

UMBRELLA FUND PROSPECTUS



INCLUDING THE MANAGEMENT RULES

Date of the Securities Market Agency's authorisation to publish this Prospectus Including the Management Rules:
4 December 2012

Date of entry into force of the Umbrella Fund Management Rules as last amended: 14/01/2013

All Subfunds of the Umbrella Fund comply with Directive 2009/65 of the European Parliament and of the Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities.



AVAILABILITY OF THE AUDITED ANNUAL AND SEMI-ANNUAL REPORTS OF THE UMBRELLA FUND

Investors may consult the most recently published audited annual and semi-annual reports of the Umbrella Fund free of charge at all subscription offices of the Management Company. They can also request the Key Investor Information Documents of the Subfunds, a copy of the Umbrella Fund Prospectus Including the Management Rules, and a copy of the audited annual and semi-annual reports of the Umbrella Fund, free of charge. They can request delivery of these documents in paper copies, in electronic format in a durable data medium, or by e-mail.

All documents relating to the Umbrella Fund and its Subfunds are also freely available on the Management Company's public website www.kd-skladi.si.

Additional information regarding the Subfund operations and investment coupons can be obtained via the telephone number 080 80 24.



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GENERAL INFORMATION ABOUT THE UMBRELLA FUND

The umbrella fund KD Krovni sklad (English: KD Umbrella Fund) is established pursuant to the legislation of the Republic of Slovenia governing investment fund management.

Date of the umbrella fund management authorisation issued by the Securities Market Agency: 20 November 2008.

The Umbrella Fund consists of Subfunds which have specific investment goals and investment policies; they represent assets managed by the Management Company in accordance with the risk diversification principle and exclusively in the interest of holders of Subfund investment coupons.

The assets and liabilities of a Subfund are separated from the assets and liabilities of other investment funds and Subfunds as well as from those of the Management Company and the Umbrella Fund's Depositary.

A list of all Subfunds of the Umbrella Fund is provided in Appendix E to this Prospectus.

The Umbrella Fund is managed by KD Skladi, družba za upravljanje, d. o. o (English: KD Funds – Management Company LLC), Dunajska cesta 63, Ljubljana, Republic of Slovenia (abbreviated company name: KD Skladi, d.o.o.; abbreviated company name in English: KD Funds LLC).

The Depositary of the Umbrella Fund's assets is Abanka Vipra d. d., Slovenska cesta 58, Ljubljana, Republic of Slovenia.

The Umbrella Fund was last audited by the company Ernst & Young d. o. o., Dunajska cesta 111, Ljubljana, Republic of Slovenia.

Supervision of the Management Company is conducted by the Securities Market Agency, Poljanski nasip 6, Ljubljana, Republic of Slovenia (www.a-tvp.si).

MANAGEMENT RULES

The Umbrella Fund Management Rules form a constituent part of this Prospectus. A Subfund does not have separate management rules; all specificities relating to particular Subfunds are set out in the Umbrella Fund Management Rules.

The common part of the Prospectus includes provisions applicable to all Subfunds, whilst Appendix F consists of specific provisions applicable to individual Subfunds.

The Management Rules govern the contents of legal relations between the Management Company managing the Umbrella Fund and the holders of Subfund investment coupons, in particular:

- Subfund investment objectives and policies, including investment and borrowing restrictions;
- the use (retention or distribution) of the Subfunds' net profit/income;
- types of cost charged directly or indirectly to the holders of Subfund investment coupons;
- the reference currency and period of the Subfunds' net asset value and unit value calculation;
- the method of informing investors about the financial and legal position of the Subfunds, their operations as well as legal and business events relating to the Subfunds, the Umbrella Fund or the Management Company;
- the rights of holders of Subfund investment coupons; the characteristics of possible investment coupon classes; the process of payments for and redemptions of investment coupons, and the method of calculating their purchase and redemption values, including the conditions and limitations of payments for or redemptions of transferable securities and including details of the method of such payments and redemptions; the conditions of Subfund redemption and the concurrent payment of the redemption



amount into another Subfund without making an interim payment of the proceeds (transfer of Subfunds), and possible transfer costs, conditions and circumstances in which the Management Company may temporarily suspend the payment for and/or redemption of investment coupons or introduce the temporary partial redemption of Subfund investment coupons; the process of how these measures are implemented; and information about trading in Subfund investment coupons in a regulated market;

- the duration of the Subfunds; the delegation of Subfund/Umbrella Fund management to another management company; merging of the Subfunds, changing the Depositary of the Umbrella Fund, reasons for liquidation based on a resolution by the Management Company and a description of the Subfund liquidation and the Umbrella Fund dissolution.

Changes to the Management Rules

When changing the Umbrella Fund Management Rules, the Management Company can either change provisions applicable to all Subfunds or those applicable to a particular Subfund. The validity of changes to the Management Rules is subject to approval by the Agency. Where major changes are made to the investment policy, the Agency will only issue approval if it deems them to be substantiated in terms of contents and timing.

The Management Company will publish information about such changes within 8 days of receipt of the Agency's approval, stating the date of approval, the date of entry into force of the changed Management Rules, and the date on which the changed text and the consolidated version of the amended Management Rules will be available to investors on the website www.kd-skladi.si. The two texts will be published on the website no later than the day when investment coupon holders are directly informed about the changes to the Management Rules.

