

# **Trigon Active Alpha Fund**

## **Prospectus**

11.01.2010

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## General Information

This prospectus is the offering prospectus of the units of Trigon Active Alpha Fund (hereafter: “**Fund**”) in the meaning of the Investment Funds Act of the Republic of Estonia (hereafter: “**Prospectus**”). The rules of the funds (hereafter: “**Fund Rules**”) are an integral part of this Prospectus.

The Fund is a closed ended public contractual investment fund registered in the Republic of Estonia.

### Main information about the Fund

<b>Legal status</b>	Closed-ended public contractual investment fund registered in the Republic of Estonia
<b>Location of the Fund</b>	Viru Square 2, Tallinn 10111, Republic of Estonia.
<b>Fund management company</b>	AS Trigon Alternative Funds, registered address: Viru Square 2, 10111, Tallinn, Republic of Estonia, hereafter: “ <b>Management Company</b> ”
<b>Depository</b>	Swedbank AS, registered address: Liivalaia 8, 15040, Tallinn, Republic of Estonia, hereafter: “ <b>Depository</b> ”
<b>Auditor</b>	AS PricewaterhouseCoopers, registered address: Pärnu mnt. 15, 10141, Tallinn, Republic of Estonia
<b>Supervised by</b>	The Financial Supervisory Authority, registered address: Sakala 4, 15030, Tallinn, Republic of Estonia
<b>Launch of the Fund</b>	February 14 <sup>th</sup> 2007
<b>Registration of the Fund Rules</b>	The effective Fund Rules were registered 18.02.2009/entered into force on 06.04.2009.
<b>Fund units</b>	The Fund unit (hereafter: “ <b>Unit</b> ”) represents a unit-holder’s share of the Fund’s assets. A Unit is an electronically registered security. The Fund has two classes of Units. Class 1 Units can be redeemed and Class 2 Units can be bought and redeemed on the last banking day of January, April, July and October (days when Units can be bought and/or redeemed are hereafter referred to as “ <b>Trade Date</b> ”).
<b>Unit prices</b>	The Management Company calculates and publishes the net asset value of the Fund and of a Unit at least once for each banking day on the following banking day no later than 2 PM. The redemption price of Class 1 Unit and issue and redemption price of Class 2 Unit shall be calculated and published for each Trade Date latest by 2 PM. The prices are published on the Management Company’s web page <a href="http://www.trigoncapital.com">www.trigoncapital.com</a> .
<b>Listing of units</b>	The Units are not listed on any stock exchange or other regulated and publicly available securities market.
<b>Public offering abroad</b>	The Units of the Fund may be publicly offered only in the Republic of Estonia..
<b>Publication of information</b>	Important information and documents relating to the Fund are available at the Management Company’s web site <a href="http://www.trigoncapital.com">www.trigoncapital.com</a> and at the location of the Management Company.
<b>Financial year</b>	The financial year of the Fund is January 1 <sup>st</sup> – December 31 <sup>st</sup>
<b>Distribution of income</b>	The Fund’s income is not paid out to unit-holders but is reinvested. The unit-holders’ profit or loss is reflected in the change of the Unit’s net asset value.

## **The Basis and Objective of the Fund's Activities and Investment Policy**

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### **The basis of the Fund's activities**

The Fund is a pool of money raised through public issue of Units, and of other assets acquired from investing this money that belongs collectively to unit-holders and that is managed by the Management Company. The basis of the Fund's activities and the relations between unit-holders and the Management Company have been laid down in the legislation of the Republic of Estonia and the Fund Rules.

### **The objective of the Fund's activities**

The Fund offers to the unit-holders the opportunity to indirectly invest in the equity markets of Central and Eastern European countries. The Fund's assets shall be invested in a small number of different companies as selected by the Management Company; therefore, the diversification of the Fund's investments will be low. The Fund aims to acquire a relatively large holding in each investment target in order to influence the company's activities and thereby increase the value of the investment. The objective of the Fund's activities is long-term capital growth.

The investors are asked to pay particular attention to risks related to investments that are further described below under section 'Risks'.

### **The investment policy of the Fund**

#### ***Investment region and authorised instruments***

The Management Company shall invest the Fund's assets in shares that are traded on the regulated markets of Central and Eastern European countries. The investment region mainly comprises the following countries: Hungary, Poland, the Czech Republic, Estonia, Latvia, Lithuania, Slovakia, Slovenia, Croatia, Bulgaria, Romania, Russia, Ukraine, Moldova, Serbia, Montenegro, Macedonia, Kosovo, Bosnia and Herzegovina, Albania and Turkey. The Fund's assets may be invested in securities traded on the regulated markets of other countries provided that the issuers of such securities have substantial business interests in the Central and Eastern Europe or that their activities are related to the region.

In addition to shares, the Fund's assets may be invested in other similar tradable rights; bonds, convertible bonds and other tradable debt obligations issued; subscription rights and other tradable rights granting the right to acquire securities; money market instruments, and tradable depositary receipts; derivative instruments; shares and units of investment funds; in deposits of credit institutions. The Fund may invest in the currencies of the investment region.

