



# STATUTE

AKRO FOND PROGRESIVNÍCH  
SPOLEČNOSTÍ,  
OTEVŘENÝ PODÍLOVÝ FOND  
AKRO INVESTIČNÍ SPOLEČNOST,  
A.S.

## **Statute**

**of AKRO fond progresivních společností, otevřený podílový fond,  
AKRO investiční společnost, a.s.**

**(AKRO Fund of Progressive Companies, Open-end Mutual fund AKRO Investment  
Company)**

### **INTRODUCTORY PROVISIONS**

#### **1. BASIC INFORMATION ABOUT THE MUTUAL FUND**

- 1.1. The fund's name is: "AKRO fond progresivních společností, otevřený podílový fond, AKRO investiční společnost, a.s." (hereinafter referred to only as the "Mutual Fund").
- 1.2. The abbreviated name of the Mutual Fund is: „AKRO fond progresivních společností“.
- 1.3. The Mutual Fund's Identification Number is 60 43 26 08.
- 1.4. The Mutual Fund is an open-end mutual fund which is not a separate legal entity and exists within the investment company that manages the Mutual Fund. Within the meaning of act No. 189/2004 Coll. On Collective Investment, as amended (hereinafter referred to only as the "Act") the Mutual Fund is a special securities fund.
- 1.5. The basic document of the Mutual Fund is its Statute which regulates the mutual rights and obligations between the owners of the Mutual Fund's units (hereinafter referred to only as "shareholders") and the investment company that manages the Mutual Fund. In addition to the Statute, the investment company publishes a simplified statute of the Mutual Fund which contains selected data from the Statute. These data must be consistent with the data contained in the Statute.
- 1.6. The Mutual Fund has been established for an indefinite period.
- 1.7. The Mutual Fund has been created within the meaning of the provisions of Art 5 et seq. of Act No. 248/1992 Coll. on Investment Companies and Investment Funds, as amended, by the C.S.Fond, a.s., investment company, Company ID No.: 43003401, with the registered office at Velflíkova 8, Prague 6, as "C. S. Fond, a.s., investiční společnost, fond kapitálových výnosů, otevřený podílový fond". C.S.Fond, a.s., investiční společnost, fond kapitálových výnosů, otevřený podílový fond was established based on a permission of the Ministry of Finance Ref. No. 101/58 489/1993 of 20/10/1993.
- 1.8. The Ministry of Finance of the CR, by its ruling Ref. No. 101/24 867/1997 of 19 March 1997, decided to impose forced administration on C.S. Fond, a.s. on


the grounds that the company violated its obligations in the area of limitation and distribution of risk thus endangering the interests of investors. In its ruling, the Ministry of Finance of the CR found that, when managing the assets in mutual funds managed by the C.S. Fond, a.s. investment company, this company treated in an unqualified way the shareholders' assets entrusted to it which resulted in the fact that monetary amounts in the total amount of CZK 1,240 million were transferred from mutual funds' accounts. This transfer was, in the opinion of the Ministry of Finance of the CR, in breach of Act No. 248/1992 Coll., on Investment Companies and Investment Funds, as amended.

- 1.9. By its ruling Ref. No. 101/52 684/1997 of 1 July 1997, the Ministry of Finance of the CR decided to withdraw its permission granted to the C.S. Fond, a.s. investment company and, at the same time, it also decided to perform a forced transfer of the management of the Mutual Fund to AKRO investiční společnost, a.s., Company ID No.: 49 24 16 99, with the registered office at Prague 1, Václavské nám. 43. The original name of the fund "C. S. Fond, a.s., investiční společnost, fond kapitálových výnosů, otevřený podílový fond" ("C. S. Fund, a.s., Investment Company, equity returns fund, open-end mutual fund") was, in compliance with provisions of Art 9, para 4 of Act No. 248/92 Coll., changed to "AKRO otevřený podílový fond kapitálových výnosů, AKRO investiční společnost, a.s." ("AKRO open-end mutual fund of equity returns, AKRO Investment Company, a.s.").
- 1.10. By the ruling of the Securities Committee of 24/03/2005 Ref. No. 41/N/118/2004/2, which entered into force on 05/04/2005, the change in the name of the Mutual Fund to "AKRO fond progresivních společností, otevřený podílový fond AKRO investiční společnost, a.s." ("AKRO Fund of Progressive Companies, Open-end Mutual Fund AKRO Investment Company, a.s." was permitted.

## **2. INVESTMENT COMPANY**

- 2.1. The manager of the Mutual Fund is AKRO investiční společnost, a.s. (the original business name: RAIFFEISEN ALFA investiční společnost, a.s.), Company ID No.: 49 24 16 99, registered office at Prague 6, Slunná 547/25, Postal Code: 162 00 (hereinafter referred to only as the "Investment Company").
- 2.2. The Investment Company is incorporated in the Commercial Register kept on file at the Municipal Court in Prague, Section B, Insert 2164 and was established on 8 October 1993. The Investment Company was created based on a permission granted by the means of a ruling of the Ministry of Finance of the CR of 5 Oct. 1993 under Ref. No. 101/56 332/1993. In connection with the adoption of Act No. 189/2004 Coll. on Collective Investment, the Securities Committee issued its ruling Ref. No. 111/11598/R/1999 dated 20 Apr 1999

which entered into force on 28 May 1999 and by which it was decided that the permission concerning the establishment of the Investment Company granted to the Investment Company remained in force. On the basis of this decision, the Investment Company is authorized to produce and manage mutual funds in accordance with the provisions of Act No. 189/2004 Coll. on collective investment, as amended, management of investment funds under a contract for the management and provision of services related to collective investments for other investment companies in accordance with the provisions of Act No. 189/2004 Coll. on collective investment, as amended.

- 2.3. The registered capital of the Investment Company amounts to CZK 14,960,000 (in words: fourteen million nine hundred and sixty thousand Czech crowns) and is fully paid.
- 2.4. The Investment Company received, for the activity of "Creation and management of open-end mutual funds and the provision of services related to collective investments" a quality management system certificate ISO 9001:2008. The certification was carried out by Lloyds Register Quality Assurance. 
- 2.5. A list of mutual funds managed by the Investment Company is presented in Appendix No. 1.
- 2.6. A list of Investment Company's management staff is presented in Appendix 2

### **3. DEPOSITORY**

- 3.1. Based on a depository agreement, the role of the Mutual Fund's Depository is played by COMMERZBANK Aktiengesellschaft, Company ID No.: 47610921, registered office at Jugoslávská 1, Prague 2 (hereinafter referred to only as the "Depository"), which oversees the activities of the Mutual Fund within the meaning of the Act.
- 3.2. The Depository, in particular:
  - (i) ensures the safekeeping or other type of custody of the Mutual Fund's assets;
  - (ii) records the movement of any Mutual Fund's funds;
  - (iii) checks whether the Mutual Fund's units are issued and redeemed in accordance with the Act and the Statute;
  - (iv) checks whether the current value of the Mutual Fund's unit is calculated in accordance with the Act and the Statute;
  - (v) performs Company's instructions that are not in conflict with the Act and the Statute;

- (vi) checks whether the revenue on the Mutual Fund's assets is used in accordance with the Act and the Statute;
  - (vii) checks whether Mutual Fund's assets are purchased, disposed of and valued in accordance with the Act and the Statute.
- 3.3. The Depository shall be responsible, to the Mutual Fund, for damage resulting from a breach of its duties on the Depository's activities.
- 3.4. The Depository shall ensure the safekeeping or other type of custody of the Mutual Fund's assets. The Depository may use to fulfil these obligations, a third party (hereinafter referred to only as the "Authorized Entity") if
- (i) the Authorized Entity is entitled to exercise safekeeping or other custody,
  - (ii) The Depository shall conclude a contract with the Authorized Entity pursuant to which the Authorized Entity does not release Mutual Fund's assets and documentation relating to these assets to another entity without a prior consent of the Depository unless this represents the case of compliance with legal obligations and unless the Authorized Entity immediately notifies the Depository of the release of the assets or documentation, does not perform the transaction in case it receives instructions from the Depository to suspend the transaction involving the entrusted assets and allows the Depository to take over the Mutual Fund's assets if their nature permits. The Depository shall be responsible for the safekeeping and other types of custody of the Mutual Fund's assets even if it delegated the performance of this activity to a third party.

## **THE MUTUAL FUND'S INVESTMENT OBJECTIVES AND POLICY**

### **4. INVESTMENT OBJECTIVES**

- 4.1. The Mutual Fund is managed in order to achieve capital growth in the long term, namely by investing in a diversified global portfolio of medium-sized companies' shares.
- 4.2. The Mutual Fund is suitable for an ordinary investor ranging from the general public who has basic experience in trading in securities and collective investment and is seeking professional help in the placement of their investments. The Mutual Fund may be recommended to an investor who is interested in participating, in the long term, in the dynamic growth in the value of shares of medium-sized companies and in the overall growth in global capital markets and who is willing to accept higher than average investment risk ensuing from the concentration of investment in the same type of

investment instruments. The expected yield on investment into the Mutual Fund can be achieved in an investment horizon of five (5) years and more.

- 4.3. Investing in medium-sized companies may involve higher risk, although the Mutual Fund invests in accordance with the principles laid down by the Statute and legal regulations. Risks arising from such investment are detailed in Article 17.