Within 15 days of receipt of the Agency's approval, coupon holders will also be informed about changes to the Management Rules directly by post or by e-mail if they agreed with the Management Company on e-mail notifications in advance. In this notice, the Management Company will state the date of obtaining the Agency's approval, the date of entry into force of the amended Management Rules and the place of publication of the new rules; describe key changes to the Management Rules and explain the reasons for them; present their consequences, especially in terms of assessing changes in costs and risk for investors; explain the effects of any changes to the investment policy; and explain to investors that they may request payment of the redemption value of the investment coupons in accordance with the terms and conditions of the preceding Management Rules. The Management Company will send investment coupon holders, at their request, the relevant changes to and the consolidated version of the Umbrella Fund Management Rules in printed format.

Information about changes to the Management Rules will be provided to all holders of investment coupons of all Subfunds, whilst information about changes to a specific Subfund will only be provided to holders of investment coupons of this particular Subfund.

Changes to the Umbrella Fund Management Rules enter into force either upon the expiry of 8 business days or 40 days following the publication of information on changes to the Umbrella Fund Management Rules.

Changes enter into force 40 days following the notice if they refer to:

- the investment rules,
- direct and indirect costs connected with investments in investment coupons including:
 - the amount of subscription and/or redemption fees, and the method of their calculation and payment,
 - the amount and method of charging the management fee,
 - other costs arising in Subfund operations,
 - the amount and method of charging the depositary fee,
 - other costs reimbursable to the Depositary from the Subfunds' assets,
 - other possible costs debiting the Subfunds' assets, and
 - an indication where investors can access data on the annual costs of Subfunds' operations.



All other changes to the Management Rules enter into force eight days after their publication.

Where the Management Company sets up additional Subfunds, changes to the Umbrella Fund Management Rules enter into force upon the expiry of eight days from the public notice thereof. In this case, the Management Company does not notify investment coupon holders of the other Subfunds thereof, whilst the rules on the notifications to be sent to investment coupon holders and their rights to receive changed Umbrella Fund Management Rules do not apply.

DEFINITIONS

The terms and abbreviations used in this Umbrella Fund Prospectus Including the Management Rules have the following meanings:

The Agency (Securities Market Agency, SMA) – The supervisory institution established on the basis of the act governing the financial instruments market; it carries out supervision of participants in the market as well as other tasks set out in the regulations in order to ensure proper conditions for the efficient operation of the market in financial instruments and investors' confidence therein.

Rating – A score in the form of a code consisting of letters and numbers assigned to debt financial instruments (bonds, money market instruments) by the world's leading rating agencies Standard & Poor's (S&P), Fitch and Moody's. The level of ratings defines an issuer's capacity to meet the obligations as a borrower in connection to the instrument issued, i.e. to repay the principal and pay the interest. Ratings are divided into two large groups. The first group consists of investment-grade instruments of high-quality issuers, and the second consists of non-investment grade instruments. There is yet a third group of instruments without a rating. In principle, these instruments are assessed as the most risky. Investment-grade instruments include bonds (long-term debt) with a rating of at least *BBB-* (up to the highest rating *AAA*) by S&P and Fitch and at least *Baa3* (and up to *Aaa*) by Moody's. Investment-grade short-term debt includes money market instruments with a rating (in ascending order) from *A-3* to *A-1* by S&P, from *F3* to *F1* by Fitch, and from *P-3* to *P-1* by Moody's. Highest-grade short-term debt instruments comprise those assigned one of the two highest ratings. The same applies to short-term bank deposits.

Target fund (another open-end investment fund) – An open-end investment fund whose units or shares represent investments of the Umbrella Fund's Subfunds.

Ongoing charges of a Subfund – Expenses incurred in the preceding year expressed as a percentage of the net asset value (NAV) that are associated with the Subfund's operations and directly debit its assets.

Net asset value of a Subfund (NAV) – The value of all assets of a Subfund less this Subfund's liabilities, or the unit value (UV) multiplied by the number of units of the Subfund in circulation.

Share – A security representing a holding in a commercial company giving the holder the right to participate in the profits generated by the company (dividend). Investment funds normally invest in shares traded on stock exchanges.

Investment Funds Directive (UCITS Directive) – Directive 2009/65/EC of the European Parliament and the Council of 13 July 2009 governing specific aspects of investment fund and management company operations.

Rate of return of a Subfund – The indicator of a Subfund's performance, expressed as a change in the unit value of a Subfund in time; a Subfund's (past) rate of return is influenced by changes in the value of its investments (portfolio) and its expenses; where relevant, a year-on-year comparison of returns also indicates the period in which a Subfund operated as a separate mutual fund (before mutual funds were transformed into Umbrella Fund Subfunds).



Management Company (MC) – A commercial company headquartered in the Republic of Slovenia and authorised by the Agency to perform the services of investment fund management.

Member state – A member state of the European Union or a state signatory of the Agreement on the European Economic Area (EEA). In addition to the EU member states, the EEA also comprises Iceland, Liechtenstein and Norway.

Investment fund unit – A unit or share of an open- or closed-end investment fund or subfund.

Subfund unit – A proportionate (equal) part of the net asset value of a Subfund (NAV); the number of units held by an investor multiplied by the value of one unit (UV) equals the value of an investment coupon. Payments into a Subfund increase the number of Subfund units, while redemptions decrease the number of Subfund units.

