

## INVL Emerging Europe Bond Subfund becomes a feeder undertaking

- At least 85 per cent of the Subfund's net assets will be invested in the investment units of the Master Subfund.
- The nature of risk and return remain unchanged.
- The amount of fees will not undergo any major changes.
- The Subfund's business day and the cut-off time for applications to purchase, switch and sell investment units will be changed.
- Other amendments to the Rules of INVL Umbrella Fund are made simultaneously.
- The Investors are not required to take any actions but they have the right to apply for redemption of the investment units held by them.

Dear Client,

We are pleased to have you as one of the investors in INVL Emerging Europe Bond Subfund (hereinafter referred to as the **Subfund**). Seeking to enhance the efficiency of the Subfund's operations and to ensure the highest quality of the services, INVL Asset Management, the management company of this Subfund, together with its partners established in the Grand Duchy of Luxembourg a master investment subfund INVL Emerging Europe Bond Fund (hereinafter referred to as the **Master Subfund**), and the Subfund will be its feeder undertaking as from 31 June 2021. This means that at least 85 per cent of the Subfund's net assets will be invested in the investment units of the newly established Master Subfund.

Hauck & Aufhäuser Fund Services S. A. (HAFS), an investment company owned by the Hauck & Aufhäuser Group with over 200 years of experience in the banking and investment field and the assets with the value of EUR 120 billion, became the management company of the Master Subfund established in Luxembourg. Meanwhile, the management of investments has been delegated to INVL Asset Management, and therefore, we will be responsible for the investment decisions of the Master Subfund.

In the opinion of the Management Company, the establishment of this investment structure will have a positive impact on the current and new investors of the Subfund:

- Due to a particularly wide network of the major global banks in Luxembourg, the list of the partners with whom securities transactions are concluded will be expanded. A larger partner network will enable to choose more competitive terms of securities acquisition, sale and foreign exchange hedging transactions.
- The Subfund will operate more effectively due to economies of scale. It is provided that the total assets of the Subfund and the Master Subfund should grow as a result of the jurisdiction's attractiveness for investors and good operating results and this will allow to relatively reduce the operating costs incurred and to strengthen the Subfund's power in negotiations with service providers.
- Luxembourg is a leader in establishing and managing funds in Europe and a quality sign for international investors. Due to a larger number of investors from different countries and client segments, the dependency on investors from a single region or a single segment will be reduced, thus ensuring lower fluctuations in the fund's assets if the economic situation in one region changes.

The implementation of such investment structure was approved by the Bank of Lithuania on 26 April 2021 by issuing an authorisation for the Subfund to exceed the 10 per cent threshold for investments in other collective investment undertakings established in the applicable legislation and allowing to amend the Rules of INVL Umbrella Fund (hereinafter referred to as the *Fund*).

The amended Rules of the Fund will enter into force on 30 June 2021. It is planned that the Subfund will start investing in the Master Subfund as from 30 June 2021.

More detailed information on the changes in the Subfund's operations and the amendments to the Rules of the harmonised investment fund INVL Umbrella Fund, which also constitute the Subfund's incorporation document, is provided below. Analogous amendments will be made to the Prospectus of the Fund.

### I. AMENDMENTS TO THE RULES OF THE FUND RELATED TO THE SUBFUND BECOMING A FEEDER UNDERTAKING

#### Investment strategy

The Subfund will become a feeder undertaking by investing at least 85 per cent of its net assets in unit class I intended for the institutional investors of the Master Subfund. The remaining portion of the Subfund's net assets may be invested only in liquid assets that are compliant with the investment strategy while observing the restrictions laid down in the Rules of the Subfund and in the applicable legislation. The Management Company provides that almost all net assets of the Subfund will be invested in the Master Subfund and only a small portion will be held in cash in bank in order to cover the current expenses of the Subfund and to fulfil the investor applications to redeem the Subfund's investment units.

In its turn, the investment strategy of the Master Subfund will correspond with the current investment strategy of the Subfund in terms of its principal direction. The Master Subfund will invest up to 100 per cent of its assets in sovereign and corporate debt securities in Emerging Europe. The Master Subfund will invest at least 51 per cent of the total bonds in sovereign and corporate debt securities in Central and Eastern Europe (Czech Republic,

Estonia, Croatia, Latvia, Poland, Lithuania, Slovakia, Slovenia, Hungary, Belarus, Russian Federation, Ukraine, Armenia, Azerbaijan, Georgia, Turkey, Malta, Albania, Bulgaria, Bosnia and Herzegovina, Greece, Montenegro, Cyprus, Macedonia, Moldova, Romania, Serbia and Kosovo).

Investment decisions of the Master Subfund will be further made by the team of fund managers at the Management Company INVL Asset Management. This means that the Subfund's assets will be further invested through the Master Subfund in the most promising sovereign and corporate debt securities in the Central and Eastern European region based on the credit analysis.