The Fund's assets may be invested in deposits of credit institutions, in the currencies of the countries of the investment region, in low-risk debt obligations and in other similar securities only for the purpose of liquidity management, during the period of gradually exiting or acquiring an investment, in the case of lack of suitable investment targets or in extraordinary market circumstances

There are no restrictions regarding the type of issuers when investing the assets of the Fund. The Management Company does not follow a sector approach when investing the Fund's assets. The precise division between asset classes, types of issuer, regions and sectors in the assets of the Fund shall be determined in the course of the everyday activities of the Fund.

#### ***Transactions with derivative instruments***

The Fund may invest in derivative instruments for the purpose of hedging risks as well as for achieving its investment objectives. The Fund's total exposure relating to derivative instruments may not exceed 120% of the net asset value of the Fund. According to the judgement of the Management Company, investing into derivative instruments may somewhat decrease the Fund's risk level because derivative instruments are mostly used for hedging risks but it is also allowed to use them for the purpose of achieving the Fund's

investment objectives. Details about the permitted underlying assets is available in the Fund Rules and risks related with derivative instruments are further described below under section 'Risks'..

### ***Other permitted transactions***

The Management Company may on behalf of the Fund guarantee issues of securities, borrow, enter into repurchase and reverse repurchase agreements and make other transactions of borrowing and lending securities. The Fund may borrow and assume other liabilities referred to above in the amount of up to 20% of a Fund's assets. The maturity of the loans and other liabilities of a Fund may be no more than two years.

### ***Diversification of investments***

The Fund may invest no more than 20% of its assets in securities issued by the same person. The aggregate value of securities issued by persons belonging to one consolidation group shall total no more than 20% of the assets of the Fund.

**The principles of the Fund's investment policy and diversification of the investments have been described in more detail in the Fund Rules.**

### **Description of a typical investor**

Trigon Active Alpha Fund invests its assets in a very limited number of companies in the Central and Eastern Europe. Therefore the risk level of the Fund is very high. The Fund can be recommended to investors, who have significant previous experience in equity investments in the emerging markets, and who can tolerate high volatility and risk level in his/her investments. A holding in the Fund is suitable as a part of a diversified portfolio. Due to the Fund's investment policy, the price of a Unit may be very volatile; therefore, investors should have a long-term investment horizon. The minimum recommended investment horizon is 5 years and the Management Company advises an investor to discuss with a financial and/or legal and/or tax advisers before making the investment.

### **Risk level of the Fund**

The Fund's portfolio companies operate in the Central and Eastern Europe, which increases their risk level compared to companies operating in the more developed markets. In addition, many of the Fund's holdings are small/mid-cap companies, which further increases their risk level. **Therefore the approximate risk level of the Fund's investments can be considered to be very high both in absolute and in relative terms.**

### **Risks**

Investing in the Fund is accompanied by various risks that may affect the return on the investment. The activities of the Fund may or may not be profitable; thus, there is no guarantee to unit-holders that they will get back the amount invested in the Fund or that it will grow. Past performance of the Fund does not guarantee or indicate similar results in the future periods.

The investor is encouraged to engage financial and/or legal and/or tax advisers for consult before deciding upon investing into the Fund. Special attention is drawn to the fact that the risks related to investment decisions are carried by the investor.

The Fund is closed ended. Class 2 Units are issued and redeemed and Class 1 Units are redeemed once a quarter and the trades are settled within one month after the trade date. Therefore, investors must plan redemption of the Units longer in advance compared to open-ended funds.

The risks described below are not conclusive. Those are merely risks more associated with the Fund taking into account the Fund's investment policy and objectives. An investor should also consider other potential risks accompanied with investment activities.

The main risks related to the Fund's investment policy are the following:

## **1. Risks deriving from direct investment activities:**

### **1.1. Market risk**

Market risk is a possibility that the market price of securities or other assets increases or decreases and thus affects the value of the Fund's assets. The development of the Fund's investments depends on the general developments in different Central and Eastern European equity markets. These developments create daily volatility in the NAV of the Fund and the NAV impact may be significant, especially in a period of extraordinary large market movements. The Fund's assets are primarily invested in a small number of shares meaning that the Fund is particularly vulnerable to movements in equity markets. This market risk factor is a very important risk factor to the Fund .

### **1.2. Liquidity risk**

Liquidity risk is a possibility that due to a market's low liquidity the Fund is not able to buy or sell shares at desired price level and therefore cannot at times follow the investment policy of the Fund and/or cannot execute the redemption payments timely, especially in a situation where there would be several larger redemption orders at the same time. Provided that the Fund has difficulties in redeeming all redemption orders, the Fund may postpone fulfilling the redemption orders until the Fund has sufficient free cash to pay out all redemption orders. Redemption orders given to the Fund for execution during the time of low market liquidity may also have a negative impact to the value of the investments of investors not redeeming. All described previously may cause a significant loss to the unitholder.