ETF – Exchange Traded Funds; investment funds (usually of the open-ended type) whose units or shares are traded on stock exchanges.

Money market instrument – A short-term debt financial instrument with a maturity of maximum 1 year or 13 months (397 days). It is normally not classified as a security. Money market instruments include, for example, treasury bills, short-term corporate commercial papers, certificates of deposit. As a rule, financial institutions trade in these instruments directly, i.e. on a money market and not on a stock exchange.

Investment coupon – A registered security referring to a particular number of a mutual fund's (Subfund's) units.

Investment fund – A collective investment undertaking with the sole object of raising capital from the public and placing it, in accordance with a pre-defined investment policy, in different types of investment exclusively in the interest of holders of its units. In accordance with ZISDU-2, UCITS funds and non-UCITS funds may be established in the Republic of Slovenia.

Derivative financial instrument – a financial instrument whose price depends on the price movement of another financial instrument (e.g. a share) or another underlying (e.g. interest rates, FX rates, price of goods etc.). Investment funds buy derivative financial instruments in order to increase yields or to hedge against substantive losses (risk hedging).

Umbrella fund – A mutual fund composed of two or more subfunds which represent separate assets.

Purchase value of an investment coupon – The value of an investment coupon increased by subscription fees.

Non-UCITS fund – An open-end fund that does not comply with the UCITS Directive, or a closed-end investment fund. The forms of non-UCITS funds in the Republic of Slovenia are alternative fund (open-end fund) and investment company (closed-end fund).

Bond – A long-term debt security with the issuer's promise to return the principal and pay interest in a certain period (of several years) set out in advance. As a rule, financial institutions trade in bonds directly (outside regulated markets) but also on stock exchanges.

Valuation day of a Subfund – The day (each business day) on which a Subfund's net asset value (NAV) and unit value (UV) are calculated.

Open-end investment fund – An investment fund whose units can on the holder's request be redeemed and paid for from the assets of the fund, or an investment fund assuring in some other way that the price at which its units are traded on a stock exchange equal its calculated value or does not deviate from it substantially.



Purchase value of an investment coupon – The value of an investment coupon decreased by subscription fees.

OECD – (Organisation for Economic Cooperation and Development).¹

Option – a derivative financial instrument giving its holder the right but not the obligation to sell to or buy from the other party a certain amount of an instrument at a pre-agreed price. A put option gives the right to sell, and a call option gives the right to buy. Options are traded on a stock exchange and outside regulated markets.

Subfund – An open-end investment fund formed within an umbrella fund with a specific investment objective and policy. Its assets are separated from other subfunds and divided into units.

Portfolio – An investment fund's assets or investments in financial instruments.

Special categories of entities (issuers) – The Republic of Slovenia and other member states, including their local and regional communities, third countries and international public organisations to which at least one member state is affiliated. Under certain conditions, Subfunds of the Umbrella Fund may invest a larger share of their assets in financial instruments issued or guaranteed by one of these entities than in financial instruments of other issuers, for instance companies.

Subscription form – A statement given on a specific form by which the investor accepts the Umbrella Fund Management Rules; it gives him/her the right, but not the duty, to pay contributions into a Subfund.

Synthetic risk and reward indicator (SRRI) – An integer number (from 1 to 7) ranking the level of risk and expected return of an investment fund calculated based on the past fluctuations (volatility) of its returns.

Fund of funds – an investment fund that invests a large portion of its assets in other (target) investment funds.

Depository – A depository for an investment fund's assets is a depository bank headquartered in the Republic of Slovenia, or a subsidiary of a bank of a member state or a third bank established in the Republic of Slovenia in accordance with ZBan-1, authorised by the Bank of Slovenia to perform depository services for investment funds..

World Federation of Exchanges (WFE) – A world organisation of market operators (exchanges) whose objective is to set up harmonised standards for business processes in regulated securities markets (the World Federation of Exchanges).

Third country – A country that is not a member state.

UCITS fund – An open-end fund that complies with the Investment Fund Directive. As a rule, stricter investment and diversification rules apply. In the Republic of Slovenia, a UCITS fund can be a mutual fund or an umbrella fund.

Unit value (UV) – The value of a proportionate part of a Subfund's net assets divided into equal units, or the quotient of the net asset value (NAV) and the total number of a Subfund's units in circulation.

Mutual fund – An open-end (UCITS) investment fund formed as separate assets divided into units, the value of which is payable out of these assets upon the request of an investment coupon holder. It is managed by a management company authorised by the Securities Market Agency.

¹ In addition to the majority of EU member states, the OECD also includes: Australia, Canada, Chile, Iceland, Israel, Japan, Korea, Mexico, Norway, New Zealand, Switzerland, Turkey and the USA.



Redemption request – A request submitted on a specific form by which an investor requests the payment of the redemption value of a Subfund investment coupon.

Transfer request – A request submitted on a specific form by which an investor requests that the redemption value of an investment coupon of a Subfund be transferred to another Subfund of the KD Umbrella Fund.

Banking Act (ZBan-1) – The act regulating credit institutions with their registered office in the Republic of Slovenia and the conditions on which entities established outside of the Republic of Slovenia can perform services in the territory of the latter (Official Gazette RS, no. 131/06, as amended).

