

BALTIC CORPORATE BOND FUND

RULES



**Open-ended Investment Fund Intended for Informed
Investors**

Approved on 23/11/2023 by MILVAS UAB Board Decision No. 29

Terms and definitions

All capitalised terms used herein are understood as they are specified in this section of the Rules. This section of the Rules only highlights the key terms.

Additional Investment means the purchase of the Fund units initiated by the Investor who has already purchased the Fund units for a minimum amount indicated herein.

Law means the Law on Collective Investment Undertakings Intended for Informed Investors of the Republic of Lithuania.

Management Company means Milvas UAB acting in accordance with the law on collective investment undertakings intended for informed investors.

Net Asset Value (NAV) means the difference between the value of assets constituting an investment fund and non-current and current liabilities of the investment fund.

Initial Investment means the first purchase of the Fund units initiated by the Investor based on the initial investment agreement.

Investment Agreement means an agreement regulating the purchase of Investment Units.

Investment Fund (or Fund) means a collective investment undertaking Baltic Corporate Bond Fund intended for informed investors, the assets of which are held by legal or natural persons by right of common fractional ownership and are managed by trust by the management company of a collective investment undertaking.

Investment Unit means a transferable security evidencing the co-owner's right to a part of assets constituting an investment fund.

Investor means a participant or a prospect participant in the Baltic Corporate Bond Fund managed by the Management Company and intended for informed investors.

Supervisory Authority means the Bank of Lithuania.

Rules means this document.

Regular Redemption means redemption of units that can be submitted during the Fund's operating period and according to which the redemption of Investment Units is carried out at the calculated NAV and the value of the Fund's investment units at the end of the third calendar month.

Accelerated Redemption means redemption of units that can be submitted during the Fund's activity period and according to which the redemption of Investment Units is carried out for the NAV and the value of the Fund's investment units calculated at the end of the following calendar month.

1. Key information

1.1. This document is concluded based on the Law on Collective Investment Undertakings Intended for Informed Investors of the Republic of Lithuania and regulates the relationship between the Management Company and the investors of the Investment Fund.

Name of the Fund	Baltic Corporate Bond Fund
Type of Fund	Open-ended fund intended for informed investors
Management Company	Milvas UAB, Konstitucijos pr. 15-94, Vilnius, Lithuania
Currency	Euros (EUR)
Depository	SEB bank, AB, Konstitucijos pr. 24, LT-08105 Vilnius, Lithuania
Supervisory Authority	Bank of Lithuania, Žirmūnų g. 151, Vilnius, Lithuania
Audit Firm	UAB Mazars Lithuania Audit
Accounting Firm	M-Finance
Start date of the business activity	28/05/2019
End date of investment activities	N/A: the fund is open-ended therefore the duration of investment activities is not limited

1.2. This Investment Fund: (i) is intended for more than one Investor, not associated to the Management Company; (ii) more than 50 percent of the Fund's assets, the NAV and subscribed (non-performed) obligations shall be comprised of the assets of investors not associated with the Management Company, including the obligations subscribed by investors; (iii) in case of

dissolution of the Investment Fund, the assets of the collective investment undertaking shall be sold to the investors not associated with the Management Company.

- 1.3. This document shall be reviewed as needed and indicated in these Rules.

2. Investment strategy

- 2.1. This Fund aims at ensuring a fair return for Investors who invested in debt securities issued by companies operating in the Baltic states. As stated in these Rules, the Fund may invest a part of the money in bonds issued by companies operating in other states (belonging to the Europe Economic Area) having an ISIN number. A part of the Fund's assets is held in cash to have a liquidity cushion and meet the liquidity needs of the Investors.
- 2.2. The Management Company shall invest money in companies demonstrating sustainable growth, having the history of operation and aiming at diversifying their sources of liabilities.
- 2.3. When making investment decisions, the Fund shall assess if the companies meet sustainability and investment criteria. No more than 10% of Fund's assets shall be comprised of the bonds of companies earning more than 25% of their income from (i) the production of fossil fuels, (ii) the alcohol and/or tobacco industry, (iii) a gambling organisation. The Fund shall not make any investments in companies operating in the pornography and arms industry. The Fund shall also refrain from investing in any companies violating human rights and international agreements on sustainability, preservation of nature and greenery.
- 2.4. The main currency of the Fund is the Euro. Therefore, all the investment risks and returns shall be assessed with respect to the Euro.
- 2.5. The Fund shall be managed actively.

- 2.6. A benchmark shall not be used to assess the results of the Fund.
- 2.7. The Fund's assets may be invested in currencies other than the main currency of the Fund.

Investment objects of the Fund

- 2.8. The Fund's assets shall be invested in debt securities/bonds. Part of the above shall be quoted on markets, while others shall be purchased during non-public offerings. Also, for the purpose of liquidity management, in some cases a part of the Fund's assets may be invested in liquid money market instruments: Debt securities denominated in euros and issued by the Lithuanian Government or the Governments of other EU member states.
- 2.9. The Management Company shall aim at investing the Fund's assets in short- and medium-term debt securities to ensure that the weighted investment period of the Fund is three to five years.
- 2.10. A part of the Fund's assets may be invested in bonds associated to derived products, e.g., bonds with the early redemption option.
- 2.11. The Fund shall invest both in bonds quoted on the markets and bonds non-quoted on the markets, therefore a part of the Fund's assets may be invested in low liquidity financial instruments. However, the Fund shall invest only in financial instruments with an ISIN code.

Main risks assumed by the investors and risk management

- 2.12. The main risks undertaken by the investors are listed below. This list of risks is not complete and essentially represents only general risks associated with the investment objects of the Fund.