#### **Fee rates**

The Subfund's management fee is reduced from 1 per cent to 0.45 per cent. As the management fee of the Master Subfund is equal to 0.55 %, the total amount of the fees for investment management will remain unchanged for the Subfund's investors.

The Subfund's investments in the Master Subfund may not be subject to the contribution and redemption fees but it is provided that due to the Subfund's operational costs the total amount of the Subfund's expenses will be similar to the current one.

#### **Subfund's business day**

Due to the close relationship between the Feeder Subfund and the Master Subfund the definition of the Subfund's business day changes - the business day of the Subfund will be any calendar day, excluding official holidays and rest days in Lithuania, the Grand Duchy of Luxembourg and the State of Hessen in Germany. This change will be relevant to investors who switch the Subfund's investment units into or from the units of the subfund constituting INVL Umbrella Fund as the switch will be made only on the business days of both subfunds. All the non-business days of the Subfund in 2021 can be found on the website: [www.invl.com](http://www.invl.com).

## **II. OTHER AMENDMENTS TO THE RULES OF THE FUND**

#### **Other expenses**

The expenses to be covered from the funds of the respective subfund were supplemented with the fees to the Supervisory Authority for the supervision of financial market participants and to providers of financial indexes used in the benchmark indexes of the subfunds for the information and historical data on index compositions. These new fees are added to other expenses to be covered from the funds of the respective subfund the maximum rate of which does not change and stands at 1 per cent on the subfund's average annual net asset value. The list of terms and cases in which legal expenses would be covered from the assets of the respective subfund was revised as well.

#### **Purchase, switch and sale of investment units**

The cut-off time for applications to purchase, switch and sell the investment units of all the subfunds constituting INVL Umbrella Fund is changed from 24:00 hrs to 11:00 hrs. This means that applications received before 11:00 hrs and paid by 23:59 hrs on the same day will be carried out on the basis of the value as of the date of submission of the application, and applications received after 11:00 hrs and paid by 23:59 hrs on the same day will be subject to the value as of the nearest business day. In the event of a difference between the date of receipt of the application and the payment date, the value as of the payment date will be applied. Further information on the rules for submission and carrying out of applications is provided in the Prospectus of the subfunds which is available on the website: [www.invl.com](http://www.invl.com).

#### **INVL Russia TOP20 Subfund – changes of the investment strategy, the performance fee and the name**

INVL Russia TOP20 Subfund narrows the scope of potential investments by removing from its investment strategy the possibility to make investments in the companies that are controlled by the Government of the Russian Federation and are operating in the Russian Federation and the neighbouring countries. State control shall be deemed to mean a holding of more than 20 per cent of the shares of a company. This Subfund will continue to invest in shares.

The calculation of the performance fee of INVL Russia TOP20 Subfund will be also changed. As from 30 June 2021, the performance fee will be 20 % (currently, it is 15 %) on the increase in the Subfund's net asset value exceeding the 8% hurdle rate over the last 3 years. Just like until now, the high watermark principle will remain effective and will be further applied; therefore, in the opinion of the Management Company, the revised performance fee calculation formula that introduces an additional criterion will ensure that the performance fee is applied to the participants provided that the subfund steadily generates a sufficiently high return in the medium term.

Taking due account of the changes in the investment strategy, the name *INVL Russia TOP20 Subfund* is changed and as from 30 June 2021 the name of the Subfund will be **INVL Russia ex-Government Equity Subfund**.

#### **INVL Global Emerging Markets Bond Subfund – the list of trading markets is expanded**

The list of trading markets of INVL Emerging Global Markets Bond Subfund is supplemented with nine countries and their stock exchanges. The assets of INVL Emerging Global Markets Bond Subfund can also be invested in debt securities issued by the companies operating in the countries included into the list of stock exchanges if these financial instruments are traded on the markets regulated by the Member States of the Organisation for Economic Cooperation and Development or the European Union or by the developed countries according to the MSCI (Morgan Stanley Capital International) classification. The former wording is supplemented with the underlined part of the sentence.

#### **Other changes**

The maximum possible rate of the distribution fee is reduced from 5 % to 2 %. As a result of this, the actual rates of the distribution fees remain unchanged.

Other wording-related amendments and adjustments were made to the Rules of the Fund as well.

### **III. RIGHT OF REDEMPTION OF INVESTMENT UNITS**

The Investors have the right to request to redeem the investment units of the Subfund held by them by 29 June 2021 (inclusive). Just like until now, no redemption fee will be applicable.

### **IV. OTHER RELEVANT INFORMATION**

The Key Investor Information documents of the Subfund and the Master Subfund are attached hereto.

The documents of the Fund being amended (the Rules and the Prospectus) are available on the website: [www.invl.com](http://www.invl.com), at the registered office of the Management Company at Gynėjų g. 14, 01109 Vilnius, or by e-mail: [info@invl.com](mailto:info@invl.com).