued by the Fund may obtain the aforementioned documents in paper or electronic form through the contacts listed in Article 12.13 below.

Additional information about the Fund and economic information

- 12.7 According to the Investment Companies and Investment Funds Act, the Fund is closed with liquidation of its assets if:
- (a) the Investment Company so decides;
 - (b) the Investment Company is wound up with liquidation of its assets, unless the CNB decides on the transfer of Fund management to another manager;
 - (c) the Investment Company's authorisation to manage the Fund lapses, unless the CNB decides on the transfer of Fund management to another manager;
 - (d) the CNB so decides, where:
 - i. the average amount of the Fund Capital over the past six months has not reached at least EUR 1,250,000;
 - ii. it revokes the Investment Company's permit to engage in the activity of an investment company and does not simultaneously decide on a change of manager.
- 12.8 Under the conditions set out in the Investment Companies and Investment Funds Act, the Investment Company may decide to transform the Fund. The following forms of transformation are admissible:
- (a) the merger of the Fund and another mutual fund to form a new fund;
 - (b) the merger of the Fund and another mutual fund by acquisition;
 - (c) the transformation of the Fund into a public limited company.
- 12.9 Should the Investment Company plan to close the Fund, it publishes this intention, including the justification therefor, on its website and at the registered office of the Investment Company at least three months prior to submitting the application to the CNB.
- 12.10 Transformations of mutual funds are governed by Section 381 et seq. of the Investment Companies and Investment Funds Act. Transformation requires permission from the CNB. A transformation project is attached to the application for transformation approval. If transformation is approved, the Investment Company publishes the CNB's decision on its website along with the prescribed documents. Fund shareholders are entitled to redeem the Fund's shares without deduction within the time limit laid down by the Investment Companies and Investment Funds Act. Where mutual funds are involved in a merger entailing the formation of a new fund, those mutual funds are closed and their shareholders become shareholders of the newly established mutual fund upon expiry of the set time limit, as at the reference date for the merger, which must not precede the date on which the CNB's decision to permit the merger becomes final. Where a mutual fund is to be closed in a merger by acquisition, the mutual fund is closed and its shareholders become shareholders of the acquiring mutual fund upon expiry of the set time limit, as at the reference date for the merger, which must not precede the date on which the CNB's decision to permit the merger becomes final. Under the terms and conditions laid down by the Investment Companies and Investment Funds Act, shares of the closed mutual fund are exchanged for shares of the newly established or acquiring mutual fund, for shares in the newly incorporated public limited company, or for investment equities in the newly incorporated public limited company with variable registered capital at a ratio determined according to the amount of the Fund Capital per share of the closed mutual fund as at the transformation reference date. A mutual fund being transformed into a public limited company is closed and its shareholders become shareholders in the newly incorporated public limited company or holders of investment equities in the newly incorporated public limited company

with variable registered capital upon incorporation of such public limited company.