Credit risk defines the risk occurring when the issuer is not able to fulfil its liabilities to the creditors. This risk is the most critical to those investing in held-to-maturity bonds. The credit risk is associated to the likelihood of issuer bankruptcy and the value of the assets recovered in case of bankruptcy — based on these factors, the issuers receive their credit rating. The likelihood of bankruptcy is related to the actual conditions of economic life and financial market. In some cases, the number of bankruptcies increases exponentially (usually during a crisis). Therefore, a possibility of the Fund experiencing severe losses due to the issuers' failure to fulfil their liabilities exists.

Recovery risk and subordination: specific emphasis should be placed on the position of the bond in the issuer's capital structure, as it is directly related to the value of assets recovered in case of bankruptcy (recovery ratio). Retrospectively, subordinated bonds are characterised by the lowest recovery ratio. Low recovery ratio is also inherent to bonds issued not by the parent company of the issuer, but rather its subsidiaries or special purpose vehicles (SPV). The recovery ratios are retrospectively lower during large scale economic crises. The Manager of the Fund shall aim at minimising the investments to subordinated bonds or bonds issued by subsidiaries, however, they cannot fully eliminate the possibility that in case of frequent bankruptcies, the value of Fund's assets can decrease significantly due to the low recovery ratio.

Liquidity risk: typically investment objects of the Fund are less liquid than the Government bonds which are more popular among investors. This often leads to a wide bid-ask spread on the market which in some cases may prevent the Fund from disposing of one or all of its bonds at

best market price. This causes a risk that at some point the Fund's liquidity reserve may be insufficient to fulfil its obligations to investors.

Market risk: the market value of bonds held by the Fund may fluctuate and regularly change even when there are no company-related news or at a steady company risk level. Bond prices also depend on monetary policy and especially on the changes of interest rates. These factors influence the Fund's NAV and in turn the value of investment units.

Operational risk: there is a possibility to incur losses caused by people, systems, inadequate or failed internal processes or external events, including legal risk. Should this risk materialise, there is a possibility of the decrease of the Fund's NAV and the value of its investment units.

Currency risk is associated with the part of Fund's assets invested in the bonds denominated in currencies other than euros. Foreign currency rates may fluctuate against the euro and, in some cases, decrease the return on investment. This is significant even when the foreign currency is pegged to euro and its exchange rate does not fluctuate over time. This causes a possibility of the Fund incurring losses related to changes in currency exchange rates.

Investment portfolio risk is caused by an excessive concentration of investments in a certain company, sector or bonds with similar characteristics. The Manager of the Fund aims at minimising this risk by diversifying the investments as specified in these Rules. This risk is particularly relevant during the first 24 months of the Fund's activity.

Political risk is related to a possibility to incur financial losses due to certain political decisions or events.

- 2.13. The above risks shall be managed in accordance with the internal procedures approved by the Company outlining detailed information on the diversification and reasonableness of the investment decision, the requirements for the financial situation and sustainability of the company to be invested in as well as other factors.
- 2.14. Investment decisions are made by the Investment Committee of the Management Company consisting only of the employees of the Management Company. The Board of the Company shall appoint the members of this Committee for a two-year term. The Committee may only consist of people who meet the requirements set forth in the provisions of Resolution No. 03-217 of the Board of The Bank of Lithuania of 20 November 2018 on the Approval of the Guidelines for the Assessment of Members of the Management Body and Key Function Holders of the Financial Market Participants Supervised by the Bank of Lithuania, while the Manager of the Fund undertakes to continuously monitor the risks:
- 2.14.1. The Manager of the Fund undertakes to constantly monitor the financial situation of every issuer, whose securities the Fund decides to invest in, in order to determine if the situation of the issuer has not changed substantially and the main reasoning for the decision to invest into the issuer's securities is still valid and relevant.
- 2.14.2. The Manager of the Fund undertakes to revise the information on the financial situation of the issuers at least biannually and to record new data every time when they are received.
- 2.14.3. After receiving new data, the Manager of the Fund undertakes to determine if the issuer continues to take all the set security measures.

2.14.4. The Manager of the Fund undertakes to check if the company is able to fulfil its obligations when there are no substantial changes to its business activities.

2.15. Every investment decision shall be detailed in writing by indicating the circumstances, reasons and information available at that time, based on which decision was made.

Investment limits and diversification

2.16. The Management Company aims:

- 1) To invest at least 51% of the Fund's assets in bonds issued by the companies mainly operating in the Baltic States, those, whose registered offices are in the Baltic States, or those, whose shareholders are the citizens of the Baltic States;
- 2) To hold an average of 5% of the Fund's assets in cash or their equivalents during the accounting period;
- 3) To invest no more than 49% of the Fund's assets in bonds issued by the companies operating in the European Economic Area (EEA) that may be denominated in currencies other than the currency of the Fund.

2.17. The Fund shall not invest more than 10% of its assets in one bond issuance of the same company. The Fund may invest up to 15% of its assets in different bond issuances of the same company.

2.18. The Management Company may disregard the limitations set forth in this part of the Rules during the first 24 months of the Fund's operation.

Making investment decisions

- 2.19. Investment decisions are made by the Investment Committee of the Management Company consisting only of the employees of the Management Company. The Board of the Company shall appoint the members of this Committee for a two-year term. The Committee may only consist of people who meet the requirements set forth in the provisions of Resolution No. 03-217 of the Board of The Bank of Lithuania of 20 November 2018 on the Approval of the Guidelines for the Assessment of Members of the Management Body and Key Function Holders of the Financial Market Participants Supervised by the Bank of Lithuania.
- 2.20. An investment decision shall be considered approved after reaching a consensus between all the members of the Investment Committee. The Investment Committee decisions shall be made in writing and signed by all the members of the Committee specifying the date of the decision and detailing as much as possible the investment object for which the decision was made.
- 2.21. In every case, the investment limits shall be set on a case-by-case basis. Based on these limits the Manager of the Fund shall make appropriate investments.
- 2.22. The employee of the Management Company appointed as the Manager of the Fund is responsible for gathering the information on every potential investment and submitting this information to the Investment Committee. This employee is also responsible for the investment monitoring as provided in the internal documents of the Company.
- 2.23. Irrespective of the size of investment, the Fund's assets shall not be invested or sold without the consent of the Investment Committee.
- 2.24. The Management body of the Management Company shall have a right to make advisory comments on every investment of the Fund.