## **5. INVESTMENT POLICY**

- 5.1. The Mutual Fund is an open-end mutual fund and, within the meaning of the Act, it is a special securities fund.
- 5.2. According to the funds classification binding for members of the AKAT CR, this is an equity fund.
- 5.3. As a special securities fund, the Mutual Fund invests primarily in securities while most of the Mutual Fund's investment is oriented to instruments linked to stock markets.
- 5.4. In accordance with the investment objective of the Mutual Fund, the Investment Company invests the assets of the Mutual Fund in global capital markets where it purchases and includes in the Mutual Fund's portfolio in particular securities of companies with the capitalization of up to USD 1,000,000,000 (in words: one billion American dollars).
- 5.5. The Mutual Fund's investment objective will be monitored by adapting the allocation of the Mutual Fund's portfolio in stock market instruments and bond and money market instruments in accordance with the investment strategy for the Mutual Fund.
- 5.6. The Investment Company shall, in accordance with its investment strategy, carry out the pro-active asset management of the Mutual Fund. The structure and the mix of the Mutual Fund's portfolio will be regularly reviewed with regard to the appropriateness and value of the investment instruments used. The investment portfolio of the Mutual Fund shall be pro-actively adjusted depending on the evaluation of the existing and potential investment, particularly with regard to the movement of stock markets, interest rates and other market conditions, micro-economic (specific features of individual companies and industries) and macro-economic (general economic and political circumstances) environments.
- 5.7. Investment instruments shall be acquired for the Mutual Fund's portfolio according to the changing market conditions in accordance with the investment strategy and taking into account the expectations of the Investment Company so that the investment objective of the Mutual Fund is fulfilled. The Investment Company shall proceed to sell investment instruments in the Mutual Fund's portfolio in particular under a situation when the price of

investment instruments purchased for the Mutual Fund's portfolio reaches the Investment Company's expectations, when an opportunity arises for the Investment Company to invest in a more appropriate investment instrument or if any information appears based on which the Investment Company will reassess the potential value of the acquired investment instrument. The Investment Company shall also proceed to sell investment instruments in the Mutual Fund's portfolio for reasons of preserving the Mutual Fund's investment strategy and of the risk control over the investment of the Mutual Fund's assets.

- 5.8. In order to achieve the investment objective, the Mutual Fund shall invest in the stock market in the range of at least 66 % to 100 % of assets. Occasionally, the volume of the Mutual Fund's investment into shares may fall below the limit of 66% of the Mutual Fund's assets, however, down to 50% of the Mutual Fund's assets as a maximum if, at the discretion of the Investment Company, this will be required to maintain the value of the Mutual Fund's assets or for reasons of the efficient fulfilment of the investment strategy.
- 5.9. In accordance with the investment objective of the Mutual Fund, the Investment Company shall acquire and include in the Mutual Fund's assets investment securities and money market instruments, which
- (i) were accepted to be traded or are traded on a regulated market,
  - (ii) are traded on the public market in another member state of the European Union which is officially recognized and on which securities are regularly traded, or
  - (iii) have been admitted to be traded on the official stock exchange market in a state which is not a member state of the European Union or are traded on a public market located in a state which is not a member state of the European Union which market is officially recognized and on which securities are regularly traded provided that these markets are on the list of foreign regulated markets and foreign officially recognized markets of the Czech National Bank.
- 5.10. The Investment Company may acquire money market instruments and include them in Mutual Fund's assets which do not meet the conditions under paragraph . 5.9. provided that the regulation of their issue or issuer ensures the protection of investors or savings and that
- (i) they have been issued or guaranteed by a central, regional or local administration unit of a member state of the European Union, the central bank of a member state of the European Union, the European Central Bank, the European Union, the European Investment Bank, a state or a member of a federal state which are not member states of the European Union or an international organization, which includes one or more member states of the European Union,

- (ii) were issued by an issuer whose securities are admitted to trading on the markets referred to under paragraph 5.9.,
- (iii) were issued or guaranteed by an entity that is subject to supervision by a supervisory authority of a member state of the European Union or by an entity that is subject to similar supervision, or
- (iv) were issued by an issuer which belongs to one of the categories of issuers approved by the Czech National Bank and mentioned on the Czech National Bank's list provided that the entity that invests in them enjoys similar protection as an entity investing in money market instruments referred to in item (i), (ii) or (iii), if the issuer is a company whose equity is equivalent to the value of at least EUR 10,000,000 which publishes financial statements complying with the requirements of a legal regulation which regulates the accounting and is part of a group of companies of which at least one is an issuer of shares accepted to be traded on the official stock exchange market and which provides the funding for this group or, by issuing securities, it provides funding to entities established for a specific purpose that use bank credit lines.

5.11. Money market instruments as per para . 5.10. may be acquired by the Mutual Fund and included in its assets within the range of up to 20% of its assets as a maximum, namely provided that

- (i) they have not been admitted to be traded on the official stock exchange market in a state which is not a member state of the European Union or are not traded on a public market located in a state which is not a member state of the European Union which market is not officially recognized and on which securities are not regularly traded provided that these markets are not on the list of foreign regulated markets and foreign officially recognized markets of the Czech National Bank.
- (ii) their issuer is a state or a bank which has been assigned an external investment grade rating by at least one of the world's top rating agencies (e.g. Moody's, Standard & Poor's, Fitch),
- (iii) such money market instruments' maturity shall be within one (1) year as a maximum.

5.12. The Mutual Fund may invest up to 20% of its assets in securities from a new issue, if

- (i) the terms of the issue include an undertaking that an application will be made for admission to trading on the markets referred to in paragraph 5.9. and if these markets are included in the list of regulated foreign markets and foreign markets officially recognized by the Czech National Bank and

- (ii) the application for their admission to trading on the markets referred to in paragraph 5.9. shall be made so that the given security is admitted to trading within one (1) year of the date on which its issuing was terminated.
- 5.13. Equity instruments can be acquired and included in the Mutual Fund's assets in the form of GDRs (Global Depository Receipts), or ADRs (American Depository Receipts), namely up to the range of 20% of Mutual Fund's assets for each such instrument. GDRs - Global Depository Receipts and ADRs - American Depository Receipts represent the business share in the current, i.e. underlying shares of the issuer that are deposited with the Depository. This means that part of the ordinary shares of the domestic issuer is replaced with these depository receipts while the rights associated with the ownership of the original shares - particularly the right to a dividend or the right to subscribe for new shares when increasing the registered capital - are transferred to the GDR or ADR owners except for the voting right. Every GDR and ADR owner has an opportunity to convert them into actual shares.
- 5.14. The investment company may acquire and include into the Mutual Fund's assets additional assets and securities in which a special securities fund may invest as per the Act. The Mutual Fund thus can acquire
  - (i) government bonds or bonds guaranteed by the State, including the equivalent of foreign securities;
  - (ii) bonds or similar securities representing the right to be paid an owed amount issued by a single bank or a foreign bank which has its registered office in a member state of the European Union and is subject to the supervision of that state which protects the interests of the owners of bonds provided that the funds obtained through the issue of these bonds are invested in such types of assets that, within the maturity of the bonds, cover the issuer's commitments associated with their issue and which may be primarily used to pay the bond principal and interest in the event of the issuer's insolvency;
  - (iii) bonds issued by the central bank or other bonds or similar foreign securities issued by a bank or a foreign bank than those listed under item (ii);
  - (iv) securities issued by a collective investment fund which holds a permission of the supervisory authority of the state in which it has its registered office and actual office, is subject to the supervision and, on request, redeems their shares from investors,
  - (v) financial derivatives.
- 5.15. Part of the Mutual Fund's assets, which will not be invested into equity instruments, may be invested in additional liquid assets which are deposits that

can be freely disposed of or term deposits with maturity of 1 year as a maximum in the case they are deposits with banks, branches of foreign banks or foreign banks which comply with rules of prudent business practice under the law of the European Communities or the rules that the Czech National Bank considers equivalent.

- 5.16. The Investment Company may acquire and include to the Mutual Fund's assets also so-called convertibles which are securities with embedded derivatives. Specifically, these are securities that can be, at the holder's discretion, converted into other securities while this conversion is made by the holder in the event that the prices of convertible securities rise (typically these are bonds which may be exchanged for shares at a pre-agreed price). Convertibles can be acquired and included into the Mutual Fund's assets in the range of up to 5% of the Mutual Fund's assets as a maximum.
- 5.17. The Investment Company may also acquire and include in the Mutual Fund's assets so-called warrants which are securities with embedded derivatives issued by governments, banks and other institutions or companies (often together with bonds or priority shares). Warrants can be defined as securities that may entitle their holder to sell to the issuer or to buy from the issuer underlying instruments for a strictly specified price under the terms of the issue or they may establish the right for their holder to financial transactions arising from the value of the underlying instrument at a strictly specific time. In some cases, warrants may also be derivatives. Warrants can be acquired and included into the Mutual Fund's assets in the range of up to 5% of the Mutual Fund's assets as a maximum.
- 5.18. Since securities of the convertibles and warrants type cannot end up having a negative value, the Investment Company will, when taking into account the risks associated with the acquisition of convertibles and warrants and their inclusion in the Mutual Fund's assets, take for basis the market value of these securities.
- 5.19. The Mutual Fund may acquire and include in its assets only bonds (issued by international institutions, government, corporate, municipal and other bonds) which have been assigned an external investment grade rating by at least one of the world's top rating agencies (e.g. Moody's, Standard & Poor's , Fitch). The Fund may acquire bonds with such maturity and modified duration which corresponds to the investment objective of the Mutual Fund. The overall modified duration of the Mutual Fund's bond portfolio shall be less than ten (10) years.
- 5.20. The Investment Company may conclude transactions for the Mutual Fund the subjects of which are derivatives only in accordance with the Statute and the relevant legal regulations governing the use of derivatives, namely for the purposes of effective management of the Mutual Fund's assets.