Corporate Income Tax Act (ZDDPO-2) – The act governing the taxation of corporate income (Official Gazette RS, no. 117/06, as amended).

Personal Income Tax Act (ZDoh-2) – The act governing the taxation of personal income (Official Gazette RS, no. 117/06, as amended).

Investment Funds and Management Companies Act (ZISDU-2) – The act setting out the conditions on which investment funds and management companies are established, and regulates the way they are run and supervised (Official Gazette RS, no. 77/11, as amended).

Prevention of Money Laundering and Terrorist Financing Act (ZPPDFT) – The act that sets out measures, competent authorities and procedures for the detection and prevention of money laundering and terrorist financing (Official Gazette RS, no. 60/07).

Financial Instruments Act (ZTFI) – The act governing the functioning of the capital market in the Republic of Slovenia (Official Gazette RS, no. 67/06, as amended).

Convertible bond – A bond that can be converted by its holder into equities of the same issuer under certain conditions. As this is a debt financial instrument (bond) with a component of a derivative financial instrument, i.e. the right of conversion or equity option, it is classified as a structured financial instrument. Convertible bonds are traded on a stock exchange and outside regulated markets.

Closed-end investment fund – An investment (non-UCITS) fund whose units cannot be acquired or redeemed at their issuer (a management company or the investment fund itself) but can only be bought or sold on a securities market at the market price formed in that market.



CHAPTER 1: COMMON INVESTMENT RULES

1.1. INTRODUCTION

The Subfunds of the Umbrella Fund offer investors possibilities to invest in selected securities and other liquid financial instruments on the principle of risk spreading in order to increase the value of invested assets and keep the investments highly liquid. With regard to his/her needs and forecast future market trends, an investor can invest in a single Subfund or more Subfunds of the Umbrella Fund, which differ according to their investment objectives and policies.

This chapter only sets out the investment rules that are common to all the Umbrella Fund's Subfunds. The investment objectives and policies of specific Subfunds are set out in Appendix F.

1.2. PERMISSIBLE INVESTMENTS

The Subfunds will invest their assets in some of the financial instruments listed hereinafter only within the limits of their investment objectives and policies.

A. TRANSFERABLE SECURITIES AND MONEY MARKET INSTRUMENTS

Investments in transferable securities and money market instruments which are listed for trading or are traded on a regulated market in a member state or a third country will comprise:

- equity securities (shares of commercial companies or share certificates, and shares and units of closed-end investment funds);
- debt securities (government and corporate bonds); and
- money market instruments.

The regulated markets in which these securities and money market instruments are listed for trading or are traded are specified in Appendix D.

Investments in transferable securities sold within the framework of their initial offering are only permissible if their issuer applies, no later than one year after their issuance, for admittance to the official listing of a stock exchange or to trading on another regulated market included in the list of regulated markets in Appendix D.

Investments in money market instruments traded outside a regulated market are only permissible if these instruments are sufficiently liquid, if their value can be precisely defined at any time, if the other conditions set out in ZISDU-2 and the regulations derived therefrom are met, and if they are only traded outside the regulated markets in the member states and similar OECD member states (Australia, Japan, Canada, New Zealand, Switzerland and the USA).

A maximum of 10% of the Subfunds' assets can be invested in other transferable securities and money market instruments not meeting the above conditions. As of May 2014, a maximum of 5% of the assets can be invested in other transferable securities not admitted to a regulated market. These investments will not deviate from their investment objectives and policies, and will not considerably affect their risk profile.

With those Subfunds whose investments are also defined by geographical criteria, the issuer of a financial instrument is deemed to be domiciled in a country where the majority of its operations is performed; a country where its business is mainly administered; or a country of the primary listing of its financial instrument.



B. MONEY DEPOSITS

Assets of the Subfunds will be invested in money deposits with a maturity of no more than 12 months with credit institutions established in the member states of the European Union or with top-rated banks in third countries.

C. OTHER OPEN-END INVESTMENT FUNDS (TARGET FUNDS)

Investments in units of target funds will meet the following conditions:

- the management company of the target fund or the self-managed target fund has received an appropriate authorisation from the competent authorities;
- the management and operations of the target fund are subject to supervision equivalent to that set out in ZISDU-2 and ZTFI, and cooperation between the Agency and its supervisory authorities is appropriately regulated;
- the protection of the interests of holders of target fund units is at the same level as the protection of holders of units of a mutual fund, in particular in terms of the division of assets, borrowing, lending and short selling of securities and money market instruments;
- the target fund's operations are subject to regular annual and semi-annual reports that clearly show its assets, liabilities, income as well as activities;
- in accordance with the management rules of the target fund, a maximum 10% of its assets can be placed in units of other investment funds;
- other criteria set by the Agency.

In the case of Subfunds of the Umbrella Fund with a significant share of investments in units of target funds, the target fund's management fee will not exceed 3%.

Investments in target fund units are categorised by geographical and/or sectoral criteria according to the prevailing investment policies of the target funds.

D. DERIVATIVE FINANCIAL INSTRUMENTS

The Subfunds will not invest in derivative financial instruments with the purpose of trading.

E. STRUCTURED FINANCIAL INSTRUMENTS INCORPORATING DERIVATIVES

Assets of the Subfunds can also be invested in convertible bonds. They are subject to the rules detailed in Appendix F.