Amendment procedure of the investment strategy

- 2.25. Investment strategy may be amended only having notified all the Investors of the Fund about the planned changes in writing and in advance (3 months prior) and only having received the approval of at least 50% of the Investors. No objection from the Investor is considered an approval.
- 2.26. Each amendment of the investment strategy shall be reflected in these Rules. Therefore, having received the approval from the Investors, the amendments of these Rules and investment strategy shall be submitted to the Bank of Lithuania as specified by the Law.
- 2.27. Both the investment strategy and the Rules may be amended only having received the approval from the Investors and having properly informed the Depository.

3. Requirements for the Investors

- 3.1. The investors may participate in the Investment Fund only if they are considered informed investors. As set forth in the Law, informed investors shall mean:

1) Professional investors — professional clients as defined in the Law on Markets in Financial Instruments of the Republic of Lithuania.

2) Natural persons without the status of professional investors who have confirmed in writing to the Management Company their status as that of informed investors and who satisfy at least one of the following requirements:

a) Invest or undertake to invest no less than EUR 125 000 or an equivalent amount in another currency;

b) Legal entities (or an equivalent undertaking in another member state) with the right to provide investment services in the Republic of Lithuania having assessed that person's knowledge and experience in the area of investment and confirmed in writing that this entity is capable of adequately perceiving the risk related to investments into the Fund.

3) Natural persons without the status of professional investors who are Managers of the Management Company of the Fund or persons making investment decisions on the management of assets.

4) Legal entities without the status of professional investors whose main business activity is not investment in collective investment undertakings if they have confirmed in writing to the Management Company their status as that of informed investors and who satisfy at least one of the following requirements:

a) Invest or undertake to invest not less than EUR 125 000 or an equivalent amount in another currency;

b) Legal entities (or an equivalent undertaking in another member state) with the right to provide investment services in the Republic of Lithuania having assessed that person's knowledge and experience in the area of investment and confirmed in writing that this entity is capable of adequately perceiving the risk related to investments into the Fund.

4. Minimum investment amount

4.1. The minimum initial investment amount is **EUR 125 000** (one hundred and twenty-five thousand euros).

4.2. The minimum investment amount when a person who has already invested the minimum amount wants to purchase additional Fund units is **EUR 10 000** (ten thousand euros).

- 4.3. The entities with the status of professional investors indicated herein and in the laws of the Republic of Lithuania and natural persons without the status of professional investors who are Managers of the Management Company of the Fund or persons making investment decisions on the management of assets may invest a minimal amount of **EUR 20 000** (twenty thousand euros).

5. The rights and obligations of the Investment Fund participants

5.1. Every participant of the Investment Fund has the following rights:

- 5.1.1. To, at any time, request the Management Company to redeem his or her Fund units at the conditions laid out in these Rules and the Prospectus;
- 5.1.2. To receive a part of the Fund's income based on the conditions laid out in these Rules and the Prospectus, should the Management Company reach a decision to distribute the income of the Fund;
- 5.1.3. If the Fund is dissolved, to receive a part of the Fund's assets based on the conditions laid out in these Rules and the Prospectus;
- 5.1.4. To, at any time, request and receive the information on the Investment Fund and Management Company, the units they hold and their value as set forth in the Law;
- 5.1.5. Having received a written advance approval from the Head of the Management Company, to sell, gift or otherwise transfer his or her Fund units (or their right of ownership) to third parties if the person in question has the status of an informed or a professional investor and meets all the requirements of an Investor set forth in these Rules and the Prospectus;
- 5.1.6. To vote on the amendments of the Rules as defined in these Rules;
- 5.1.7. To exercise any other rights provided in these Rules, the Prospectus, the Law and any other legal acts of the Republic of Lithuania.

5.2. Every participant of the Investment Fund has the following obligations:

- 5.2.1. Immediately, but no later than within 10 calendar days from the fact, inform the Management Company about the changes of the information related to the Investor who is a natural person, including name, surname, personal number, residential address, email, phone number, bank account number and other details. Investors who are legal entities shall inform about the changes related to the company code, registered office address, head or authorised representative, email, phone number, bank account number and other details within 10 days from the date of the change.
- 5.2.2. To inform the Management Company in writing of his or her intent to sell, gift or otherwise transfer his or her Fund units (or their right of ownership) to third parties and refrain from the transaction unless the authorisation of the Management Company is obtained.
- 5.2.3. If the Fund units are considered a joint matrimonial property, prior to requesting to redeem the Fund units, the Investor shall submit a written proof that the spouse consents to the sale or a power of attorney certified by a notary to perform this transaction without a separate consent from the spouse.
- 5.2.4. To fulfil all the obligations set forth in the Agreement on the sale and purchase of the Fund Units.
- 5.2.5. To fulfil any other obligations provided in these Rules, the Prospectus, the Law and any other legal acts of the Republic of Lithuania.