Liquidity risk can materialize in situations of extraordinary large market movements or in longer periods of low equity market liquidity. Liquidity risk may also increase in situations where the market and credit risks are increasing, for example during the time of economic recession. Liquidity risk is particularly relevant when investing in small cap companies. It is also important to take into account the Fund's investment policy that devises acquiring and owning substantial holdings in each company.

When considering the investment, the investor should also take into account that the Fund is open to subscriptions and redemptions only once in every three months and the actual redemption payments are made during one month after the application.

To manage the liquidity risk the Management Company analyzes the liquidity of each share before making the investment and also diversification of investments is used to reduce liquidity risk..

Liquidity risk is an important factor for the investor to take into account. However, the risk can be considered to be moderate due to the following reasons: the Fund focuses on listed equities and analyzes, among other things, also the liquidity of the share before making an investment decision; the Fund is open every three months and according to the Fund rules the Fund has one month time to pay out the redemptions, both of which give more time to sell the shares.

### **1.3. Credit risk**

Credit risk is a possibility that an issuer of a security belonging to the Fund's assets or a counter party to a transaction made on behalf of the Fund does not fulfil its obligations in part or in full.

The Fund faces credit risk e.g. when making investments in fixed income instruments and when keeping the money on a bank account. Realization of credit risk may lead to a loss.

Credit risk is an important risk factor to the Fund, however, the Fund is more focused on equity investments than fixed income products. To reduce this risk the Fund makes its non-equity investments in relatively low-risk counterparties.

### **1.4. Currency risk**

Currency risk is a possibility that due to movements in exchange rates the value of an investment nominated in a given currency changes in an undesirable direction. The Fund makes its investments in equities quoted in different currencies in the Central and Eastern Europe. In addition, the Fund may have cash or other investments in different currencies. This creates a situation where daily movements in these currencies have a daily impact on the NAV of the Fund and from time to time these movements can be significant, especially in periods of extraordinary high currency market uncertainty and volatility.

The Fund may hedge partly or fully this currency risk element. However, it is not the intention of the Fund to be systematically hedged in currencies.

### **1.5. Inflation risk**

Inflation in the target countries may affect the Fund's investments negatively through e.g. decreasing the value of the fixed income investments, creating downward pressure on the local currencies and through

having adverse impacts on the portfolio companies. This may happen e.g. in a situation of too easy monetary policy and of significantly increased money supply.

The Management Company is monitoring the events potentially leading up to realization of inflation risks and will consider such risks when deciding upon investments whenever possible.

### **1.6. Concentration risk**

This is a possibility that an event or circumstance has a substantial impact on the Fund's returns due to the Fund's investments being focused on one or a small number of markets or asset classes.

The Fund invests its assets in a very small number of companies compared to traditional equity investment focused funds and therefore the diversification of investments is lower than average. In addition, the Fund typically focuses only on a few markets, or in an extreme situation, only on one market. This concentration increases the risk level of the Fund significantly and should the risks materialize (e.g. through adverse developments in the portfolio holdings), this can lead to a situation where the investor can lose a significant part, or even all, of the money invested. The concentration of the portfolio also increases the daily volatility in the Fund NAV.

The concentration risk is a very important risk element for the Fund. The Fund rules and internal regulations set limits and restrictions intended to reduce the concentration risk.

### **1.7. Issuer risk**

Issuer risk arises from the specifics and success of the business activities of an issuer that could affect prices of securities issued by it (e.g. worsening of issuer's financial results due to poor decisions by the management, bankruptcy etc).

The Management Company shall acquire a relatively large holding in each issuer on behalf of the Fund in order to influence the issuer's activities and thereby supposedly increase the value of the investment.

Since the Fund's assets shall be divided between a small number of such investments; the issuer risk may be considered an important risk for the Fund.

For the purposes of minimising issuer risk, the activities and financial statements of issuers are analysed and monitored. The diversification of investments is also used as a way of limiting issuer specific risks.

### **1.8. Volatility risk**

The daily volatility of the Fund is high due to e.g. the following reasons: the Fund invests its assets in a very small number of companies, the Fund operates in the high-risk Central and Eastern European equity markets and the Fund focuses on small/mid-cap companies in these markets. These factors may increase the daily volatility of the Fund compared to comparable funds or assets of the comparable markets. Risks related to the decrease of the market value is further described under market risk but the volatility risk also exposes an investor to the risk of timing. For example, a particular transaction with Fund Units may be executed with unfavourable timing meaning that a significantly better price for Fund Units could be achieved if the transaction would have been executed for example at the following or the previous day.

### **1.9. Interest rate risk**

Interest rate risk is a possibility that interest rates, yield curve, volatility of interest rates etc. change in an undesired direction. As described above under The objective of the Fund's activities, the Fund tries to achieve its goals by investing mainly into equities and the interest exposure for most of the funds lifetime arises only from short-term investments into bank deposits or low-risk government securities (as described under Credit Risk above). Due to the latter, the interest rate risk is not considered very important to the Fund. In order to minimize interest rate risk the Fund diversifies its investments.