Regulated markets in which these instruments are listed for trading or are traded are specified in Appendix D.

1.3 EXPOSURE OF THE UMBRELLA FUND AND ITS SUBFUNDS

This chapter describes the basic and specific restrictions of the Subfunds' exposure to a single entity, a group of entities, and special categories of entities. It defines some other investment restrictions of the Subfunds that are not indicated in Appendix F but are set out in ZISDU-1 and its secondary regulations.

Each Subfund will have a maximum 10% of assets invested in transferable securities and money market instruments issued by a single entity, whilst the total value of investments with exposure to a single entity exceeding 5% will not be higher than 40%. Total exposure to a single entity (including deposits placed with it) or to various issuers associated within a group will not exceed 20% of the asset value of a Subfund.

Notwithstanding the above restrictions, a Subfund may invest a maximum 35% of its asset value in a single entity if instruments are issued or guaranteed by the Republic of Slovenia or any other member state (including their local and regional communities), a third country or an international public organisation to which one or more member states is affiliated. On the basis of the Agency's approval of an individual Subfund, exposure to



these special categories of entities can increase to 100% if it relates to a Subfund's investments in an least six different issues of financial instruments and the value of an issue does not exceed 30% of the Subfund's assets.

A Subfund of the Umbrella Fund may invest a maximum of 20% of its assets in units or shares of a single target fund (or Subfund), whereby investments in target funds that do not comply with the Investment Funds Directive will altogether not exceed 30% of the Subfund's assets.

Due to the prohibition on a significant influence over the management of securities issuers, all investment funds managed by the Management Company will together not acquire a share of the voting rights in the issuer exceeding the takeover threshold specified in the legislation regulating takeovers. A Subfund of the Umbrella Fund may hold no more than 10% of all shares of a single issuer without voting rights; a maximum 10% of the total nominal value of all issued, unmatured debt securities or money market instruments of an issuer; and no more than 25% of units in circulation of a single target fund or a target subfund of an umbrella fund. The possibilities of exceeding these investment restrictions are represented by exceptions relating to certain issuers, as detailed in ZISDU-2 and its implementing regulations.

The total exposure of each Subfund arising from the use of derivative financial instruments as a portfolio management technique will not exceed 100% of its NAV.

The Subfunds will not invest in related entities of the Management Company, nor in other investment funds managed by the Management Company or its related entities or entities to which the Management Company has outsourced the services of managing the Subfunds' assets. However, they will be able to accept from them a public offering to buy transferable securities according to the law regulating takeovers. All Subfunds of the Umbrella Fund can invest in money market instruments, cash deposits and securities within the framework of their initial offering issued by the Umbrella Fund's depositary or its related entities; however, such placements will not exceed 20% of their assets. The Management Company may, for the account of the Subfunds, accept bids to buy transferable securities from the Depositary and its related entities, and may enter with the latter and its related entities into purchase and sales transactions concerning money market instruments and bonds issued by the Bank of Slovenia or the Republic of Slovenia. All investments in financial instruments issued by the Depositary and its related entities and transactions concluded with them will be made subject to market conditions or conditions more favourable for the Subfunds.

Rules on the maximum and/or minimum permissible shares of specific types of investment do not need to be observed: if the rights to new financial instruments are exercised; due to other corporate actions of the issuer beyond the Management Company's control; for any other reasons beyond the Management Company's control; and in the first six months of a Subfund's operation (following the issuance of the fund management authorisation by the Agency).

All other significant provisions regarding investment restrictions of Subfunds' investments are governed by the applicable provisions of ZISDU-2 and its implementing regulations.

1.4 ANCILLARY LIQUID ASSETS

The Subfunds may also hold ancillary liquid assets, which are monetary assets that do not serve as a means towards achieving the Subfund's investment objectives but are intended to cover current or exceptional payments; they can also be held for the time needed to reinvest the realised assets and in cases where the Management Company must, due to unfavourable conditions in financial instruments markets, suspend investing the Subfunds' assets in these markets.

The scope of ancillary liquid assets will not exceed 20% of the total asset value of a Subfund.



1.5 BORROWING

For the purpose of adequate liquidity management, the Subfunds may incur debts² but only up to 20% of their asset value. The maturity of a borrowing may not exceed 6 months. The Management Company can pledge its assets for the account of a Subfund as security for the obligation to repay credit, whereby the value of pledged assets may not exceed 10% of its total asset value.

1.6 PORTFOLIO MANAGEMENT TECHNIQUES

As hedging against market risk, the Management Company may apply special portfolio management techniques that include derivative financial instruments, namely standardised option contracts with the right to sell (put option) traded on the regulated markets referred to in Appendix D. The underlying of these options can be equity indices, equities and/or units of open-end investment (index) funds (ETF) traded on the regulated markets referred to in Appendix D.

Use of this technique will not cause a deviation from the Subfunds' investment objectives or incur significant additional risks for the Subfunds. When using such techniques, the Management Company will at all times comply with the Subfunds' permissible exposures.

Appendix F sets out the Subfunds with respect to which put options will be used to hedge against risk.