6. The rights and obligations of the Management Company

6.1. The Management Company has the following rights:

- 6.1.1. To request the Investors to fulfil their obligations set forth in these Rules and the Agreement on the sale and purchase of the Fund Units;
- 6.1.2. To manage, use and dispose of the Fund's assets by trust;
- 6.1.3. To assign some of the functions of the Management Company related to the Fund management to another company, which has the right and adequate skills to duly perform said functions;
- 6.1.4. To make deductions from the Fund's assets legally and as set forth in these Rules and the Prospectus, including, but not limited to the Management Company fees paid for the management of the Fund;
- 6.1.5. On account of the Fund to enter into and perform transactions related to the management of the Fund's assets and the transactions related to the redemption and sale of the Fund units;
- 6.1.6. To amend the Rules, the Prospectus and other documents based on the conditions set forth in these Rules;
- 6.1.7. To exercise any other rights provided in these Rules, Prospectus, the Law and any other legal acts of the Republic of Lithuania.

6.2. The Management Company has the following obligations:

- 6.2.1. To carry out its activities with due care, professionally, honestly and in the best interests of the Investors;
- 6.2.2. To act in accordance with the requirements specified in these Rules, the Prospectus, the Law and any other legal acts of the Republic of Lithuania;
- 6.2.3. To maintain and use the means and procedures necessary for its business activities;

- 6.2.4. To disclose to the investor all the information requested by the Law or any other data related to the investor;
- 6.2.5. To ensure that all the participants of the Fund comply with the requirements set forth in the Law and these Rules;
- 6.2.6. To hold a digital and easily accessible as well as periodically updated list of its Investors on a sustainable media;
- 6.2.7. To ensure that the Managers of the Management Company as well as the persons making decisions on the management of the Fund's assets have sufficient knowledge and experience as well as impeccable reputation;
- 6.2.8. To perform internal control and ensure that the management and administration procedures of the Management Company as well as its record-keeping and accounting systems are reliable and at any time allow to access necessary information on all the transactions related to the Fund units and its assets (their content, date and place), their parties, compliance with the Rules, the Law and other legal acts of the Republic of Lithuania;
- 6.2.9. To ensure that the organisational structure allows to avoid and manage the conflicts of interest and periodically update internal procedures detailing and determining the methods and actions based on which this section of the Rules should be fulfilled;
- 6.2.10. To ensure that all the transaction documents are retained for no less than 3 (three) years from their execution date unless certain legal acts of the Republic of Lithuania establish a longer retention period;
- 6.2.11. To invest the Fund's assets as provided for in these Rules;
- 6.2.12. To collaborate with the Supervisory Authority and disclose to the Supervisory Authority and all the other competent institutions all the relevant information related to the Investment Fund, the Management Company and the Investors, when there is a legal basis for such disclosure

or when the obligation to disclose the above information is set forth in the valid legal acts of the Republic of Lithuania;

6.2.13. On account and for the benefit of the Fund, to conclude only those transactions specified in these Rules which ensure the best interests of the Investors, the investment strategy of the Fund and sustainable long-term growth.

6.2.14. To fulfil any other obligations provided in these Rules, the Prospectus, the Law and any other legal acts of the Republic of Lithuania.

7. Procedure for the acquisition and redemption of the investment units

7.1. Both the NAV and the value of investment units shall be calculated once a month and determined based on the value of assets held by the Fund on the last business day of the month.

7.2. The Fund's NAV and the value of the investment units shall be published on the website of the Company until 5 PM (Lithuanian time) of the 5th business day of the following month.

7.3. Upon a separate decision of the Management Company, the Fund's NAV and the value of the investment units may be calculated and published at some time during the month. This can be carried out only in exceptional market situations or when this is beneficial (or necessary) to the Fund and the Investors.

Procedure for the acquisition of the Fund units

7.4. The Fund units are offered by concluding an Initial Investment or Additional Investment Agreements.

- 7.5. A person making the initial investment in the Fund shall sign an Initial Investment Agreement.
- 7.6. The Investor seeking to make additional investments shall sign an Additional Investment Agreement prior to every such investment.
- 7.7. The Fund units may be settled only in euros.
- 7.8. Should for any reason the Investor fail to fulfil his/her obligations specified in the Investment Agreement and settle for the Fund units, the Management Company has a right to:
 - 7.8.1. Unilaterally terminate the Initial and Additional Investment Agreements with the investor;
 - 7.8.2. Cancel the agreement that the investor fails to honour;
 - 7.8.3. Reach a mutually acceptable arrangement and change the investment conditions if such changes do not breach the Rules. All the arrangements of such type shall be made in writing.
- 7.9. The Investors may submit their Investment Agreements, i.e., requests to purchase the Fund units at any time.
- 7.10. All the agreements concluded before the last business day of the previous calendar month and based on which the money was transferred to the account of the Fund by the last business day of the month on which the agreement was signed become enforceable on the first business day of the calendar month. The agreements are enforced based on the Fund's NAV and the value of the investment units calculated on the last business day of the previous calendar month.

Example: If the investor submits his/her request and signs an agreement before the 31st of May and makes the payment indicated in the investment agreement to the account of the Fund before the 31st of May, then the value of the investment unit shall be calculated based on the data of the 31st of May (or the last business day of May). Based on these rules, it will be executed until the 5th of June. Therefore, the investor's

money shall be converted to the Fund units no later than on the 5th of June, based on the Fund's NAV and the value of the investment units on the month of May.

Example No. 2: If the investor submits his/her request and signs an agreement on the 31st of May, but makes the payment indicated in the investment agreement to the account of the Fund during the month of June, the contribution of the Investor shall be converted to Fund units based on the Fund's NAV and the value of the investment units on the month of June. This means that the investor's money shall be converted to the Fund units on the 5th of July, based on the value of Fund's NAV and investment units on the month of June.