- 5.21. When carrying out transactions in derivatives, the Investment Company will take into account risks associated with the use of derivatives. At the same time, the Investment Company shall follow the rules laid down by a special legal regulation.
- 5.22. The Investment Company shall use primarily the following derivatives:
- (i) currency forwards/futures - derivatives which can be characterized as an agreement between two parties to purchase/sell an agreed amount of investment instruments at a given price as at a given future date. This derivative can be used to hedge the Mutual Fund's returns against the risk of a change in the Czech crown's (CZK) rate in respect of currencies of the purchased instruments, i.e. that the change in the value of the purchased instrument caused by the change of the Czech crown's rate in respect of the currency of the purchased instruments is adequately compensated by the acquired derivative.
  - (ii) option - a derivative, which gives the buyer of the option the right, however, not the obligation, to buy or sell another investment instrument at a predetermined price within an agreed period. Options can be used to hedge the value of instruments in the portfolio of the Mutual Fund against the risk of loss in value of these instruments (e.g., the holding of shares and a simultaneous purchase of a put option to these shares hedges an investor against a greater decline in the value of the shares).
  - (iii) other derivatives that are consistent with the Mutual Fund's investment objective and can be used to hedge the Mutual Fund's assets against the interest rate, market or monetary risks and to meet the Mutual Fund's investment objectives.
- 5.23. Transactions in financial derivatives shall take place on regulated markets, in particular EUREX (European Derivatives market), French Futures and Options Exchange (MATIF), Deutsche Terminbörse (DTB), London International Financial Futures and Options Exchange (Liffe), Amsterdam Stock Exchange, American Stock Exchange, Chicago Mercantile Exchange, Chicago Board of Options Exchange, Hong Kong Futures Exchange (HKFE), Tokyo International Financial Futures Exchange (Tiffe) and the Singapore International Monetary Exchange (SIMEX).
- 5.24. If derivatives are acquired outside the regulated markets (the so-called OTC derivatives), a counterparty, with which the transaction is executed, may be only an institution which is subject to supervision and which belongs to one of the categories of institutions approved by the Czech National Bank and included in the list of the Czech National Bank, while the equity of such an institution must amount at least to an amount corresponding to EUR 10 million. The counterparty must have been granted a long-term rating of at

least the investment grade by at least one of the major rating agencies or a guarantee must be provided for the counterparty by a third party which has such a rating or a higher rating.

- 5.25. The Mutual Fund's open position on financial derivatives must not exceed, as a result of an arrangement of a financial derivative, 100% of the Mutual Fund's equity at any given moment in time. In case the limit is exceeded due to a movement in market prices, the Mutual Fund shall adjust its open position on financial derivatives without undue delay so as to meet the limit. Derivatives, which have the characteristics of hedging derivatives, under a special legal regulation, are not subject to calculation of open positions on financial derivatives.
- 5.26. A detailed definition of the types of assets in which the Mutual Fund may invest, including investment limits, are listed in Appendix No. 3.

## **6. LIMITATION AND DISTRIBUTION OF RISKS**

- 6.1. The Investment Company is obliged, when investing in the Mutual Fund's assets, to proceed in accordance with the Act and the Statute and to respect the rules governing the limitation and distribution of risks associated with collective investment.
- 6.2. The Investment Company, when investing in the Mutual Fund's assets, shall proceed in such a way as to minimize the risks arising from the Mutual Fund's investment strategy.
- 6.3. The sum of the values of investment in investment securities or money market instruments issued by a single issuer, a deposit made with such an issuer and risks associated with such an issuer as the other party in transactions in financial derivatives must not exceed 35% of the Mutual Fund's assets.
- 6.4. The Mutual Fund may acquire and include in its assets no more than 10% of all nominal value of investment securities issued by a single issuer and 10% of all nominal value of money market instruments issued by a single issuer, while it holds that if such investment securities or money market instruments do not have a nominal value, the above limit shall be determined based on their number.
- 6.5. The sum of the values of investment securities and money market instruments issued by a single issuer may consist of no more than 20% of the value of the assets of a special securities fund.
- 6.6. The Mutual Fund may invest up to 35% of the value of its assets in securities and money market instruments issued by a single issuer if they have been issued or guaranteed by the European Union member state, a regional or local unit of the European Union member state, a state which is not a member state

of the European Union or an international organization whose member is one or more member states of the European Union.

- 6.7. The Mutual Fund may invest up to 100% of the value of its assets in securities or money market instruments issued or guaranteed by the European Union member state, a regional or local unit of a member state of the European Union, a state which is not a member of the European Union or an international organization whose member is one or more member states of the European Union provided that the investment is divided into at least 6 different issues, while securities from one issue may not constitute more than 30% of the value of assets of this special fund.
- 6.8. If, due to market fluctuations, the proportion of investment instruments in the Mutual Fund's portfolio changes and the mix of the Mutual Fund's portfolio gets into conflict with limits laid down by the Statute, such a situation shall not be considered a breach of the Statute. The Investment Company shall, without undue delay, take measures in order to minimize the risks arising from such a situation and to put the mix of the Mutual Fund's portfolio into compliance with the rules laid down by the Statute.
- 6.9. The Mutual Fund does not have to comply with the above rules for the distribution and limitation of the risk associated with the investment when applying the preferential right to subscribe for such investment securities and money market instruments which it holds as part of its assets. If the Mutual Fund fails to comply with the rules for the distribution and limitation of the risk associated with investing for reasons beyond its control or as a result of the application of the preferential right to subscribe for investment securities or money market instruments which it holds as part of its assets, it shall, without undue delay, ensure the compliance of the mix of its assets with this Statute.
- 6.10. The Mutual Fund must not invest in securities issued by a collective investment fund which is not intended for the public or in securities issued by a collective investment fund which, under its legislation or statute, may invest more than 10% of the value of its assets in securities issued by another collective investment fund.
- 6.11. The Investment Company has established an internal control to monitor the compliance with the limits prescribed by the Act.

## **MUTUAL FUND'S ASSET MANAGEMENT**

### **7. PRINCIPLES OF MUTUAL FUND'S ASSET MANAGEMENT**

- 7.1. The Mutual Fund's assets are managed by the Investment Company in accordance with the Act and the Statute.

- 7.2. In the Mutual Fund's asset management, the Investment Company shall proceed with due care, it means that it acts competently, honestly, responsibly and in the best interests of the Mutual Fund's shareholders. Activities related to the management of the Mutual Fund are ensured by the Investment Company by the means of its staff or through external entities which provide specific services required for the management of the Mutual Fund.
- 7.3. Tax consultancy is ensured for the Mutual Fund through the BDO Tax s.r.o. company, Company ID No.: 264 20 473, with its registered office at Prague 4, Olbrachtova 5, 140 00, registered in the Commercial Register of the Municipal Court in Prague, Section C, Insert 80838 whose business is tax consultancy. A flat yearly remuneration has been agreed for the provision of tax consultancy.
- 7.4. The Mutual Fund's accounting period shall be understood to mean a calendar year.
- 7.5. To meet the objectives of the Mutual Fund and the purpose for which it was established, the Investment Company seeks to
- (i) reduce its business risks by diversifying them into more areas, spreading them to more entities and subjects;
  - (ii) increase the value of assets invested by investors;
  - (iii) protect funds invested by investors against the effect of inflation pressures.
- 7.6. The Investment Company may carry out, for the Mutual Fund, all activities it may perform under the Act and under other applicable legal regulations governing collective investment in the Czech Republic. These are, in particular, the following activities:
- (i) management of the entrusted portfolio;
  - (ii) purchase and sale of securities;
  - (iii) analysis of companies and securities;
  - (iv) analysis of capital markets.
- 7.7. Individual components of the assets shall be purchased and sold for the Mutual Fund by the Investment Company. In the event that the Investment Company will buy and sell securities through a securities trader, the trader must have the appropriate permits as per the generally binding legal regulations.
- 7.8. The Mutual Fund may not grant a loan, a credit or a gift out of its assets nor may it use its assets to hedge or reimburse a liability of a third party or a liability unrelated to the management of the Mutual Fund's assets.

- 7.9. The Mutual Fund must not enter into contracts for sale of investment securities and money market securities issued by another collective investment fund and derivatives which it does not have included in its assets.
- 7.10. The Mutual Fund's assets are deposited with banks which have the appropriate permission as per the generally binding legal regulations.
- 7.11. The Investment Company may conclude for the Mutual Fund contracts on the acceptance of a credit or a loan with a maturity of no more than six (6) months, namely up to the aggregate amount of 10% of the Mutual Fund's assets.

## **8. VALUATION OF THE MUTUAL FUND'S ASSETS**

- 8.1. The Investment Company evaluates the Mutual Fund's assets in accordance with the provisions of Art 82 of the Act. Assets and liabilities related to the Mutual Fund's investment activities are valued at fair value. The method of determining the fair value of assets and liabilities of the Mutual Fund in cases not governed by a specific legal regulation regarding the accounting, is special legal regulations (Decree No. 270/2004 Coll. on the Method of Determining the Fair Value of Assets and Liabilities of Collective Investment Funds and on the Method of Determining the Current Value of a Share or a Unit of a Collective Investment Fund, as amended).
- 8.2. When translating the value of assets denominated in a foreign currency, the foreign-exchange rate of the CNB shall be used as announced by the CNB and valid on the date on which the translation is carried out.
- 8.3. Securities and derivatives are valued regularly at least once (1) a week, usually on Thursday.