### **1.10. Risks related to derivatives**

In order to achieve its investment aims, the Fund may invest in, for example, the following derivatives:

Put options on shares – these derivatives represent the right to sell the security to the counterparty at agreed time and price;

Forward agreements on shares – an irrevocable agreement to sell or buy a particular security at the agreed terms;

Interest rate swaps and options – these help to reduce particular interest rate risks.

The Fund use the derivatives from time to time only with the purpose of reducing the risks in the Fund.

There are at least two risks that all of the derivatives mentioned above are exposed to:

Counterparty credit risk – since a derivative is an agreement with a particular counterparty then the Fund is exposed to the credit risk of this counterparty;

Risks arising from the potential complexities of the derivative – although special attention is paid to using derivatives, there is a risk that, for example, due to human error the Fund manager engages in a derivative contract that does not achieve the desired aim.

## **2. Legal risks**

The Fund is subject to many different legal risks, e.g. changes in tax laws, regulatory environments, political environments, etc.

The significance of these factors is increased by the fact that the Fund operates in the Central and Eastern European countries, where the legal framework and the political systems are typically less developed and more volatile than in the developed countries. Changes in these factors can cause sudden negative impacts on the Fund NAV. For the purposes of managing the legal risks, the developments of target countries are monitored and analyzed.

## **3. Depository risk**

In most of the markets where the Fund invests, the Fund is exposed to the risk of a failure in the depository systems. A large-scale malfunction in a depository could cause the Fund harm through e.g. the following effects:

- Difficulties in proving ownership over the owned securities;
- Business interruption i.e. the Fund is very likely to face difficulties and delays in selling or buying the intended securities;
- A technological malfunction could cause some of the trades to settle so that the Fund will deliver its part of the trade but not receive the cash or securities that were intended.

In order to minimise depository risk, the depository is by law obliged to keep the Fund's assets separately from its own assets or assets of other clients. The depository is also allowed to choose the third parties safe-keeping the Fund's assets or securities with due care to secure the reliability of such third parties.

It is assumed that the described risks are mitigated by the fact that typically the depositories are covered by direct or indirect guarantees provided by the state in case of financial difficulties and, additionally, the depository banks operate under the supervision of local financial supervision authorities.

## **4. Risks deriving from valuation of the assets of the Fund**

The fair valuation of the assets of the Fund is a risk element, as there may be situations where it may be difficult, or even impossible, to objectively determine the fair value of each security and as there may be mistakes made in the valuation process due to e.g. human errors. This is an important risk factor for the Fund. However, the probability of significant errors is low as the Fund focuses on listed equities, has clearly defined rules for determining the fair values and as the Fund is audited on regular intervals. In addition, the NAV calculation process has double-checks in place in order to avoid human errors.

## **5. Operational risks**

In its operations the Fund faces different operational risks; e.g. counterparty risks, risks in settlement systems and risks relating to human errors. Should the counterparty fail to meet its obligations e.g. in delivering securities in time, this may cause losses to the Fund investors. The operational risks are an important risk category for the Fund. However, the Fund Management Company has clearly defined processes and risk limits in dealing with different operational risks.

## **6. Risks deriving from potential conflict of interests**

Potential conflicts of interest (e.g. transactions with related parties, overlapping of interests of related parties or conflict of interests between other Trigon funds) create an important risk factor for the Fund and may cause adverse impacts on the development of the Fund NAV. For the purposes of managing this risk, the Management Company is monitoring potential conflicts of interests and has set up internal processes and rules for eliminating such situations.

## **7. Specific Risks related to the Fund**

A potential investor has to consider the following Fund specific risks:

The Fund faces a risk factor due to the Fund's strategy to influence the portfolio companies' activities through active ownership. The Management Company may not be able to find suitable investment targets that would match the Fund's investment policy and/or the Fund may not be successful in implementing its policies in the company or that the policy will not be suitable for the particular company. Since those risks are important risk factors for the Fund, the Management Company shall devote substantial attention and resources to analysing and monitoring these issues; however, the risk that the value of the investment shall not be increased through this strategy shall still remain.

## **Unit, Unit's Net Asset Value**

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### **Unit**

A Unit represents a unit-holder's share of the Fund's assets. A Unit is an electronically registered security. Trigon Active Alpha Fund has two classes of Units. The nominal value of Class 1 Unit is 10 Euro and the nominal value of Class 2 Unit is 100 Euro. The register of Units is kept by the registrar of the Estonian Central Register of Securities AS Eesti Väärtpaberikeskus („EVK”).

### **Rights and obligations attached to Units**

The rights and obligations attached to a Unit with respect to a unit-holder shall enter into force upon issuing a Unit and shall terminate upon redeeming a Unit.