- 7.11. The investor acquires the right of ownership when the money he/she invested is converted to the Fund units and the manager of personal accounts makes the relevant entry in the Investor's personal account of transferable securities.
- 7.12. This entry, which is considered proof of the right of ownership, is made no later than within one business day from the day when the Fund publishes its NAV of the month indicated in the Investment Agreement.
- 7.13. If Fund units are transferred, the entries in the personal accounts of Investors are made within three days from the day when the Management Company received documents evidencing the transfer transaction.
- 7.14. Fund units may be offered only to the persons meeting the criteria specified in the 3rd part of these Rules. Based on the valid legal acts and the internal procedures of the Management Company, it undertakes to determine whether the Investor meets the above-mentioned criteria.
- 7.15. The Management Company has a right to assume that the investors meeting the criteria specified in the 3rd part of these Rules have sufficient knowledge, experience and financial capacity as well as are able to

understand and adequately assess the risks associated with the investments in the Fund.

- 7.16. In cases when a potential investor does not meet the criteria specified in the 4th part of these Rules, the Management Company informs the potential investor about this and refuses to conclude the Investment Agreement based on this fact.
- 7.17. As provided in these Rules, the Investor may transfer the Fund units to another person only having received the consent from the Management Company. If the Fund units are transferred to another person without a written consent and the said person does not meet the criteria specified in the 3rd part of these Rules, the Management Company has to consider such transfer void and redeem the Fund units on the next day of the NAV calculation and in accordance with the procedure established by the Rules.
- 7.18. The minimal investment amount is set forth in the Rules and may be updated only when the Rules are revised.

Procedure for the redemption of the investment units

- 7.19. Fund units are redeemed during the activity period of the Fund and after receiving a free-format application from the Investor. This application shall contain the number of the Fund units to be redeemed.
- 7.20. The Investor submitting the application has to confirm in writing that the units to be redeemed are his/her personal property. In cases when the Fund units are considered a joint matrimonial property, the Investor shall submit to the Management Company a power of attorney certified by a notary to perform such transactions without a separate consent from the spouse; alternatively, the application for the redemption of the units shall be signed by both spouses.

- 7.21. The written applications shall be submitted directly to the Management Company.
- 7.22. The Fund units, except accelerated redemption, are redeemed once a month, however, no sooner than 3 months after the date of submission of the application for the redemption of the units.
- 7.23. The investors are free to submit their applications for the redemption of the Fund units at any time. However:
- 7.23.1. At the moment the investor submits his/her application for the regular redemption of the Fund units, the submission date of the request is documented. The redemption of the Fund units is initiated 3 calendar months after the submission date, based on the NAV and the value of the Fund units calculated at the end of the third calendar month.

Example: The investor submits an application for the redemption of his/her Fund units on the 15th of April. The submission date of the request is documented. The redemption is initiated three months after this date and the redemption amount is calculated based on the NAV and the value of the Fund units calculated on the last business day of the month of July (the closest calculation day of the NAV and the value of the Fund units).

- 7.23.2. At the moment the investor submits his/her application for the accelerated redemption of the Fund units, the submission date of the request is documented. The redemption of the Fund units is initiated the following calendar month after the submission date, based on the NAV and the value of the Fund units calculated at the end of the following calendar month.

Example: The investor submits an application for the redemption of his/her Fund units on the 15th of April. The submission date of the request is documented. The redemption is initiated the following month after this date and the redemption amount is

calculated based on the NAV and the value of the Fund units calculated on the last business day of the month of May.

- 7.23.3. The employee of the Management Company receiving the application for the redemption of the Fund units informs the investor in writing about the specific day when the value, for which the Fund units held by the Investor shall be redeemed, is calculated.
- 7.24. The redemption of the investment units is settled by making a payment to the account indicated by the Investor in the Investment Agreement no later than within 5 business days from the date when the NAV and the value of the Fund units, for which the redemption has been carried out, was published.
- 7.25. The Management Company undertakes to make a payment within the period set out in point 7.24. If for some reasons, not directly related to the Management Company, the payment shall be credited to the Investor's account later than the set period, this shall not constitute a delayed payment.
- 7.26. If the payment to the Investor is not made during the set period due to the fault of the Management Company, having received a written request from the Investor, the Management Company undertakes to pay the Investor the delay interest set out in the Civil Code of the Republic of Lithuania.
- 7.27. The management company undertakes to carry out Accelerated Redemptions in cases where, according to all Accelerated Redemption requests submitted that month, the value of redeemed units is 10% or less of the NAV of the Fund known at the time of the request. If total amount of submitted requests exceed 10% of the mentioned value, the Management Company reserves the right to fulfill all requests only partially on a pro rata basis, by notifying the investor who submitted the request in advance.

- 7.28. Investors have the right to submit requests to cancel the Regular Redemption of Units. Requests to cancel a Regular Redemption of Units are accepted no later than 15 calendar days before the last day of the month at the end of which value of the units to be redeemed would be calculated. The management company, taking into account the interests of all investors of the Fund, may grant or reject such a request and informs the investors about the decision in writing.
- 7.29. The Management Company may exercise its right to suspend the redemption and settlement processes in accordance with the procedure established by the Rules if the liquidity reserve is not sufficient to redeem the Fund units or in case of other serious reasons. Every Investor shall be informed of such cases personally.

8. Reasons and procedure for the suspension of redemption of investment units

- 8.1. The right to suspend the redemption of the Fund units shall be vested in the Management Company and the Bank of Lithuania.
- 8.2. The redemption of the Fund units may be suspended for a period which does not exceed 6 months per year.
- 8.3. The redemption may be suspended:
- 8.3.1. Where this is necessary to protect the interests of the Investors from a potential insolvency of the Fund and drop of the redemption price in case of unfavourable market conditions as well as the reduction of the value of the investment basket;
- 8.3.2. When the liquidity reserve and the amount of cash is not sufficient to settle for the redeemed Fund units and the sale of the held Fund's assets would have negative and detrimental effect to other Investors of the Fund.