## **9. ACTUAL VALUE OF THE UNIT**

- 9.1. The basis for determining the current value of the unit is the Mutual Fund's equity established as per the current valuation of assets in the Mutual Fund. The actual value of the Mutual Fund is determined and announced in Czech crowns (CZK) and is governed by Decree No. 270/2004 Coll.
- 9.2. The current value of a unit shall be determined as the value of the Mutual Fund's equity on the date of determination of the current value of the unit divided by the sum of all nominal values of the units issued by the Mutual Fund in circulation, multiplied by the corresponding nominal value of the respective unit. The current value of the unit is rounded to three (3) decimal places.
- 9.3. The current value of the Mutual Fund's unit is determined in relation to the valuation of the Mutual Fund's assets. The current value of the Mutual Fund's

unit is announced once (1) a week, every Friday, and applies retroactively to the period commencing on the day which follows the previous announcement of the unit's current value and ending on the day of the announcement of the unit's current value inclusive (i.e. the standard elapsed period from Saturday of the preceding calendar week to Friday of the calendar week in which the determination of the current value takes place).

- 9.4. The information concerning the current value of the Mutual Fund's unit shall be published in the headquarters of the Investment Company and at other business places. These data are also provided by the Investment Company to the shareholders, expert and daily press.

## **10. UTILIZATION OF PROFIT**

- 10.1. The business results of the Mutual Fund arise as the difference between revenues from activities permitted by the Act and costs of ensuring the Mutual Fund's activity.
- 10.2. Revenues on assets in the Mutual Fund shall be used to cover the costs unless the law or this Statute stipulates otherwise. If the Mutual Fund's business results in the accounting period end up in profit (the Mutual Fund's revenues exceed its costs), this profit shall not be used to pay the share in profits on the Mutual Fund's units but shall be used for reinvestment aiming to increase the Mutual Fund's assets and to increase the value of the shares. If the Mutual Fund's business results in the accounting period end up in a loss (the excess of the Mutual Fund's costs over its revenues) the incurred loss shall be paid out of the Mutual Fund's resources. What shall be primarily used to cover the loss is retained earnings from previous years.

## **11. MUTUAL FUND'S EXPENSES AND THE CONSIDERATION FOR MANAGEMENT OF ASSETS**

- 11.1. Mutual Fund's Expenses consist of the following:
- (i) consideration paid to the Investment Company for the management of assets in the Mutual Fund;
  - (ii) consideration paid to the Depository for the performance of the function of the Depository and for the asset management;
  - (iii) costs associated with the purchase or sale of securities, i.e. a commission paid to the securities dealer, a potential consideration to an entity maintaining the files of Mutual Fund's book-entry units;
  - (iv) costs of expert opinions unless they are required by law;
  - (v) fees for the custody of documentary securities;

- (vi) consideration for the depositing and administration of foreign securities;
  - (vii) costs of mergers or amalgamations of mutual funds;
  - (viii) taxes;
  - (ix) administrative and legal fees;
  - (x) costs of legal proceedings performed on behalf of the Mutual Fund;
  - (xi) costs of legal and other services that were provided to the Mutual Fund;
  - (xii) interest on received loans and credits as per the Act;
  - (xiii) negative foreign exchange gains and losses;
  - (xiv) purchase price of the security sold;
  - (xv) bank charges;
  - (xvi) interest on notes used to hedge the Mutual Fund's liabilities;
  - (xvii) costs of insurance of securities;
  - (xviii) expenses incurred in respect of the audit of the Mutual Fund's financial statements and a preparation of a tax return.
- 11.2. For the management of the Mutual Fund's assets, the Investment Company is entitled to obtain a consideration of
- (i) 2% of the average annual value of the Mutual Fund's equity which is calculated as the average value of the equity as at the last day of each calendar month and
  - (ii) 15% of the year-on-year increase in value of the equity attributable to each one (1) unit.
- 11.3. The year-on-year growth shall be understood to mean the increase in the value of equity identified as at the end of the accounting period when compared with the value of the equity at the end of the immediately preceding accounting period.
- 11.4. The consideration in the part as per paragraph 11.2. item (i) shall be payable monthly in advance always as at the last day of the elapsed calendar month. The consideration in part as per paragraph 11.2. item (ii) shall be payable within one (1) month after the end of the accounting period.
- 11.5. The Depository shall be entitled to obtain a consideration for the performance of the function of the Mutual Fund' Depository. The amount of consideration for the performance of the function of a depository shall be determined as per the depository agreement based on the specified value of the Mutual Fund's equity as at the last working day of the given month and calculated as a

monthly proportionate part of the agreed annual rate which may amount, for the accounting period, amount to the maximum of 0.1% of the value of the Mutual Fund's equity. The consideration does not include VAT.

- 11.6. The overall costs to revenues indicator of the Mutual Fund (hereinafter referred to only as "TER") calculated as per a special legal regulation as a ratio of the overall operational costs of the Mutual Fund to the average monthly value of the Mutual Fund's equity for the last accounting period is provided in Appendix No. 4. If the Investment Company purchases and includes in the Mutual Fund's assets securities of collective investment funds and the actual share of these assets in the Mutual Fund's assets during the previous accounting period exceeds 10% of the Mutual Fund's assets, the Investment Company shall provide in Appendix No. 4 also a synthetic TER calculated as per a special legal regulation.
- 11.7. The estimated costs of the Mutual Fund and their amount for the next calendar year following the previous accounting period is provided in Appendix No. 5.
- 11.8. The indicator of the turnover of assets (hereinafter referred to only as the "PTR") for the last accounting period, which is equal to the ratio of the sum of acquired and disposed assets of the Mutual Fund without the inclusion of the resources obtained by the sale of units or paid when purchasing the Mutual Fund's units to the average of the monthly values of the Mutual Fund's equity for the period under review, is provided in Appendix No. 6.

## **THE MUTUAL FUND'S UNITS**

### **12. UNIT**

- 12.1. Units are securities which represent the shareholder's share in the Mutual Fund's assets with which other rights ensuing from the Act or this Statute are associated, especially the right to purchase the Mutual Fund's unit and the right to be paid a share when the Mutual Fund is dissolved. The rights ensuing from the Mutual Fund's unit originate for the shareholder as at the date when the unit is credited to the account of the unit's owner in the Securities Centre.
- 12.2. Shareholders take part in the Mutual Fund's assets in the proportion to the Mutual Fund's units they own. The Mutual Fund's units of the same nominal value provide the basis for equal rights for all Mutual Fund's shareholders.
- 12.3. A shareholder has the right to purchase the Investment Company's unit and the Investment Company is obliged to purchase the unit under the conditions laid down by the Act and the Statute.
- 12.4. The shareholder proves its ownership title to the Mutual Fund's units by a status or change statement of units issued by the Securities Centre.

- 12.5. The Mutual Fund's units are transferable without limitations. The Mutual Fund's units are not registered within the meaning of Act No. 256/2004 Coll., On Undertaking on the Capital Market, as amended, on the regulated market, however, they are, based on a decision of RM System, a.s., accepted to be traded on the open market of RM System, a.s.
- 12.6. The units are issued in Czech crowns (CZK). The nominal value of the Mutual Fund's unit is CZK 500 (in words: five hundred Czech crowns). The units have been assigned the following ISIN: CZ0008471091.
- 12.7. The Mutual Fund's units are issued in the book-entry form and are registered units. The Mutual Fund's units were issued in the number of 571,236 units, the total value of the issue amounts to CZK 285,618,000 (in words: two hundred and eighty-five million six hundred and eighteen thousand Czech crowns).
- 12.8. The units are kept on files of the Central Securities Depository (hereinafter referred to only as the "CSD").

The shareholders shall pay, for the maintenance of their accounts with the CSD, fees stipulated by the CSD's price list.

The shareholders shall be obliged to communicate to the Investment Company any changes in their identification data (name, surname, birth-certificate number, permanent residence address), which they report to the CSD.
- 12.9. In case the Investment Company keeps, in accordance with Act No. 256/2004 Coll. on Undertaking on the Capital Market, as amended, separate records of Mutual Fund's units, it may subject the services provided to shareholders in connection with the maintenance of these files to a charge. Prices of individual services shall be announced by the Investment Company by the means of a price list which shall be available at the headquarters of the Investment Company and at other business places.
- 12.10. A list of contact points that issue and redeem the Mutual Fund's units is listed in Appendix No. 8.

### **13. ISSUANCE OF THE MUTUAL FUND'S UNITS**

- 13.1. The Investment Company issues Mutual Fund's units in order to concentrate funds in the Mutual Fund.
- 13.2. The sale of units takes place through the Investment Company and Investment Company's business partners. Business places are business places of the Investment Company and other Investment Company's contractual partners who hold a permission under Act No. 256/2004 Coll. on Undertaking on the Capital Market, as amended.