CHAPTER 2: ASSET VALUATION RULES

2.1. GENERAL VALUATION RULES

The Management Company values units of the Umbrella Fund's Subfunds in accordance with the Slovenian Accounting Standards (SAS), in particular SAS 38 (2006) – Accounting Solutions in Mutual Funds; SAS 3 (2006) – Investments; and the relevant International Accounting Standards (IAS).

Financial instruments and monetary assets denominated in a foreign currency are converted to the reference currency of a Subfund at the European Central Bank exchange rate or any other contractually determined exchange rate. The same manner of conversion is used with acquisition and disposal costs of a financial instrument and interest arising from financial instruments.

2.2. VALUATION OF FINANCIAL ASSETS OR INSTRUMENTS

Cash

Cash is recognised at its nominal value, or interest is accrued on a daily basis in accordance with the relevant contractual provisions.

Deposits and loans

Interest is accrued on a daily basis in accordance with the applicable contractual provisions.

Shares

Shares (ordinary and preference shares of commercial companies, and shares/units of closed-end investment funds traded on a regulated market) are recognised at their most recently available daily (closing) price in the market in which they were acquired.

Shares which are not traded on a regulated market are recognised at their purchase value, which can also comprise their acquisition costs.

² The only exceptions are money market funds, which will not borrow.



Fixed-rate preference shares not traded on a regulated market are recognised in the same way as bonds not traded on a regulated market.

Units of target funds

Units of target funds traded on a regulated market are recognised in the same way as shares traded on a regulated market.

Units of target funds not traded on a regulated market are recognised according to their most recently available unit value or share book value.

Bonds and convertible bonds

Coupon bonds traded on a regulated market are recognised at their residual nominal value multiplied either by the last closing price in the market where they were acquired and increased by accrued interest, in accordance with the terms and conditions set out by the bond issuer at the time of their issue, or in accordance with the terms and conditions set out by the relevant market operator.

Zero-coupon bonds traded on a regulated market are recognised at their residual nominal value multiplied by the closing price in the market where they were acquired.

Bonds not traded on a regulated market are valued at the purchase value increased by the accrued interest calculated in accordance with the terms and conditions stated by the issuer at their issue.

Money market instruments

Discounted money market instruments (treasury bills, discounted commercial papers, bills etc.) are recognised at their discounted nominal value increased by the accrued interest in accordance with the terms and conditions stated by the issuer at the time of their issue.

Undiscounted money market instruments (undiscounted commercial papers, certificates of deposit etc.) are recognised in the same manner as deposits given.

Options

Standardised option contracts traded on regulated markets are recognised at the value representing the average value of the latest available ask and bid prices in the market where they were acquired.

Other derivative financial instruments

Derivative financial instruments acquired by a Subfund independently of the will of the Management Company on the basis of corporate actions of issuers of the underlying financial instruments are recognised at their market price and, where this is not available or not sufficiently reliable, they are recognised at cost.

CHAPTER 3: RISKS

Risks connected with investments in the Subfunds of the Umbrella Fund depend on the investment objectives and policies of a Subfund. Investors should therefore select a Subfund or a combination of Subfunds whose total investment risk will be acceptable to him/her. The value of the Subfunds' portfolios can fluctuate in the future. There is a possibility that investors may not recover the entire sum paid into a Subfund.

The operations of the Subfunds of the Umbrella Fund, and hence indirectly or directly investors in the Subfunds, are exposed to many factors and types of risk.

Market risk arises from the potential of a sudden and protracted general decline in prices on capital markets due to the general market and economic situation, and from factors related to the activities of the issuer of the financial instrument in which the Subfund placed its assets.

Currency risk is a consequence of investments whose value or income arising from them is denominated in other currencies than that of the Subfund's unit value. Changes in foreign exchange rates may have a substantial impact on the value of a Subfund's assets expressed in the reference currency.



The risk of investment concentration in narrowly defined sectors, geographical regions or any other narrowly defined investments generally arises from a similar and unidirectional impact of economic factors on issuers in a particular sector, activity, region or market, hence also on the prices of their financial instruments, which is why the influence of these factors on a Subfund's return is greater than that of investment diversification.

Credit risk is the risk that a debtor (a bank or an issuer of a security) will fail to discharge its liabilities to the Subfund in due time and/or in full.

Interest rate risk is the risk that the value of debt financial instruments in a Subfund's portfolio may substantially fluctuate due to changes in interest rates affecting their prices. Due to anti-inflation measures applied by monetary authorities, interest rate risk is usually closely connected to inflation risk.

Risks connected with the use of derivative financial instruments (put options) as a portfolio management technique are limited by the amount of assets invested in those instruments. These risks and/or risk factors refer exclusively to those Subfunds whose assets are invested in derivative financial instruments. The sole purpose of purchasing put options is to hedge the Subfunds' assets against market risk, which means that their use should decrease and not increase the risks connected to such Subfunds.

Inflation risk is the risk that the value of assets will decrease or that their returns will be lower in real terms.

Liquidity risk of investments is the risk that financial instruments in a Subfund's portfolio will be difficult to liquidate in time, or will only be possible to liquidate at lower prices than those at which they are evaluated in the portfolio. Liquidity problems can result from a limited potential to liquidate a financial instrument, or from the illiquidity of the market on which it is traded.

Depository risk and the risk of other agents (also part of operational risk) is the risk that the Depository or Sub-depository of the Umbrella Fund's assets or a stock broker cannot or does not carry out depository or brokerage services with appropriate levels of quality, care and diligence, security, speed or scope.