- 8.3.3. This restriction is imposed to the Fund by the Bank of Lithuania.
- 8.4. From the moment of the adoption of a decision to suspend the redemption of the investment units, it shall be prohibited to:
- 8.4.1. Accept the applications for redemption;
- 8.4.2. Pay for the investment units, the redemption of which was requested before the decision to suspend the redemption was reached.
- 8.5. The suspension of the redemption of the Fund units shall be immediately communicated to all the Investors of the Fund and the Bank of Lithuania.
- 8.6. Where a decision to suspend the redemption of units is made by the Bank of Lithuania, the Management Company shall not make a decision to renew the redemption of units at its own discretion and must wait for an authorisation from the Bank of Lithuania.
- 8.7. A notice of the decision to renew the redemption of the Fund units shall be communicated under the same procedure as the notice about the suspension of the redemption of the investment units.

9. Frequency and methods of distribution, the disbursement of the investment fund's income

- 9.1. The Management Company is not obliged but plans to make periodic payments from the assets of the Baltic Corporate Bond Fund.
- 9.2. The Company plans but is not obliged to pay to the investors a part of the free money accumulated by the Fund until the 10th business day of every month without exceeding the 0.35% of the Fund's net asset value. Payments shall be made pro rata based on the number of the units held by every Investor.
- 9.3. In cases when due to excess liquidity or other important reasons the Board of the Management Company reaches a decision to disburse a larger

portion of the Fund's assets, the Management Company shall offer to the Investors to redeem a proportionate part of the Fund units.

- 9.4. Having made an offer specified in point 9.3 and received an approval from at least 50% of all the participants holding the Fund units, the Management Company shall redeem the number of the Fund units indicated in the offer for the value of the investment units of the next month. If less than 50% of investors agree to disburse additional income which is not specified in point 9.2, the disbursement of income shall not be initiated.

10. Fees and expenses

- 10.1. All the expenses covered by the Fund's assets shall not exceed 5% of the average annual NAV of the Fund.

Management Company fee

- 10.2. The Management Company receives a management fee for the management of the Investment Fund. The annual fee shall not exceed 1.4% of the average annual NAV of the Fund and shall be covered from the Fund's assets.
- 10.3. The management fee is calculated on the last day of every month, multiplying the NAV of the Fund by 0.1165%. The Management Company fee is due by the 15th of the next month.

Depository fee

- 10.4. A remuneration for the services of the Depository is paid from the Fund's assets.
- 10.5. The annual Depository fee shall not exceed 0.2% of the average annual NAV of the Fund but cannot be lower than 3 300 euros per quarter.
- 10.6. Depository fee is calculated every month, based on the Fund's NAV of the said month, set in accordance to the procedure established by these Rules, multiplied by the agreed fee and by dividing the total amount by 12. This Depository fee is paid once every quarter.

Other expenses

- 10.7. The Fund's assets are also used to cover the following expenses:
 - 10.7.1. Costs for intermediary services when selling or purchasing securities;
 - 10.7.2. Costs for the accounting of securities;
 - 10.7.3. Costs for bank services (e.g., for making payment orders, account administration, currency exchange operations);
 - 10.7.4. Litigation expenses;
 - 10.7.5. Recovery expenses;
 - 10.7.6. Legal expenses.

Expenses covered by the Management Company

- 10.8. The Management Company covers the following expenses associated to the management of the Fund (including but not limited to):
- 10.8.1. Fund incorporation expenses;
 - 10.8.2. Auditor fee for audit services;
 - 10.8.3. Accounting firm fee for accounting services;
 - 10.8.4. Expenses related to the preparation and submission of the Fund information;
 - 10.8.5. Expenses related to the preparation and revision of these Rules, the Prospectus and other documents;
 - 10.8.6. Fund advertisement expenses;
 - 10.8.7. State and municipality taxes and fees;
 - 10.8.8. Costs for business insurance of the responsible entities.

Subscription fee

- 10.9. The subscription fee is paid upon the purchase of the Fund's units and is not calculated into the NAV of the Fund. The subscription fee is calculated from the purchase amount and cannot exceed 1%:
- 10.9.1. When investing up to 199 000 euros (one hundred and ninety-nine thousand euros) in the Fund (excluding the subscription fee), the subscription fee of 1% is applied.
 - 10.9.2. When investing from 200 000 euros (two hundred thousand euros) to 299 000 euros (two hundred and ninety-nine thousand euros) in the Fund (excluding the subscription fee), the subscription fee of 0.5% is applied.

10.9.3. When investing 300 000 euros (three hundred thousand euros) or more in the Fund (excluding the subscription fee), no subscription fee is applied.

10.10. A specific investor may be exempt from paying the contribution charge irrespective of the investment amount by a separate order from the Head of the Management Company.

Redemption fee

10.11. The redemption fee may be applied to investors who submit an application for the redemption of the Fund units and is calculated as follows:

10.11.1. If the Investor's Regular or Accelerated application for the redemption of the Fund units is granted after a period of less than 180 calendar days from the purchase date of the same units (the day when the entry proving the right of ownership is made in the Investor's personal account), a redemption fee not exceeding 5% is applied.

10.11.2. If the Investor's Regular or Accelerated application for the redemption of the Fund units is granted after a period of less than 360 calendar days, but more than 179 calendar days from the purchase date of the same units (the day when the entry proving the right of ownership is made in the Investor's personal account), a redemption fee not exceeding 3% is applied.