- 13.3. The Mutual Fund's units are issued in the Czech Republic. The issuance of units takes place on the basis of a Contract on the Purchase of Units between the shareholder and the Investment Company. Documents governing the contractual conditions of the Mutual Fund's units issue are available at the headquarters of the Investment Company and at other business places.
- 13.4. An entity interested in the issue of units shall conclude a Contract on the Purchase of Units with the Investment Company and, on its basis, the entity shall remit funds designed for the purchase of Mutual Fund's units to the current account maintained for the Mutual Fund with the Depository. The specified date for the issue of the units shall be the date when the funds designed for the purchase of the Mutual Fund's units are credited to the Mutual Fund's account.
- 13.5. The number of units issued to a shareholder shall correspond to the proportion of the amount credited, based on the shareholder's payment, to the Mutual Fund's account to the current value of the Mutual Fund's unit established under Article 9. and valid under paragraph 9.3. for the day when the funds are credited to the Mutual Fund's account increased by a surcharge in the amount determined as per paragraph 13.8. Part of the selling price shall also be the direct costs associated with the issuance of the unit. In the event that the number of issued units calculated as indicated above does not correspond to the entire number of units, the next lower number of units shall be issued to the shareholder. The potential rounding difference, if any, shall increase the Mutual Fund's assets.
- 13.6. The Investment Company determines the number of the Mutual Fund's units issued for funds credited to the Mutual Fund's account to buy units, after the announcement of the current value of the unit as per paragraph 9.3.
- 13.7. The interested party shall become the Mutual Fund's shareholder as at the day when the units are transferred to its account in the CSD.
- 13.8. For every purchase of the Mutual Fund's units, when these are issued, the Investment Company charges the initial surcharge of CZK 1,200 per unit, namely until the completion of litigation for damages sustained in respect of the Mutual Fund's assets and after the recovery any potential damages and their inclusion into the Mutual Fund's assets. The surcharge shall represent the Mutual Fund's income.
- 13.9. The minimum amount of each purchase of the Mutual Fund's units including the surcharge as per paragraph 13.8. shall be determined in the amount of CZK 10,000. The Investment Company may provide that each subsequent deposit of the same shareholder may be lower than the minimum single deposit.

#### **14. REDEMPTION OF THE MUTUAL FUND'S UNITS**

- 14.1. The redemption of units takes place based on a Request to Redeem Units presented by the shareholder to the Investment Company. The Investment Company is obliged to redeem Mutual Fund's units from the Mutual Fund's shareholders while funds from the Mutual Fund's assets are used to redeem the units.
- 14.2. The Investment Company redeems a unit for the unit's current value stipulated as per Article 9. and valid as per paragraph 9.3. for the day when it received the shareholder's request to redeem a unit. The current value of the unit is denominated and paid exclusively in Czech crowns. The Mutual Fund's shareholder shall pay, when redeeming a unit, a charge to the Investment Company as per paragraph 14.5. and direct costs which are associated with the redemption of a unit, namely in the form of a deduction from the current price of the unit. The money for the redeemed units shall be sent to former shareholders from the Mutual Fund's account maintained with the Depository in the manner specified in the Request to Redeem the Unit.
- 14.3. The Investment Company shall be obliged to redeem a unit without undue delay after having received the shareholder's request to redeem a unit, however, no later than within fifteen (15) working days. The price for the redemption shall be payable within seven (7) days of the units' transfer registration at the respective account of the Investment Company in the CSD. The shareholder ceases to be the Mutual Fund's shareholder as at the day when units are transferred from its account in the CSD.
- 14.4. The redemption of the Mutual Fund's units may be, in an individual case, realized only if a redemption of at least ten (10) pieces of the Mutual Fund's units is required or if the Mutual Fund's shareholder requires to redeem all of the Mutual Fund's units in its possession.
- 14.5. The Investment Company, in case of a redemption of the Mutual Fund's units, charges a deduction amounting to 1.5% of the current value of the Mutual Fund's unit. This deduction shall represent the Investment Company's income.

#### **15. SUSPENSION OF ISSUE AND REDEMPTION OF UNITS**

- 15.1. The Investment Company may suspend the issuance or redemption of the Mutual Fund's units for up to three (3) months as a maximum.
- 15.2. The suspension of the issuance or redemption of the units may take place in particular
  - (i) in the case of a natural disaster or other extraordinary events (terrorism, etc.);

- (ii) in the case of an extensive disruption of the capital market and its players;
  - (iii) in other cases where this is necessary to protect the rights or legally protected interests of shareholders.
- 15.3. In the period for which the issuance or redemption of the Mutual Fund's units was suspended, Article 13. and Article 14. of the Statute shall not apply. During this period, the Investment Company does not issue or redeem the Mutual Fund's units whose issue or redemption was requested by the shareholder before the suspending of the issuance or the redemption of units unless the transaction has already been settled or if the shareholder requested their issuance or redemption during the period when the issuance or redemption of units was suspended.
- 15.4. Upon the resumption of the issuance or redemption of the Mutual Fund's units, the Investment Company shall issue or redeem, without undue delay, the Mutual Fund's units the issue or redemption of which was requested by shareholders prior to the suspension or during the suspension of the issuance or redemption of units. When issuing or redeeming such units, the current value of the unit determined as at the date of the resumption of the issuance or redemption of units shall be applied.

## **INFORMATION ON RISKS**

### **16. GENERAL INVESTMENT RISKS**

- 16.1. Before investing in the Mutual Fund, the potential shareholders should consider potential risks arising from investing in the Mutual Fund.
- 16.2. Investment in the Mutual Fund is intended to achieve a yield in its long-term possession and, therefore, it is not suitable for short-term speculation.
- 16.3. Shareholders should be aware that the value of units and income on them may rise as well as fall. Therefore, it cannot be guaranteed that shareholders will get back the originally invested amount.
- 16.4. The performance of the Mutual Fund in the past cannot be considered a guarantee of the future performance.

### **17. SPECIAL INVESTMENT RISKS**

- 17.1. The risk of unstable current value:

With the investment in the Mutual Fund's units normal risks of investing and participating in the yield on listed and unlisted securities are linked. The value of investment instruments contained in the Mutual

Fund's assets may vary depending on market developments while a change in the value of the Mutual Fund's assets is then directly reflected in changes in the current value of the Mutual Fund's unit because the value of the Mutual Fund's unit is based on the current value of the Mutual Fund's investments.

17.2. Market Risks:

- (i) The value of investment instruments can increase or decrease depending on changes in economic conditions, interest rates and the manner in which the market perceives the securities.
- (ii) Risks arising from changes in interest rates are associated with investments in bonds and other securities with fixed income. The price of bonds may rise or fall depending on interest rates, while the growth in interest rates leads to a decline in bond prices.
- (iii) Investments in securities in the form of GDRs and ADRs carry the same risks as investing in the underlying securities. This means that although GDRs and ADRs are traded outside the underlying securities' markets, political, economic and financial risks (including the currency risk), similar to those of the underlying securities traded on domestic markets, are associated with GDRs and ADRs.

17.3. Credit Risk:

Market prices of bonds and securities with fixed income are affected by credit risks (issuer's default risk) and the liquidity risk is also associated with them.

17.4. Specific Risks of Medium-sized and Small Companies

In the case of investing in securities of medium-sized and small companies, in addition to the standard risks of investing in securities, there are other, specific risks arising from the nature of the companies into which the investment is directed. Securities of these companies can be traded in markets with lower levels of regulation, however, they always have to be markets within the meaning of provisions of Art 26, paragraph 1 letter a) of the Act [e.g. the London Stock Exchange AIM, Tokyo Stock Exchange Mothers], these securities may be characterized by lower liquidity and their prices may be subject to greater volatility.

17.5. Settlement Risk:

A transaction in the Mutual Fund's assets may be lost due to the inability of the transaction counterparty to meet its commitments and supply investment instruments or to pay as at the agreed deadline.

17.6. Redemption Risk:

The Mutual Fund invests in particular in shares and in investment instruments derived from shares. In the case of redeeming the Mutual Fund's units on a large scale, a situation may occur where the Investment Company will be forced, for reasons of the lack of liquidity, to suspend redeeming of the Mutual Fund's units.

17.7. Currency Risks:

- (i) Assets held by the Mutual Fund may be denominated in currencies other than in Czech crowns while the current value of a unit is determined in Czech crowns (the basic monetary value). Changes in the foreign exchange rate of the basic monetary value of the Mutual Fund and another currency in which investments of the Mutual Fund are denominated, may lead to a decrease or an increase in the value of the investment instrument expressed in such a currency. Adverse currency fluctuations may lead to a capital loss.
- (ii) It is possible to hedge Mutual Fund's investments against adverse changes in foreign-exchange rates by the means of derivatives. However, transactions to hedge currency risks, include their own specific risks.

17.8. Derivatives Risks:

- (i) Under the given conditions, the Mutual Fund may use derivatives which are instruments whose value depends on or is derived from the value of the underlying asset, a reference rate or an index. Underlying assets, reference rates and indices may include shares, bonds, interest rates, foreign-exchange rates, bond and share indices.
- (ii) Derivatives shall be used by the Investment Company only for the purposes of an efficient management of the Mutual Fund's assets and the protection against risks arising from the development of currencies, foreign-exchange rates, securities rates, interest rates and commodity prices, namely in line with the Mutual Fund's investment objective. The Investment Company shall not use, under any circumstances, derivatives for speculative purposes.
- (iii) Unlike the underlying instrument, derivatives imply greater risks. What is involved in particular, is the market risk, the management risk, the credit risk, the liquidity risk and the leverage risk. Particularly significant is the leverage risk because even a small price movement in the underlying asset can result in a disproportionately larger change in the value of the derivative. This means that at low investment, it is possible to achieve great profits but also losses.

- (iv) Derivatives are limited by the length of their duration which implies a risk that, at the time of the derivative's expiry, the given derivative may be worthless.

17.9. Bonds Risk:

- (i) Investments in bonds are associated with risks of changes in the issuer's financial situation, changes in the general economic situation or unpredictable interest rates rise which may affect the issuer's ability to pay interest and principal. The issuer's ability to meet its obligations ensuing for it from the issuing of bonds may also be affected by a failure to meet the business expectations of the issuer, a business plan failure or the unavailability of further funding.
- (ii) Investments in bonds are then in particular subject to the risk of fluctuations in the interest rate and, therefore, considerable fluctuations may take place in the price of these investment instruments.

17.10. Risk of Loss of Entrusted Assets:

The Mutual Fund's assets are in the custody of a depository. There is a risk of a loss of the Mutual Fund's assets entrusted into safekeeping or other custody which may be due to insolvency, negligence or wilful misconduct of the entity that has the Mutual Fund's assets in safekeeping or other custody.