A Unit does not grant to unit-holder the right to make decisions regarding the transactions made with the assets of the Fund. Unit-holders do not hold general meetings. A unit-holder may not demand the dissolution of the community ownership of the unit-holders. A unit-holder has the following rights: to demand from the Management Company that the unit-holder's Units be redeemed according to the Fund Rules and the legislation; to transfer the Units held by the unit-holder to third parties; to receive, pursuant to the Fund Rules, a share of the Fund's assets remaining after liquidation of the Fund and of the Fund's income, based on the number and class of Units held by the unit-holder; to access at the registered office of the Management Company the Fund Rules, the most recent annual or semi-annual report of the Fund, the prospectus and other documents and information regarding the activities of the Fund as provided for in legislation; to demand a document certifying the unit-holder's ownership; to perform other acts prescribed by legislation or the Fund Rules. A unit-holder must exercise the rights attached to Units in good faith and in accordance with legislation and the Fund Rules. The objective of exercising the rights of a unit-holder may not be causing damage to other unit-holders, the Management Company, the Depositary or third persons.

A unit-holder is not personally liable for the obligations of the Fund assumed by the Management Company on behalf of the Fund, or for obligations the performance of which the Management Company has the right to demand pursuant to the Fund Rules. A unit-holder's liability for performance of such obligations is limited to the unit-holder's share of the Fund's assets. The Management Company shall not assume obligations on behalf of unit-holders. In order to satisfy a claim against a unit-holder, a claim for payment may be made against the Units of the unit-holder but not against the assets of the Fund.

### **Net Asset Value of the Funds and of a Unit**

The net asset value of the Fund and of a Unit depends on the income or loss from the Fund's activities. The Fund's income shall not be distributed to unit-holders but shall be reinvested. Unit-holder's profit or loss shall be reflected in the changes of a Unit's net asset value.

The Management Company shall establish the net asset value of the Fund and a Unit according to the internal rules and legislation. The net asset value of the Fund shall be determined based on the market value of the securities and other Fund assets from which the liabilities of the Fund shall be deducted. The total net asset value of a class of Units shall be determined by deducting that class' share of the liabilities of the Fund from that class' share of the market value of the securities and other rights belonging to the Fund's assets. The net asset value of a Unit shall be determined by dividing that class' total net asset value by that class' number of Units issued and not redeemed as at the time of valuation. The assets and liabilities of the Fund shall be accounted for in Estonian kroon. The net asset value of a Unit shall be expressed in euro

**The Management Company shall calculate and publish the net asset value of the Fund and of a Unit at least once for each banking day on the following banking day no later than 2 PM. The issue and redemption price of Class 2 Unit and redemption price of Class 1 Unit shall be calculated for each Trade Date on the following banking day no later than 2 PM. This information shall be available on the Management Company's web page [www.trigoncapital.com](http://www.trigoncapital.com).**

## Fees and expenses

### Trigon Active Alpha Fund

Fees paid by a unit-holder	
Issue fee	1% of Class 2 Unit's NAV
Redemption fee	2% of respective Unit's NAV
Fees and expenses paid by the Fund	
Management fee	2.0% per year
Performance fee	20% of return that exceeds 12 month Euribor*
Depositary fee	0.13%-0.18% per year
Other expenses	According to the price list of the provider of the service

\* The Management Company is entitled to the performance fee if the net asset value of respective Unit exceeds the historical highest net asset value of the respective Unit on Trade Date to which a hurdle rate has been added. The hurdle rate is 12-month Euribor. Class 2 units can be subscribed as of 30 April 2009 and calculation of performance fee shall commence as of first subscription with nominal (nominal 100 EUR). Please refer to the Fund Rules for the full information regarding the Performance fee.

A person who has signed an agreement with the Management Company for intermediating Units has the right to reduce or omit issue and redemption fees for transactions intermediated by it. In addition, such right may be given and also lower management and performance fees may be applied to certain investors by the resolution of the Management Board of the Management Company.

The rates of management and depositary fee shown in the table are calculated as a percentage of the market value of the assets of the Fund. The rates of depositary fee are inclusive of VAT. Management fee and depositary fee are accounted for daily and paid out during the following month. Performance fee is taken into account daily and paid out as of each Trade Date during the following month. Other expenses comprise expenses related to holding the Fund's assets and making transactions therewith, including fees to intermediaries, interest expenses, payment fees and transaction fees. Total fees and expenses paid by the Fund may not exceed 30% of the weighted average market value of the Fund's assets per annum.

## **Transactions with Units**

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### **General**

In order to purchase Units, an investor must have a current account and a securities account, except for in cases Units are kept on a nominee account. In such cases transfers of securities and payments to a unit-holder shall be made to the client account and to the current account linked to the client account.

By submitting a purchase order or by transferring money to the subscription account, an investor confirms that he or she has sufficiently acquainted himself or herself with the Fund Rules, accepts the Fund Rules and shall act in accordance with the Fund Rules. Issue and redemption fees and all other direct expenses related to issuing and redeeming Units shall be borne by a unit-holder.

As of 30.04.2009 no Class 1 Units will be issued.