10.11.3. If the investor's application for the redemption of the Fund units is granted after a period exceeding 359 calendar days from the purchase date of the same units (the day when the entry proving the right of ownership is made in the investor's personal account), a redemption fee is not applied.

10.11.4. If the investor's Accelerated application for the redemption of the Fund units is granted after a period exceeding 359 calendar days from the

purchase date of the same units (the day when the entry proving the right of ownership is made in the investor's personal account), a redemption fee of 1.5% is applied.

10.12. In any case, the Management Company may make a decision not to apply any redemption fee, i.e., the Head of the Management Company may issue a separate order not to apply the redemption fee to a certain investor.

10.13. The redemption fee is calculated based on the procedure established in point 11.11 of these Rules and by firstly converting the units held by the Investor to euros in accordance with the procedure established in part 9 of these Rules and then transferring the corresponding part of this amount to the investor and using the other part of this amount as a redemption fee for the Management Company.

Example: An investor holds 100 000 Fund units. The entry on the Fund units held by the participant was made in his/her personal account on 06/04/2019. The participant submitted the application for the redemption of the Fund units on 20/08/2019. On 31/08/2019, the value of one Fund unit was 1 euro. A 5% redemption fee is applied to the investor. In this case 100 000 units are converted to 100 000 euros, of which 95 000 euros are transferred to the Investor, while 5 000 euros are transferred to the Management Company.

11. Procedure for publishing information about the investment fund

11.1. The Management Company publishes the following information about the Investment Fund on its website at www.milvas.lt:

- 11.1.1. The Rules;
- 11.1.2. The Prospectus;
- 11.1.3. Key Investor Information Document;

- 11.1.4. Annual audited financial statements of the Fund together with the audit report.
- 11.2. The Management Company also publishes annual audited financial statements and activity reports of the Management Company together with the audit report.
- 11.3. Every Investor may exercise his/her right to receive the information on the quantity and value of his/her Fund units.
- 11.4. Other important information, e.g., on the suspension of the sale and redemption of units, liquidation of the Fund, etc. is also published on the website of the company at www.milvas.lt, and communicated to every investor of the Fund as specified in the Investment Agreement.

12. Procedure for the valuation of assets, calculation and making the investment unit value of the investment fund public

- 12.1. The Fund's NAV is set at least once a month on the last business day of every month and at the end of each financial year.
- 12.2. When setting the Fund's NAV value the following are calculated:
 - 12.2.1. The value of all the assets;
 - 12.2.2. The value of all the liabilities;
 - 12.2.3. The NAV is considered as the difference between the value of all the assets of an investment fund and all its liabilities.
- 12.3. The calculation of assets and liabilities is based on their actual value which reflects the net asset value for which the Fund is most likely to dispose of its assets unless such value cannot be reliably determined.

- 12.4. The assets (or part thereof) may be written off only when the rights to the assets (or part thereof) have been exercised, when the rights have expired or when the said rights have been transferred.
- 12.5. The liabilities (or part thereof) may be written off only when they have been extinguished, i.e., when the contractual liabilities (or part thereof) have been fulfilled, have expired or have been cancelled.
- 12.6. The liabilities of the Fund are calculated in accordance with the Accounting Standards for Business.
- 12.7. The assets of the Fund (both liabilities and the NAV) are calculated in euros.
- 12.8. If part of the Fund's assets or liabilities are denominated in a foreign currency, while calculating NAV such assets or liabilities are converted based on the euro foreign exchange reference rates published by the European Central Bank on the day that the monthly NAV is calculated or based on the euro foreign exchange reference rates published by the Bank of Lithuania in cases when the European Central Bank fails to publish the euro foreign exchange reference rates.
- 12.9. **Debt securities** and money market instruments not sold on the regulated markets are evaluated based on the principle of interest accruals and the market price of the said securities.
- 12.10. **Fixed-term bank deposits** are evaluated based on the amortised cost.
- 12.11. **Cash and funds held at credit institutions** are evaluated based on their nominal value.
- 12.12. A detailed procedure of the valuation of securities is set forth by the NAV calculation methodology of the Baltic Corporate Bond Fund, prepared by the Management Company and agreed with the accounting firm; the methodology is drawn based on the Accounting Standards for Business and the methodology for calculating the net asset value approved by the Bank of Lithuania.

- 12.13. The initial value of a Fund unit is EUR 100 (one hundred euros).
- 12.14. The value of the Fund units is calculated by dividing the NAV by the total number of issued units in circulation. The value of the Fund unit is rounded to the nearest four decimal places in accordance with the arithmetic rules for rounding.
- 12.15. The value of Fund's NAV and investment units shall be published by 5 PM (Lithuanian time) of the 5th day of the following month on the website of the Management Company at www.milvas.lt.

13. Procedure for establishing the redemption and sale price of the investment units

- 13.1. The sale price of the investment units is equal to the value of the investment units and may be increased by adding the front-end load specified in these Rules.
- 13.2. The redemption price of the investment units is established based on the value of the Fund units calculated on the next business day of the previous month (preceding the month when the redemption is carried out) (redemption is carried out on month X based on the value of units established on month X-1, which is calculated on the last business day of month X-1 and published on the 5th business day of month X). This value is established together with the NAV in accordance with the procedure laid out in these Rules. If redemption fee is applied as specified in these Rules, before settling with the Investor (transferring him/her the money) a redemption fee is withdrawn from the amount offered for the sale of the Fund units, while the outstanding amount is transferred to the Investor.