17.11. Political Risks:

The value of investment instruments contained in the Mutual Fund's portfolio may be influenced by changes in the international political situation or in government policy changes, changes in tax policy, restrictions in the area of foreign investment and in repatriation of earnings, fluctuations in foreign-exchange rates, changes in legislation or other changes in the political situation in the country to which the investment is directed. The value of investment instruments thus may, depending on the political situation, decline as well as rise.

17.12. Risk of Changes in the Existing Legislation:

The Mutual Fund must comply with the requirements stipulated by the legislation of the Czech Republic and by the tax laws in force in the countries in which it is active. If there is a change in the existing legislation in force, the requirements that the Mutual Fund and its shareholders have to meet may differ from the current requirements.

17.13. Management Risk:

It is not possible to provide a guarantee that the investment strategy applied in the past by the Investment Company when managing the

Mutual Fund to earn revenues will be successful also in the future and that the income on the Mutual Fund's investments will be the same as in the past.

17.14. Fund's Wind-up Risk:

- (i) In the event that the average equity of the Mutual Fund over the last six (6) calendar months is less than CZK 50,000,000, the Czech National Bank may withdraw from the Investment Company the permit to create the Mutual Fund.
- (ii) Under certain circumstances (economic reasons, etc.) the Mutual Fund may be wound up while the shareholder has no guarantee that, because of this fact, it will be able to remain in the Mutual Fund for the full duration of the investment horizon which may affect the expected return on its investment.

## **GENERAL PROVISIONS**

### **18. MUTUAL FUND'S WIND-UP**

- 18.1. The Mutual Fund may wind up under the conditions stipulated by the provisions of Art 98 et seq. of the Act.
- 18.2. The Mutual Fund shall wind up
- (i) by a withdrawal of a permit to create the Mutual Fund at the Investment Company's request
  - (ii) by a merger or amalgamation of mutual funds,
  - (iii) by the Investment Company's wind-up with liquidation if the Czech National Bank fails to decide to transfer the managed Mutual Fund to another Investment Company.
- 18.3. The permit to establish the Mutual Fund is withdrawn by the Czech National Bank at the Investment Company's request. It is the Board of Directors of the Investment Company that files the request with the Czech National Bank.
- 18.4. The reasons for which the Investment Company may request that the Mutual Fund winds up as per paragraph 18.2. item (i), are in particular
- (i) the Mutual Fund's equity falls below CZK 50,000,000;
  - (ii) The Mutual Fund does not meet the economic pre-requisites on a long-term basis.
- 18.5. The Mutual Fund's shareholders will be informed of the Investment Company's intention to liquidate the Mutual Fund as per paragraph 18.2. item

- (i) at least three (3) months before filing the request for the withdrawal of the permit to create the Mutual Fund. The information about the intention to liquidate the Mutual Fund shall be published on the notice board at the headquarters of the Investment Company and at other business places.
- 18.6. The Investment Company shall, within six (6) months after the decision of the Czech National Bank to withdraw its permit to create the Mutual Fund becomes legally effective, sell the assets in the Mutual Fund and settle its receivables and liabilities. Within three (3) months of the date of settlement of the receivables and liabilities arising from the asset management in the Mutual Fund, the Investment Company shall pay the shareholders their shares.
- 18.7. In case the Mutual Fund winds up as per paragraph 18.2 item (iii) , paragraph 18.6. shall apply in an analogous way.
- 18.8. It shall be the Investment Company's Board of Directors that decides about a merger or amalgamation of mutual funds managed by the Investment Company as per paragraph 18.2. item (ii) . The merger or amalgamation of the Mutual Fund with another mutual fund requires a permit granted by the Czech National Bank.
- 18.9. Within one (1) month of the date on which the decision of the Czech National Bank to permit the merger or amalgamation of mutual funds becomes legally effective, the Investment Company shall publish this decision on the notice board at the headquarters of the Investment Company and at other business places.
- 18.10. The Mutual Fund, when merging, winds up by the elapse of three (3) months of the date on which the decision of the Czech National Bank to permit the merger becomes legally effective. On the date when the Mutual Fund winds up, the shareholders become shareholders of the newly emerging mutual fund. Within three (3) months of the date when the Mutual Fund wound up, the shareholders of the wound-up Mutual Fund shall have their units exchanged for units of the newly created mutual fund in the proportion determined according to the amount of the mutual fund's equity attributable to a unit of the wound-up Mutual Fund as at the date when it wound up.
- 18.11. The Mutual Fund, when amalgamated with another mutual fund, winds up by the elapse of three (3) months of the date on which the decision of the Czech National Bank to permit the amalgamation becomes legally effective. On the date when the Mutual Fund winds up, the shareholders become shareholders of the accepting mutual fund. Within three (3) months of the date when the Mutual Fund wound up, the shareholders of the wound-up Mutual Fund shall have their units exchanged for units of the accepting mutual fund in the proportion determined according to the amount of the mutual fund's equity attributable to a unit of the wound-up Mutual Fund as at the date when it wound up.

## **19. DUTY TO NOTIFY**

- 19.1. The Investment Company shall be obliged to fulfil its duty to notify ensuing for it from the generally binding legal regulations.
- 19.2. The Investment Company publishes, for the Mutual Fund, as per Art 83 of the Act, the Mutual Fund's
  - (i) Statute;
  - (ii) simplified statute;
  - (iii) annual report;
  - (iv) half-yearly report for the first 6 months of the accounting period.
- 19.3. The Mutual Fund's annual report is published along with the Investment Company's annual report and with annual reports of other mutual funds managed by the Investment Company within four (4) months after the end of the accounting period. The annual report must include financial statements audited by an auditor. If the Investment Company's general meeting fails to approve the financial statements within the above deadline or if the court decides that the general meeting which approved the financial statements was not valid, the Investment Company shall publish this fact.
- 19.4. The Mutual Fund's Half-yearly Report is published along with the Investment Company's half-yearly report within two (2) months after the elapse of the first six (6) months of the accounting period.
- 19.5. The documents referred to in paragraph 19.2. shall be published on the websites of the Investment Company. These documents are also available at the headquarters of the Investment Company.
- 19.6. The Investment Company also publishes, for the Mutual Fund, as per Art 88 of the Act,
  - (i) the information about the current value of the Mutual Fund's equity and the information about the current value of the unit;
  - (ii) the information of the number of issued and redeemed units and the amounts for which these units are issued and redeemed;
  - (iii) the information about the structure of the assets in the Mutual Fund.
- 19.7. The information about the current value of the Mutual Fund's equity and the information about the current value of the unit shall be published once (1) a week at the headquarters of the Investment Company and at other business places. This information is provided, on request, by the Investment Company also to shareholders, professional and daily press.
- 19.8. The information about the number of issued and redeemed units and the amounts for which these units were issued and redeemed and the information

about the structure of assets in the mutual fund shall be published once (1) a month at the headquarters of the Investment Company and at other business places.

- 19.9. The documents referred to in paragraph 19.2. items (iii) and (iv) and the information referred to in paragraph 19.6. are presented by the Investment Company to the Czech National Bank within the deadlines stipulated by the Act.
- 19.10. Documents governing the contractual terms and conditions for the issuance and redemption of the Mutual Fund's units are available at the headquarters of the Investment Company and at other business places and on the Investment Company's website.
- 19.11. The Investment Company discloses the information required by the Act also on its website.

## **20. INFORMATION ON HISTORICAL PERFORMANCE**

- 20.1. Information on the historical performance of the Mutual Fund is listed in Appendix No. 1 of the Statute.
- 20.2. Information on the historical performance of the Mutual Fund in the past does not represent an indicator of its future performance.

## **21. ECONOMIC INFORMATION**

- 21.1. The Investment Company accounts for the balance and movement of assets and other assets, liabilities and other liabilities, as well as for the costs and revenues and business results related to the management of assets in the Mutual Fund separately from the subject of its accounting and from the subject of other mutual funds' accounting. The Mutual Fund's accounting is maintained in accordance with the generally binding legal regulations.
- 21.2. The Investment Company shall be obliged to prepare, for the Mutual Fund, the Mutual Fund's financial statements and submit them to to be audited by an auditor.
- 21.3. The Auditor of the Mutual Fund is BDO Audit s.r.o. , Company ID No.: 45314381, with the registered office at Prague 4, Olbrachtova 1980/5, Postal Code: 14000.
- 21.4. The Mutual Fund and the shareholders are subject to the tax system of the Czech Republic. Their taxation is governed, in particular, by Act No. 586/1992 Coll. on Income Tax, as amended. In accordance with tax regulations, the taxation of investors differs depending on their nature. Legal entities and natural persons that have units included in the commercial assets, subject the income from redeemed units to tax under the standard tax procedure. Natural persons who do not have units included in the commercial

assets are exempt from income tax in income ensuing from the redemption of units, namely provided that the period between the acquisition and transfer of the units when sold or returned was in excess of six (6) months.

- 21.5. Tax regulations may change during the existence of the Mutual Fund. In the event that a shareholder is not sure about tax procedure, which it is subject to, it should seek professional advice from a tax consultant.

## **22. STATUTE AMENDMENTS**

- 22.1. Amendments to the Mutual Fund's Statute and the simplified statute are decided, in accordance with the Investment Company's statute, by the Investment Company's Board of Directors. Amendments to the Statute must be approved by the Czech National Bank. The amended Statute becomes valid and effective on the date of its being approved by the Czech National Bank unless a decision of the Czech National Bank stipulates otherwise.
- 22.2. Persons responsible for the information contained in the Statute and the simplified statute are the members of the Investment Company's Board of Directors.
- 22.3. Amendments to the Mutual Fund's Statute and simplified statute shall be made public without undue delay at the headquarters of the Investment Company and other business places and on the Investment Company's web site.