- 12.11 If the Fund is closed with the liquidation of assets, within three months from the date of monetisation of the Fund's assets and the settlement of the Fund's debts, the Investment Company pays shareholders their shares in the liquidation surplus. Unpaid shares are placed in judicial custody under the terms and conditions for replacement compliance pursuant to Act No 89/2012, the Civil Code. A share in the liquidation surplus is not placed in judicial custody and falls to the state if the court fee for the application of the initiation of custody proceedings exceeds the amount that is to be placed in judicial custody.
- 12.12 More detailed conditions of the procedure for the closure of the Fund with the liquidation of assets, or for the transformation of the Fund, are laid down by the Investment Companies and Investment Funds Act.
- 12.13 The contact point where it is possible, if necessary, to obtain additional information is Conseq Funds investiční společnost, a.s., having its registered office at Rybná 682/14, 110 05 Praha 1, tel. 225 988 222, email address: fondy@conseq.cz, on business days from 9:00 a.m. to 4:00 p.m. The provision of additional information at this contact point is the responsibility of the Registrar.
- 12.14 The taxation of the Fund and shareholders is subject to the tax legislation of the Czech Republic, including but not limited to Act No 586/1992 on income tax, as amended. At the time of approval of this Prospectus, a 5% income tax rate applies to the taxation of Fund proceeds. Where legal persons and natural persons are tax residents of the Czech Republic holding shares that are included in their business assets, proceeds from the redemption of their shares are subject to the standard tax regime. Where natural persons do not have shares included in their business assets, at the time of approval of this Prospectus proceeds from the redemption of their shares are exempt from income tax provided that they have held such shares for more than three years. In other cases, such proceeds are included in (other) income in a personal income tax return, unless the aggregate thereof for a taxpayer does not exceed CZK 100,000 in the tax period. Where proceeds from the redemption of shares or from the payment of shares in profit are payable to a recipient who is not a tax resident of the Czech Republic, the Investment Company, in cases stipulated by law, deducts, from the proceeds from the redeemed shares, an amount securing the income tax payable in accordance with applicable legislation. Therefore, prior to the redemption of shares or prior to the payment of shares in the profit, the Investment Company or Registrar may demand a certificate of the tax residence of the recipient.
- 12.15 Attention is drawn to the fact that the aforementioned information on the taxation system in place for the income of individual shareholders need not apply to each investor, but depends on investors' personal circumstances and applicable tax regulations. Neither the Investment Company nor the Registrar has the authority to provide tax consulting, and the Investment Company recommends that all investors in Fund shares seek professional advice (from a tax adviser) regarding the tax system applicable to them.
- 12.16 Within four months of the end of the accounting period, the Investment Company sends the CNB the Fund's annual report and publishes it on its website. Furthermore, within two months of the end of the first six months of the accounting period, the Investment Company sends the CNB an electronic semi-annual report and publishes it on its website.
- 12.17 The Fund's annual and semi-annual reports are also made available to shareholders at the Investment Company's registered office, and will be sent to them at their expense without undue delay on request.
- 12.18 Without undue delay after the end of the relevant period, the Fund publishes the following on the Investment Company's website:
- (a) daily, in the manner laid down in Article 10.10, information about the Fund Capital Value and information about the present Class A share value and the present Class D share value;
 - (b) for each calendar month, information about the number of shares issued and redeemed,

- and the amounts for which such shares were issued and redeemed;
- (c) for each calendar month, information about the structure of the Fund's assets as at the last day of the month.

Other information

- 12.19 The supervisory body is the CNB. Address: Na Příkopě 28, Praha 1, 115 03, telephone: 224 411 111, email address: podatelna@cnb.cz, www.cnb.cz.
- 12.20 A permit to engage in the activity of an Investment Company and the provision of CNB supervision are no guarantee of a return on investment or of the Fund's performance, cannot preclude a possible breach of legal obligations or the Prospectus by the Investment Company, the Depositary or any other party, and do not guarantee that any damage caused by such breach will be indemnified.
- 12.21 The Fund's investment strategy may change under the conditions set out in Section 207 of the Investment Companies and Investment Funds Act.
- 12.22 Courts of the Czech Republic have the jurisdiction to hear disputes arising from a contract in connection with an investor's investment in the Fund, unless otherwise provided by a mandatory provision of legislation. Governing law for contractual relations connected to an investor's investment in the Fund is Czech law, unless otherwise provided in the relevant contract.
- 12.23 The Prospectus may be translated into other languages by the Investment Company. Any such translation of the Prospectus must contain the same information and carry the same meaning as the Czech version of the Prospectus. In case of discrepancies between the Czech and another language version of the Prospectus, the Czech version shall prevail. This does not apply to the extent (and only to the extent) to which the legislation of the state in which the Fund's shares are distributed requires that the language version on which the dispute (action) is based be decisive in disputes concerning the provisions of the Prospectus in another language version.

Prague, 10, March 2021

Jan Vedral
Chairman of the Board of Directors
Conseq Funds investiční společnost, a.s.