14. Grounds and procedure for dissolution of the investment fund

- 14.1. The Fund may be dissolved based on the decision of the Board of the Management Company or the Bank of Lithuania.
- 14.2. In such cases, the offer and redemption of the Fund's investment units are stopped and terminated.
- 14.3. Having reached a decision to dissolve the Fund, the Management Company undertakes to inform every Investor of this decision in writing, provide the reasoning and explanation of this decision as well as the estimated due dates for the disposal of the Fund's assets, settlement with the creditors and proportionate division of the outstanding Fund's assets to its participants.
- 14.4. The investors and creditors are notified of the decision to dissolve the Fund in writing by one (or multiple) of the following channels of communication: email or registered mail. Information on the dissolution of the Fund shall be communicated within one business day from the date when the Board of the Management Company or the Bank of Lithuania reaches the decision to do so.
- 14.5. On the day of proportionate division of the Fund's assets, which shall be communicated by the Management Company to all the Investors and creditors within 3 days after the relevant decision is reached, all the Fund units held by the Investors are redeemed after the Fund has fully settled with all of its creditors.
- 14.6. The Fund may be dissolved only after all the legal proceedings related to claims regarding the obligations to be discharged on account of the Fund have been handled and after the court decisions become enforceable.
- 14.7. If the Fund is not able to discharge all of the liabilities assumed on its account (due to insufficient assets), the Management company shall not be required to discharge the liabilities assumed by the Fund.

- 14.8. During the dissolution of the Fund, its assets shall be disposed by selling it to persons not associated with the Management Company.
- 14.9. The Fund is recognised as dissolved when it has settled with all of the creditors and proportionally divided all of the outstanding assets to the Investors.

15. Procedure of amendment of the investment fund's rules

- 15.1. The amendments of these Rules may be material and non-material.
 - 15.1.1. The non-material amendments of these Rules are changes that are necessary to provide the most up-to-date information best describing the actual situation.
 - 15.1.2. The material amendments of these Rules are those which materially change the relationship between the Management Company and the Investors, investment strategy, procedure for the valuation of assets, estimation of the NAV and the value of the Fund units as well as other Fund-related aspects which are crucial to current and prospect Investors.
- 15.2. The non-material amendments of these Rules are approved by the Board of the Management Company. The updated Rules are published on the website of Management Company and submitted to the Bank of Lithuania.
- 15.3. The material amendments of these Rules shall be approved by no less than 50% of Investors holding the Fund units.
- 15.4. The Management Company shall communicate the material amendments of the Rules to the Investors at least 3 months prior to the date when the Board of the Management Company shall be making a decision on the amendment of the Rules.
- 15.5. The Investors are notified of the material amendments of these Rules via email together with a reasoned explanation of why and how the Rules shall

be amended and describing how and within what time frame the Investors may express their position (vote) on the amendments of the Rules.

- 15.6. The material amendments of the Rules shall not be imposed if within the time frame set on the day that the notification on the amendments of the Rules was sent, more than 50% of Investors holding the Fund's investment units express their disapproval with the material amendments of these Rules. In all other cases, the Management Company has the right to implement the material amendments of these Rules.
- 15.7. The amendments of these Rules and additions thereof shall be considered approved and valid when the Board of the Management Company reaches a decision on the amendments.

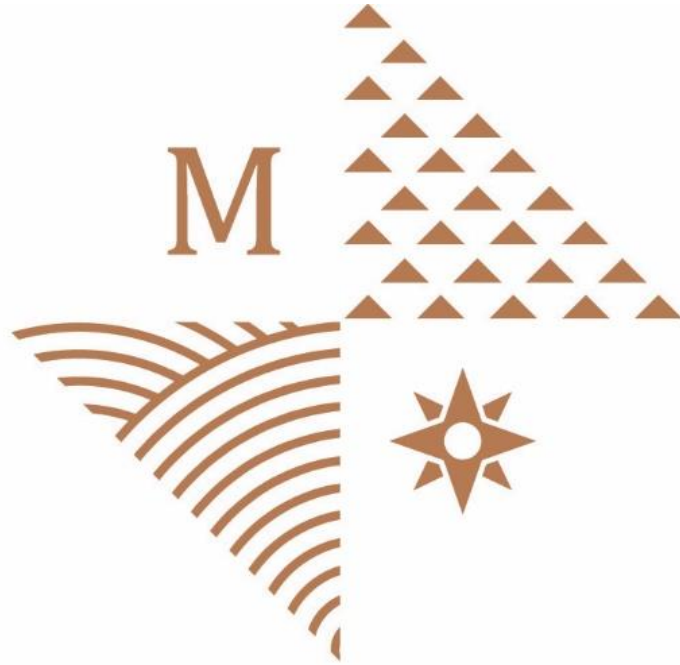
16. Investment unit classes and/or series

- 16.1. The Fund has no investment unit classes and/or series.

17. Conditions and procedure of the replacement of the management company and the depositary

- 17.1. The management functions of the Fund may be assigned to a different management company in the following cases:
- 17.1.1. When bankruptcy proceedings are initiated against the company;
 - 17.1.2. When the Management Company is liquidated or reorganised;
 - 17.1.3. When the Bank of Lithuania reaches a decision to limit or cancel the licence of the Management Company related to the management of the Fund;
 - 17.1.4. When the Management Company is not able to duly fulfil its obligations

- 17.1.5. In other cases specified in the legal acts of the Republic of Lithuania.
- 17.2. The depositary may be replaced in the following cases:
 - 17.2.1. In any cases after informing the Bank of Lithuania;
 - 17.2.2. When the depositary fails to fulfil or improperly fulfils its duties and obligations;
 - 17.2.3. When such decision is beneficial to the investors (e.g., reduces the costs, risk, improves the quality of services);
 - 17.2.4. When the depositary loses its rights to provide the depositary services.
- 17.3. The depositary may be replaced upon a written agreement between the Management Company and the Depositary. After terminating the agreement, the Management Company shall conclude an agreement with another legal entity having the right to provide depositary services.



MILVAS

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