Class 2 Units are issued and redeemed on the last banking day of January, April, July and October. The issue and redemption transactions of Class 2 Units and redemption of Class 1 Units shall be settled in Estonian kroon or euro.

### **Issue and redemption price of a Unit**

The redemption price of Class 1 Unit is the net asset value of Class 1 Unit that shall be calculated on the banking day following the Trade Date to which redemption fee may be deducted.

The issue price of Class 2 Unit is the net asset value of Class 2 Unit that shall be calculated on the banking day following the Trade Date to which the issue fee may be added. The redemption price of Class 2 Unit is the net asset value of Class 2 Unit that shall be calculated on the banking day following the Trade Date from which the redemption fee may be deducted.

### **Purchasing Units**

In order to acquire Class 2 Unit, an investor must submit a purchase order to the Management Company directly or through a custodian of EVK or an intermediary appointed by the Management Company. The form of the purchase order shall be stipulated by the intermediary. Class 2 Unit shall be issued in no more than 1 calendar month from the Trade Date unless a longer period has been agreed between the Management Company and the investor.

### **Selling Units**

In order to redeem a Unit, a unit-holder must submit a sale order to the Management Company directly or through a custodian of EVK or an intermediary appointed by the Management Company. The form of the sale order shall be stipulated by the intermediary. A Unit shall be redeemed in no more than 1 calendar month from the Trade Date unless a longer period has been agreed between the Management Company and the investor.

### **Deadlines for submitting transaction orders**

Transaction orders are considered to have been submitted on a specific Trade Date if the order reaches the Management Company latest by 17.00 Estonian time (EET) (GMT+2) on the Trade Date. Transaction orders received after this cut-off time are considered as submitted on the following Trade Date.

An investor is not permitted to cancel or amend purchase or sale orders after submission. An investor who has submitted a purchase or a sale order is required to implement due care for making sure that the conditions necessary for settling the trade would be fulfilled in time.

### **Suspending and postponing transactions**

In case the size of a redemption order exceeds 20% of the market value of the Fund's assets the Management Company is entitled to postpone payments for such large redemption orders additionally by

another 30 banking days. The time for making the payment does not include the time for processing the transfer in banks.

In case various unit-holders request the redemption of Units in an amount exceeding 20% of the market value of the Fund's assets during the same Trade Date, the Management Company has the right to postpone all the payments to be made based on that day's sale orders additionally by another 30 banking days. The time for making the payment does not include the time for processing the transfer in banks.

The Management Company may suspend redeeming Units under the conditions and according to the procedures provided for in the Investment Funds Act, incl. suspending the redemption of Units for up to three months if the money in the accounts of the Fund is insufficient for payment of the redemption price for the Units, if the regular management of the Fund may be harmed by the payment of the price, if the securities or other assets of the Fund cannot be promptly sold or if the interests of other unit-holders would be materially harmed thereby.

### **Switching units**

Switching Units for the units of another class of the Fund or for units of another funds managed by the Management Company is not permitted.

### **Taxation**

According to the legislation of Estonia, the Fund is not a taxable person and does not therefore pay taxes in Estonia.

If a unit-holder is a taxable person, gains from Units may be taxable. The Management Company does not withhold any taxes on gains earned from Units. Declaring such gains in the tax declaration of accounting period is an obligation of a unit-holder. The tax system applicable to an investor may depend on the investor's residence for tax purposes, legal set-up and other circumstances. Investors are advised to consult a professional tax specialist.

### **Offering Units in foreign countries**

Public offering of the Units outside the Republic of Estonia is not permitted.

The Prospectus does not constitute an offer of Units in countries where making such an offer is unlawful. The Prospectus does not constitute an offer of Units to any persons to whom making such an offer is unlawful.

If the wording of the Prospectus in Estonian and in another language differ or if the wording can be interpreted differently, the Estonian wording of the Prospectus shall prevail.

## **Information about the Fund**

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### **Publishing information regarding the Fund**

Any person can access the following information and documents at the registered office of the Management Company and at its web page [www.trigoncapital.com](http://www.trigoncapital.com): Fund Rules, the most recent annual report of each Fund, the most recent semi-annual report of the Fund if it has been approved after the most recent annual report, the Prospectus, the name and contact details of the Management Company, the name of the fund manager, the name and contact details of the Depositary, the rules for calculating the net asset value of the Fund and the internal rules for making derivative transactions on the account of the Fund, information about the size of the Management Company's holding in the Fund.

On request, unit-holders shall receive a copy of the Fund Rules, the Funds' most recent annual or semi-annual reports and the Prospectus free of charge. On request, the Fund Rules will be sent to an investor via mail, e-mail or fax.

The annual reports of the Fund shall be made available at the registered office of the Management Company in no more than 4 months after the end of the Fund's financial year. The semi-annual report of the Fund shall be made available in more than 2 months after the end of the half-year.

The Management Company shall publish on each banking day the net asset value of a Unit on its web page. The redemption price of Class 1 Unit, the issue and the redemption price of Class 2 Unit shall be published for each Trade Date on the following business day.