Settlement risk (also part of operational risk) involves the possibility that settlements of cash and financial in the cash account or financial instruments account of a Subfund are not carried out in the foreseen or contractually agreed time limit, which increases the liquidity risk of a Subfund.

Regulatory risk is the risk that regulatory changes in the Republic of Slovenia or countries whose capital markets a Subfund invests in have adverse effects, including higher tax burdens and limitations of international capital flows, which can increase the market and liquidity risk.

The risk of less developed markets and investments in issuers from countries with a higher general likelihood of political, economic, social and religious instability as well as adverse legislative changes is a consequence of the fact that the operations of participants in financial instrument markets or issuers in these markets are not subject to supervision that is equal, in scope and substance, to that of comparable institutions in more developed countries. Some of these markets do not apply the same accounting standards, auditing standards and financial reporting standards as the economies of the European Union.

The risk of investment in other (target funds) is the risk that the manager of the target fund will for longer periods partly or entirely stop redemption from a fund or will completely fail to discharge these liabilities.

The risk of illiquidity of a Subfund (if its investment coupons are excessively or massively redeemed) is the possibility that a Subfund will fail to discharge its liabilities to investors (regarding the redemption of investment coupons) in due time, or in an adequate amount if its investments must be liquidated at lower prices as a consequence of insufficient demand. Both can lead to the suspension of paying out the redemption value of investment coupons and at the same time decrease returns on investments in a Subfund's investment coupons.



The synthetic risk and reward indicators of the Subfunds are presented in Appendix F.

CHAPTER 4: REFERENCE CURRENCY AND VALUATION PERIOD

The reference currency of all Subfunds of the Umbrella Fund is the euro.

The net asset value (NAV) and unit value (UV) of the Subfunds are calculated as the balance on the valuation day on the day following the latter. The valuation day is any day except Saturdays, Sundays and statutory public holidays in the Republic of Slovenia.

CHAPTER 5: USING A SUBFUND'S NET PROFIT OR INCOME

All Subfunds of the Umbrella Fund will retain their entire income and net profit, without distributing them to investment coupon holders during the period the latter hold investment coupons. They will only pay them out upon the redemption of an investment coupon.

CHAPTER 6: EXPENSES

Details of expenses associated with each Subfund and those borne by holders of their investment coupons are stated in Appendix F.

6.1. DIRECT FEES DEBITING HOLDERS OF SUBFUND INVESTMENT COUPONS

Direct fees are those paid directly by holders of Subfund investment coupons when paying for or redeeming an investment coupon.

Subscription fees:

For lump-sum payments into any Subfund of the Umbrella Fund, the Management Company is entitled to a subscription fee of no more than 3% of the investment coupon value.³

Subscription fee for instalment payments into a Subfund:

With instalment payments, the Management Company is entitled to a subscription fee of no more than 30% of the payments effected in the first payment year in accordance with the provisions of the savings scheme. Subscription fees for all subsequent payments into a Subfund will be proportionally lower so that the total subscription fees charged on payments into a Subfund in the entire payment period will not exceed the level of subscription fees levied on lump-sum payments.

Redemption fee:

The Management company is entitled to a redemption fee of no more than 2.5% of the investment coupon value. It can only be charged to investors explicitly agreeing to it by signing a new subscription form.

Transfer fee charged for transfers to another Subfund of the Umbrella Fund:

The Management Company does not charge subscription or redemption fees for transfers between the Subfunds.

³ The subscription fee is not calculated as a percentage of the payments made into a Subfund but as a percentage of the value of the Subfund investment coupon from which the subscription fee is deducted. Example: with a payment of EUR 100 into a Subfund with a 3% subscription fee, the amount of the subscription fee is EUR 2.91, and the value of investment coupon paid in is EUR 97.09.



The only exception is Subfunds where the Management Rules set in advance⁴ that no subscription fees are charged by the Management Company. When such a Subfund is exchanged for a Subfund that charges subscription fees in accordance with the Management Rules,⁵ the Management Company is entitled to charge subscription fees for units with respect to which subscription fees were never paid in the same amount as for lump-sum payments in the Subfund from which assets are transferred. The Management Company charges subscription fees for the transfer of all those units for which subscription fees have not previously been paid.

Investors can obtain information on the actual subscription and redemption fees at any time from persons authorised to market Subfund units.

Administrative costs:

The Management Company is entitled to the reimbursement, by investment coupon holders, of costs arising in connection with:

- the transfer of Subfund investment coupons based on a final inheritance decision or universal succession,
- the registering or erasure of third party rights to investment coupons of a Subfund or receivables arising from investment coupons of a subfund, or
- the provision of a statement of an investment coupon balance on an investor's request.

6.2. MANAGEMENT AND OPERATING COSTS OF THE UMBRELLA FUND

The Umbrella Fund's management and operating costs are all costs arising with regard to the services of Umbrella Fund management and depositary services; they can be covered by assets of the Subfunds.

A. Management fee

The management fee payable to the Management Company is fixed as a percentage of the average annual net asset value of a Subfund of the Umbrella Fund. It is calculated and charged for each valuation day in a calendar year in relation to the net asset value of a Subfund on the valuation day, i.e. in a proportion equal to the proportionate part of the annual management fee. It is paid from the Subfund assets in the same time span.