## **23. FINAL PROVISIONS**

- 23.1. The Statute replaces the issuer's securities prospectus within the meaning of the law. All information provided in the Statute are complete and correct.
- 23.2. Each subscriber to the Mutual Fund's units must be offered, before the conclusion of a subscription contract, a free of charge copy of the Mutual Fund's simplified statute in its current version. On request, it is possible to obtain, free of charge, the Statute in its current version and the latest published annual and half-yearly report of the Mutual Fund at the headquarters of the Investment Company at Prague 6, Slunná 547/25, Postal Code 162 00. These documents can also be obtained on the Investment Company's website.
- 23.3. Contact details of the Investment Company are set out in Appendix No. 9.
- 23.4. The supervisor of the Mutual Fund is the Czech National Bank, the section of regulation of and supervision over the capital market, the department of collective investment and pension funds, with a registered office at Na Příkopě 28, 115 03 Prague 1, tel.: +420 224 411 111, e-mail: [podatelna@cnb.cz](mailto:podatelna@cnb.cz), website <http://www.cnb.cz>.

## **24. PLEASE NOTE**

24.1. The fact that a permit was granted to create the Mutual Fund by the Czech National Bank, the supervision carried out by the Czech National Bank and the approval of the Statute by the Czech National Bank do not guarantee a return on investment or the Mutual Fund's performance; they cannot exclude the possibility of a breach of legal duties or the Investment Company's Statute by the Depository or another entity and do not guarantee that any potential damage caused by such a breach will be compensated.

## **25. PROCEDURE ON CLAIMING DAMAGES IN RESPECT OF THE CZECH REPUBLIC**

25.1. AKRO investiční společnost, a.s. enforces for the Mutual Fund and also for the following mutual funds: AKRO globální akciový fond, otevřený podílový fond, AKRO investiční společnost, a.s. and AKRO balancovaný fond, otevřený podílový fond AKRO investiční společnost, a.s., in respect of the Czech Republic as one of the jointly bound debtors, a claim for the compensation for damages in the total amount of CZK 1,023,873,462 with accessories by virtue of the Czech Republic's potential liability for a loss caused by maladministration (the original contested sum of CZK 1,114,275,017 with accessories was, as a result of a completed bankruptcy of Plzeňská banka, a.s., reduced by CZK 90,401,555). The matter is discussed at the Municipal Court in Prague as the a court of appeals under file No. 35 Co 379, 380/2005.

25.2. This Article 25 of the Statute governs the procedure for the management of the Mutual Fund's assets in conjunction with the recovering of damages from the CR for the benefit of the Mutual Fund. The procedure laid down by Article 25 of the Statute takes precedence over other provisions of the Statute.

When managing the Mutual Fund's assets, in matters not covered by this Article 25 of the Statute, the general rules of the Statute shall apply.

25.3. Due to the possibility that a decision by which an obligation will be imposed on the Czech Republic to compensate for damages using an extraordinary remedy will be repealed, the settlement paid by the Czech Republic by virtue of the Czech Republic's loss liability (see paragraph 25. 1.) may be reflected in the amount of the Mutual Fund's equity only after a decision of the Supreme Court is delivered to the Investment Company by which the Czech Republic's appellate review against a sentence confirming the right of the Mutual Fund for compensation for damages will be refused or rejected. In the event that the Czech Republic fails to file an appellate review against a decision by which the Mutual Fund's right for compensation for damages is confirmed, the settlement reimbursed by the Czech Republic by virtue of the Czech Republic's loss liability (see paragraph 25. 1.) shall be reflected in the amount

of the Mutual Fund's equity immediately after the elapse of the deadline for filing the appellate review.

- 25.4. In the event that the Czech Republic, on the basis of a lawful court decision, pays a settlement to compensate for damages for the benefit of the Mutual Fund, the Investment Company shall account for such a received settlement of the Czech Republic by virtue of the compensation for damages (funds received) in the Mutual Fund's income. While, at the same time and in the same amount, it shall create a provision, as an expression of the potential obligation for the Mutual Fund to return such a settlement back to the Czech Republic. This provision shall be accounted for within the Mutual Fund's accounting until some of the facts set out in paragraph 25.3 of the Statute takes place (hereinafter referred to only as the "Completed Loss Recovery") or until the received settlement is returned back to the Czech Republic. Such a procedure shall not affect the amount of the Mutual Fund's equity and, until the Completed Loss Recovery takes place, the value of equity proportionate to a unit shall not be affected by the settlement of the loss recovery.
- 25.5. Since the date when the settlement from the Czech Republic is credited to the Mutual Fund's account, the Mutual Fund shall be obliged to hold, under the terms stipulated by this paragraph, the Provision in the amount corresponding to the settlement for loss received from the Czech Republic (hereinafter referred to only as the "Provision"). The Mutual Fund shall be obliged to hold the Provision until the Completed Loss Recovery takes place or until the time when the received settlement is returned to the Czech Republic. Assets in the value corresponding to the Provision may be invested by the Mutual Fund only into the following investment instruments while adhering to the following investment limits:

Investment Instrument	Investment limit (max.% share in the total value of the Provision)
Short-term time deposits (with maturities of up to one (1) month)	0 - 100%
Money market instruments (with maturity of up to one (1) year)	0 - 100%

Investment limits for assets in the value of the Provision are determined separately and are not included in investment limits for individual types of assets in which the Mutual Fund may invest in accordance with paragraph 5.26. of the Statute. This is without prejudice to the rules for restricting and distributing risks as per Article 6 of the Statute.

- 25.6. Under the condition that the Completed Loss Recovery takes place, the Investment Company shall be eligible for a management fee of 2% of the average annual value of the part of the equity represented by the Provision calculated as the average of the value of part of the equity represented by the

Provision as at the last day of each calendar month. After meeting the conditions set out in paragraph 25.3 of the Statute, the fee paid to the Investment Company for the management of the part of the equity represented by the Provision shall be calculated retrospectively for the entire period when the Provision was held in the Mutual Fund.

- 25.7. Only under the condition that the Completed Loss Recovery takes place, the base for calculating the Depository's consideration for the performance of the function of the Mutual Fund's depository shall include the value of part of the equity represented by the Provision. After having met the condition set out in paragraph 25.3 of the Statute, the Depository's consideration for the performance of the function of the Mutual Fund's depository shall be calculated retrospectively according to the rules set out in paragraph 11.5 of the Statute while including the value of part of the equity represented by the Provision for the whole period when the Provision was held in the Mutual Fund and the Depository shall be additionally paid the respective part of the consideration.
- 25.8. A remuneration of the Investment Company's legal representative for the representation of the Mutual Fund in a dispute with the Czech Republic for a loss sustained in respect of the Mutual Fund's assets in connection with their having been transferred in an unauthorized way shall be paid by the Mutual Fund out of the received settlement for loss. The remuneration shall amount to the maximum of 5% of the amount paid by the Czech Republic for the benefit of the Mutual Fund. This limit shall include all settlements made to the legal representative arising or paid out of the Mutual Fund's assets before the effect of this Statute in conjunction with the representing of the Mutual Fund in a dispute with the Czech Republic. This remuneration shall be paid to the legal representative only after the settlement of the compensation for damages is credited to the account of the Mutual Fund, however, not before the Completed Loss Recovery.
- 25.9. If the compensation for damages is paid to the Mutual Fund's assets by the Czech Republic, the increased value of the Mutual Fund's equity which will occur for reasons of obtaining a compensation for damages from the Czech Republic shall not be taken into account in the calculation of the consideration in the part as per paragraph 11.2 item (ii) of the Statute.
- 25.10. Article 25 applies only to the resolving of a dispute with the Czech Republic and its effectiveness shall expire at the moment the Completed Loss Recovery takes place.

Prague, 11 June 2009,

.....  
AKRO INVESTIČNÍ SPOLEČNOST, A.S.

Ing. Jiří Trávníček,

Chairman of the Board of Directors

**Appendix No. 1** concerning paragraph 2.5. of the Statute

**LIST OF MUTUAL FUNDS MANAGED BY THE INVESTMENT COMPANY**

- AKRO akciový fond nových ekonomik, otevřený podílový fond, AKRO investiční společnost, a.s.
- AKRO globální akciový fond, otevřený podílový fond, AKRO investiční společnost, a.s.
- AKRO fond progresivních společností, otevřený podílový fond, AKRO investiční společnost, a.s.
- AKRO balancovaný fond, otevřený podílový fond, AKRO investiční společnost, a.s.