In case circumstances that substantially affect the activities or the financials of the funds managed by the Management Company (including the Fund) or the net asset value of the Unit should become evident, respective information shall be published without delay at the web page of the Management Company.

### **Amending the Fund Rules**

The supervisory board of the Management Company may adopt a decision to amend the Fund Rules, including Fund's investment policy and fees and expenses paid by the Fund. Subsequent to registering the amendments by the Financial Supervisory Authority, the Management Company shall without delay publish a notice regarding amending the Fund Rules in at least one daily national newspaper and in the web page of the Management Company. The amendments to the Fund Rules take effect in one month after publishing the corresponding notice unless the notice prescribes a later date.

### **Liquidation of the Fund**

Liquidation of the Fund shall be effected in the cases and according to the procedures provided for in the Investment Funds Act. Liquidation of the Fund shall be decided by the supervisory board of the Management Company. In the cases provided for in the Investment Funds Act, the Depositary can act as the liquidator.

Subsequent to obtaining approval for liquidation of the Fund from the Financial Supervisory Authority, the Management Company shall without delay publish a notice regarding the liquidation of the Fund in at least one daily national newspaper. Upon liquidation of the Fund the Management Company shall transfer the assets of the Fund as soon as possible and in accordance with the interests of the unit-holders, shall collect the debts of the Fund and satisfy the claims of the creditors of the Fund. The Management Company shall distribute the assets remaining after the liquidation between the unit-holders according to the class, the number and the net asset value of the Units held by a unit-holder. The Management Company shall publish a notice regarding the distribution of assets to be distributed in at least one daily national newspaper.

## Management Company, Depositary and Auditor

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### Management Company

The Fund is managed by AS Trigon Alternative Funds with a registered office at Viru Square 2, Tallinn 10111, Republic of Estonia. The Management Company is a public limited company established in the Republic of Estonia (date on incorporation September 26<sup>th</sup> 2006, register number 11339670). The Management Company holds a license issued by the Estonian Financial Supervisory Authority on January 15<sup>th</sup> 2007 for managing investment funds. The Management Company is supervised by the Estonian Financial Supervisory Authority. The Management Company AS Trigon Alternative Funds is owned 100% by AS Trigon Capital. The share capital of the company totals two million and five hundred thousand (2,500,000) Estonian kroon. AS Trigon Alternative Funds manages the following investment funds: Trigon Active Alpha Fund, Trigon Ukrainian Property Real Estate Fund I and Luka Adriatic Property Real Estate Fund I.

### *Fund manager*

The fund manager of the Fund is Sami Henrik Sormunen.

### *The Supervisory Board of AS Trigon Alternative Funds*

**Joakim Johan Helenius** – member of the supervisory board. Mr Helenius is the founder and majority shareholder of Trigon Capital. After founding Trigon in 1994 he has been devoted to developing the firm and supervising its various divisions in their operations. In addition to his Trigon related responsibilities, Joakim Helenius has sat on the supervisory boards of many of the leading Baltic companies. Prior to founding Trigon, Mr Helenius spent 11 years in investment banking in global firms such as Goldman Sachs and Merrill Lynch. He has a BA and MA in economics from Cambridge University.

**Ülo Adamson** – member of the supervisory board. Mr. Adamson joined Trigon in 1999 and is currently the COO of Trigon Capital Group. He has participated in many restructuring, private equity and M&A projects related to Central and Eastern European companies. Ülo Adamson has studied in schools in Latvia and Sweden: BSc from the Stockholm School of Economics in Riga and MSc from the Stockholm School of Economics.

**Margus Lutsoja** – member of the supervisory board. Mr. Lutsoja is also CFO of Trigon Agri and has 15 years working experience in the field of finance and auditing. Mr. Lutsoja has MSc in Economics from Tallinn Technical University and agricultural economist's diploma from Estonian Agricultural University.

### *The Management Board of AS Trigon Alternative Funds*

**Sami Henrik Sormunen** – member of the management board, fund manager. Mr Sami Sormunen joined Trigon's Alternative Investments division in 2006. In 2005-2006 he worked as a portfolio manager at Mandatum Asset Management's Eastern Europe Team (part of Sampo Group), with a focus on equity investments in Central and Eastern European countries and Russia. In 1998-2005 he was employed as a portfolio manager at Pohjola Asset Management (previously Conventum Asset Management, Arctos Fund Management Co.), focusing on Russian, Finnish and global investments. In 1997 he started his career as an investment analyst at Protos Stockbrokers. He has an MSc (Econ) degree from Helsinki School of Economics.

**Heiti Riisberg** – member of the management board. Mr Heiti Riisberg joined Trigon Capital Alternative Investments team in 2005, focusing on monitoring and advising the investee companies in the portfolio as well as doing the screening for the potential new investment projects. Previously Mr Riisberg worked as a senior audit consultant in PricewaterhouseCoopers Estonia (2002-2005), being the responsible team manager for leading Estonian companies. Mr Riisberg holds a degree in Economics and Finance from Stockholm School of Economics in Riga from 2002.

**Aivar Kemp** – member of the management board and fund manager for real estate funds. Mr Kemp joined Trigon Alternative Investments division in 2005 and he is responsible for real estate related

development and investment projects. Prior joining Trigon, Aivar Kempri was employed by AS Merko Ehitus.

### ***Activities of the Management Company***

The Management Company has the right, in accordance to the Fund Rules, to dispose of and possess the assets of the Fund and has other rights disposing there from. The Management Company invests the assets of the Fund in its own name and on behalf of the unit-holders collectively, i.e. on behalf of the Fund. Upon investing the assets of the Fund the Management Company shall: obtain sufficient information on the assets which the Management Company intends to acquire or has acquired on behalf of the Fund; monitor the financial situation of the issuer whose securities the Management Company intends to acquire or has acquired on behalf of the Fund; obtain sufficient information with regard to the solvency of the persons with whom they transact on behalf of the Fund.

The Management Company shall manage the assets of the Fund separately from its own assets, from the assets of other funds and pools of assets managed by the Management Company. The assets of the Fund do not form a part of the bankruptcy estate of the Management Company and the claims of creditors of the Management Company shall not be satisfied out of such assets.

The Management Company has the right and obligation to submit a claim in its own name on behalf of unit-holders or the Fund against the Depositary or other persons if failure to submit such claim will result or may result in significant damage to the Fund or its unit-holders. The Management Company is not required to submit such claim if the Fund or unit-holders have already submitted a claim. The Management Company shall be liable for damage caused to the Fund or unit-holders due to violation of its obligations. However, the Management Company is not guaranteeing positive return to the unit-holders on their investments into the Fund, therefore it shall not be held liable for losses resulting from negative performance of the Fund due to fluctuations of securities prices, interest rates, political changes and other risks as described in the prospectus of the Fund.

### ***Delegating the Activities of the Management Company***

The Management Company has the right to delegate to third parties for the purpose of better conduct of the Management Company's business to carry out on the Management Company's behalf the following functions related to managing the Fund pursuant to the Investment Funds Act: investing the Fund's assets; organising the issue and redemption of Units; if necessary issuing evidence of title to the unit-holders of the Fund; providing necessary information to the unit-holders and other customer services; organising the distribution of Units; keeping account of the Fund's assets and organising accounting; determining the Fund's net asset value; keeping the register of Units; accounting for the Fund's income; monitoring the compliance of the activities of the Management Company and the Fund with the Investment Funds Act and other legislation, including organising a relevant internal audit system; other functions related to the functions referred to. The Management Company's liability related to managing the Fund shall not be affected by the fact that the Management Company delegated any functions to third parties.

The Management Company has delegated the function of keeping the register of Units. The register of Units is kept by the keeper of the Estonian central register of securities, AS Eesti Väärtpaberikeskus, with the registered office at Tartu mnt. 2, 14th floor, Tallinn 10145, Estonia, register code 10111982. The Estonian Central Register of Securities Act is applied to registering Units. AS Eesti Väärtpaberikeskus is supervised by the Financial Supervisory Authority.

Additionally, the Management Company has outsourced the accounting of the Fund's assets, co-ordinating the accounting function and calculating the Fund's net asset value to Swedbank AS, with the registered office at Liivalaia 8, Tallinn 15040, Estonia, register code 10060701. The agreement entered into between Swedbank AS and the Management Company, the procedure for calculating the Funds' NAV and the legislation shall be applied to outsourcing these functions.

### **Depositary**

The Depositary of the Fund is Swedbank AS, with a registered office at Liivalaia 8, 15040, Tallinn, the Republic of Estonia. The Depositary was incorporated on January 6<sup>th</sup> 1992 and it is registered in the register division of the Harju County Court with register number 10060701. Swedbank AS is an authorised

credit institution and it offers various financial investment services. The Depositary is supervised by the Financial Supervisory Authority.

### ***Activities of the Depositary***

The Depositary shall safe-keep the assets of the Fund and carry out other duties entrusted to it by legislation. The Depositary has the right, in accordance to the policies provided for in the depositary agreement, to enter into agreements for delegating to third parties the safekeeping of the Fund's assets, performing settlements therewith and fulfilling other functions. The Depositary shall choose the third parties safe-keeping the Fund's assets or securities with due care to secure the reliability of such third parties. The Depositary shall assess before and following the delegation of its functions if the standards of administration and technological solutions and the financial situation of a third party are sufficient for performing the contractual obligations.

The Depositary is liable upon violation of its obligations for direct damage caused thereby to the Fund, to unit-holders or the Management Company.

### **Auditor**

The auditor of the Management Company and of the Fund is AS PricewaterhouseCoopers, register number 10142876, address Pärnu mnt. 15, Tallinn 10141, the Republic of Estonia.

Members of the Management Board of the Management Company:

Sami Henrik Sormunen

Heiti Riisberg

Aivar Kemp