**Appendix No. 2** concerning paragraph 2.6. of the Statute

**LIST OF THE INVESTMENT COMPANY'S MANAGEMENT STAFF**

- Chairman of the Board of Directors and the Company's Director

**Ing. Jiri Travnicek**

born 27/04/1954

Education: University of Economics in Prague, field of Economics of Foreign Trade

37 years of experience including 7 years in collective investment

- Member of the Board of Directors

**Doc. JUDr. Pavel Mates, CSc.**

born 04/08/1947

Education: Law Faculty of Charles University in Prague

37 years of experience including 17 years in collective investment

- Member of the Board of Directors

**Ing. Nataša Hnátková**

born 16/03/1977

Education: Czech University of Life Sciences, Faculty of Economics and Management, field: Economics and Management

Experience: 7 years, of which 7 years in collective investment

- Director of Mutual Funds' asset management

**Jeremy Laurence Monk, MBA, BSc (Hons), DIC, ASIP**

born 19/04/1967

Education: Imperial College, University of London [Master of Business Administration (MBA), Diploma of Imperial College (DIC)]

City University Business School, London [Bachelor of Science (BSc Hons) Business Studies]

Associate examinations of the UK Society of Investment Professionals (ASIP)

23 years of experience including 23 years in collective investment

*Information, documents and affidavits concerning the achieved education, professional experience, integrity, professional competence and experience in collective investment carried out by the Investment Company and concerning the fact that each of the above persons is suitable for performing credible and transparent activities of the Mutual Fund have been submitted to the Czech National Bank and approved by it.*

*None of the management staff of the Investment Company is a person referred to in the provisions of Art 73 of the Act.*

## Appendix No. 3 concerning paragraph 5.26. of the Statute

### DEFINITION OF TYPES OF ASSETS

	min. % share in the total value of assets	max. % share in the total value of assets
<b>1. Deposits and other receivables</b>	<b>0</b>	<b>49</b>
- deposits	<b>0</b>	<b>49</b>
- receivables from repo transactions	<b>0</b>	<b>0</b>
- receivables in respect of real-estate companies	<b>0</b>	<b>0</b>
- other receivables	<b>0</b>	<b>0</b>
<b>2. Money market instruments</b>	<b>0</b>	<b>50</b>
- short-term bonds	<b>0</b>	<b>50</b>
- other money market instruments	<b>0</b>	<b>50</b>
<b>3. Long-term bonds</b>	<b>0</b>	<b>50</b>
<b>4. Shares and other investment securities</b>	<b>50</b>	<b>100</b>
- shares	<b>50</b>	<b>100</b>
- other investment securities	<b>0</b>	<b>10</b>
<b>5. Securities of the collective investment fund</b>	<b>0</b>	<b>20</b>
<b>6. Other shares (including participation in the real- estate companies)</b>	<b>0</b>	<b>20</b>
<b>7. Positive fair value of derivatives</b>	<b>0</b>	<b>100</b>
- options for investment investments	<b>0</b>	<b>100</b>
- financial term contracts (especially futures) for investment instruments	<b>0</b>	<b>100</b>
- forwards	<b>0</b>	<b>100</b>
- swaps	<b>0</b>	<b>100</b>
- contracts for difference and similar instruments for the transfer of interest rate or currency risk	<b>0</b>	<b>100</b>
- instruments making it possible to transfer credit risk	<b>0</b>	<b>70</b>
- other	<b>0</b>	<b>10</b>
<b>8. Fixed assets</b>	<b>0</b>	<b>0</b>
- real-estate properties	<b>0</b>	<b>0</b>
- other fixed assets	<b>0</b>	<b>0</b>
<b>9. Other assets</b>	<b>0</b>	<b>0</b>
<b>10. Total assets</b>	<b>0</b>	<b>100</b>

**Appendix No. 4** concerning paragraph 11.6. of the Statute  
**TER - OVERALL COSTS TO REVENUES INDICATOR OF THE MUTUAL FUND**

**TER 2010** 5,14%

**SYNTHETIC TER**

In 2010, the actual share of collective investment funds' securities did not exceed 10% of the Mutual Fund's assets.

## Appendix No. 5 concerning paragraph 11.7. of the Statute

### THE ESTIMATED COSTS OF THE MUTUAL FUND AND THEIR AMOUNT FOR THE NEXT CALENDAR YEAR FOLLOWING THE PREVIOUS ACCOUNTING PERIOD

#### The estimated costs of the Mutual Fund in 2011 (in %)

<b>Breakdown of fees and commission expense</b>	
management fee - 2% of the average annual value of equity	<b>2.00%</b>
management fee - 15% of the year-on-year growth in the value of equity	<b>0.75%</b>
depository's fee	<b>0.05%</b>
charges for depositing and management of foreign securities (custody fees)	<b>0.24%</b>
fees for services provided to the central depository (or the Securities Centre)	<b>0.05%</b>
other costs of fees and commissions with the exception of fees and commissions on transactions in financial instruments	<b>0.01%</b>
<b>breakdown of administrative costs</b>	
staff costs	<b>0.00%</b>
costs of remuneration paid to statutory bodies	<b>0.00%</b>
audit costs	<b>0.23%</b>
costs of legal and tax consultancy	<b>0.10%</b>
advertising costs	<b>0.00%</b>
administrative and court fees	<b>0.01%</b>
outsourcing costs	<b>0.00%</b>
other administrative expenses	<b>0.01%</b>
<b>other operating expenses</b>	<b>0.00%</b>

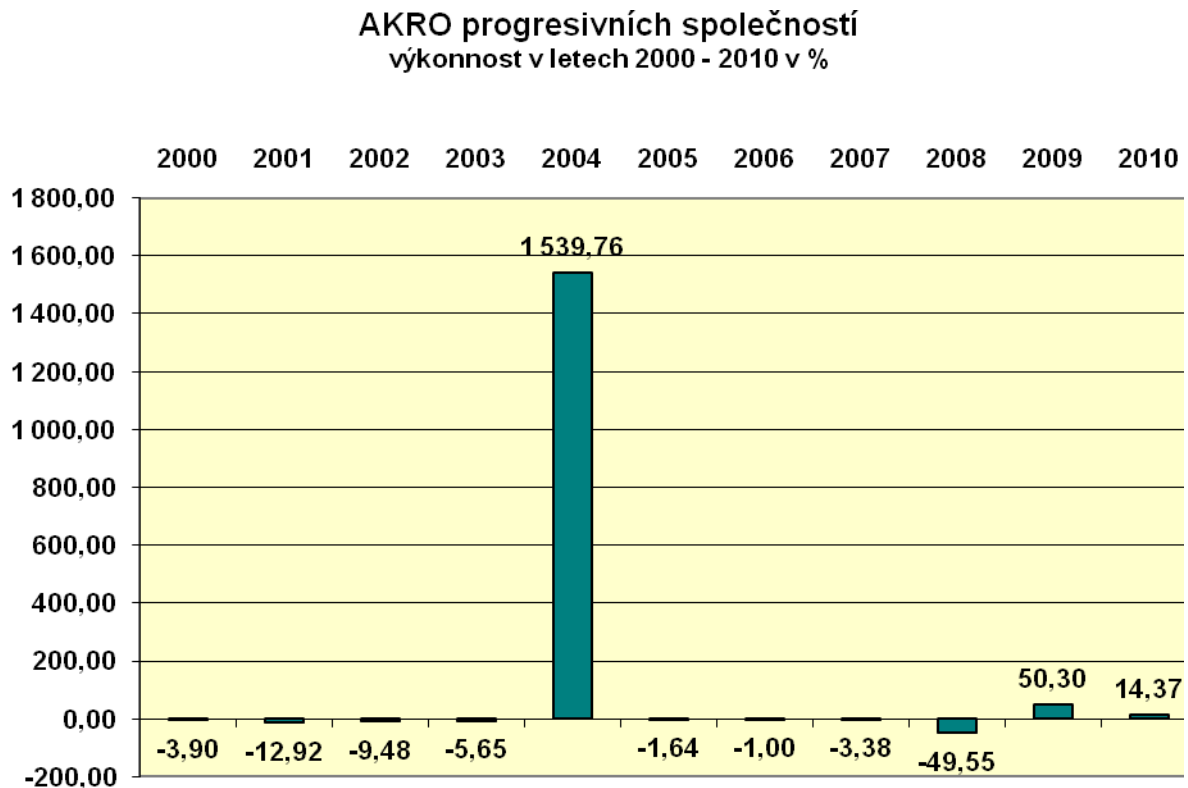
**Appendix No. 6** concerning paragraph 11.8. of the Statute

**PTR - INDICATOR OF THE TURNOVER OF ASSETS FOR THE LAST ACCOUNTING PERIOD**

**PTR 2010**    **45,82%**

## Appendix No. 7 concerning Article 20. of the Statute

### INFORMATION ON THE HISTORICAL PERFORMANCE OF THE MUTUAL FUND



Performance of the Fund includes fees associated with issuing and redeeming units.

#### Note:

Information on the historical performance of the Mutual Fund for the period before 2000 is not available.

In 2004, the Investment Company acquired partly back and included into the Mutual Fund's assets, values that had been, in contradiction to the law, transferred from the Mutual Fund's assets to third parties by C.S. Fond, a.s., investiční společnost in 1997.

Starting from 1 May 2005, there was a change in the name of the fund, since then, the fund has also applied a different investment strategy - with the exception of a transitional period (throughout the transitional period, a conservative investment strategy was applied); the transitional period was terminated with the effect as from 8 December 2007.

#### OVERALL AVERAGE HISTORICAL PERFORMANCE OF THE MUTUAL FUND

over the past 3 consecutive years	-13,27%
over the past 5 consecutive years	-17,04%
for the period from 2000 to 2010	895,12%

**Appendix No. 8** concerning paragraph 0. of the Statute  
**CONTACT POINTS FOR ISSUANCE AND REDEMPTION OF UNITS**

**AKRO investiční společnost, a.s.**

Slunná 547/25, Prague 6, Postal Code 162 00

tel. +420 234 261 600

fax: +420 234 261 605

E-mail: akro@akro.cz

Website: <http://www.akro.cz>

Office hours: Mon + Wed: 9.00 to 12.00 and 14.00 to 16.30

Tue, Thu, Fri: 9.00 to 12.00

**Appendix No. 9** concerning paragraph 23.3. of the Statute

**INVESTMENT COMPANY'S CONTACT INFORMATION**

**AKRO progresivních společností**  
výkonnost v letech 2000 - 2010 v %

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2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010