The management fee levels applicable to the individual Subfunds are listed in Appendix F.

B. Depositary fee

A depositary fee payable to the Depositary of the Umbrella Fund's assets is calculated and charged in the same manner, period and deadline as the management fee, and is payable once a month.

The depositary fee will not exceed 0.05% of the average annual net assets of a Subfund.

C. Other costs that can be levied on the Subfunds' assets on the basis of providing Umbrella Fund management services

The Management Company is entitled to issue an order to also cover other operating costs from a Subfund's assets, including: costs associated with the acquisition and disposal of a Subfund's portfolio, such as brokerage fees and charges, fees charged by managers of regulated markets and multilateral trading facilities, managers of settlement systems and clearing houses, costs connected with entering regulated markets and the

⁴ This also applies to Subfunds transformed from mutual funds whose Management Rules included such provisions.

⁵ This refers to cases where an investor pays for the investment coupons of a Subfund (i.e. "enters" the Umbrella Fund through a Subfund) for which the Management Company does not charge subscription fees. Here, provisions of the Management Rules referring to subscription fees should be precisely followed rather than just the actually charged subscription fees. If the Management Company, for a specific period and/or a particular distribution channel and/or a particular type of investor, allows or has allowed the exemption of subscription fee payment with respect to a particular Subfund investment coupon (for which it normally charges or has charged subscription fees), subscription fees are deemed to be paid and will not be charged by the Management Company with further transfers.



proportional share of fees and other costs of consultancy companies connected with joint operation of the Management Company with other sellers when selling a Subfund's assets in order to execute a transaction for the account of the Subfund on more favourable terms; costs of payment transactions, except where they are reimbursed to the Depositary; costs of auditing the Umbrella Fund's annual report and costs of external experts connected with the preparation and auditing of annual reports; costs of notifications to a Subfund's investment coupon holders according to the applicable provisions of ZISDU-2 and its implementing regulations; costs of exercising rights arising from financial instruments owned by a Subfund for the account of the Subfund; costs connected with potential claims and objections for the account of a Subfund in all legal proceedings and proceedings before state bodies relating to a Subfund's rights, obligations or assets, including proceedings against the Depositary should its conduct cause damage to a Subfund; costs arising from taxes and other duties on a Subfund's assets and trading in a Subfund's assets; interest and other costs of loans taken in accordance with ZISDU-2 by the Management Company for the account of a Subfund; costs relating to the distribution of a Subfund's net profit/income.

D. Other costs imposed on the assets of Subfunds with regard to performing depositary services for the Umbrella Fund

The Depositary may also effect payments from a Subfund's assets for costs associated with payment transactions of a Subfund; fees and charges connected with the contract between the Depositary and a securities clearing corporation; costs associated with entering and executing orders relating to drawing on the Subfund's assets; costs of account maintenance and safekeeping of financial instruments of the Subfund with other banks or legal entities; as well as costs of potential claims and appeals for a Subfund's account in all legal proceedings and proceedings before state bodies relating to a Subfund's rights, obligations or assets, including proceedings against the Management Company should its conduct cause damage to the Subfund.

E. Allocation of costs between the Umbrella Fund and the Subfunds

The management fee and depositary fee will directly burden the assets of those Subfunds that they refer to, as described under items A and B of this chapter. The same applies to other costs that may burden Subfund assets with regard to performing the services of Subfund management and depositary services for the Umbrella Fund. By way of exception, urgent external circumstances or an economy of scale and a consequential decrease of costs for all participating Subfunds (e.g. costs incurred on the concurrent entering of several Subfunds to regulated markets; costs related to procedures in which several Subfunds participate etc.) can lead to the allocation of costs to those Subfunds they refer to, using a key that ensures the appropriate burdening of individual Subfunds (e.g. the same ratio would be used for all participating Subfunds in the case of entering individual markets; or in proportion to the assets held by a Subfund in case of taking part in the procedure; or in proportion to the net asset value of a participating Subfund with expenses charged by service providers as a total sum based on the total asset value of several Subfunds etc.).

6.3. ONGOING CHARGES

The most recent data about ongoing charges are given in Appendix G. A chronological overview of the data relating to the ongoing charges calculated and published so far is accessible at the Management Company's website.



CHAPTER 7: TAXATION

Note: The following text does not describe all cases of taxes levied on taxable persons. Investors should be aware that the actual level of taxation resulting from the holding of investment coupons, the disbursement of an investment coupon redemption value, or any other facts related to the holding of investment coupons depends on the tax situation of each individual holder. If investors are unsure about taxes arising from their investments in a subfund, they should consult an expert!

7.1. TAXATION OF THE UMBRELLA FUND

The Umbrella Fund and the Subfunds are not liable for corporate income tax as they are not legal entities.

7.2. TAXATION OF INVESTORS THAT ARE RESIDENT LEGAL ENTITIES

Corporate income tax is governed by the Corporate Income Tax Act (ZDDPO-2). The tax rate on taxable profit stands at 18% in 2012, 17% in 2013, 16% in 2014, and 15% in the following years.

All investors falling in the category of resident legal entities are obliged to determine their taxable profit on the basis of income and expenses recognised in accordance with the applicable laws and accounting standards, while also taking into account the special provisions of ZDDPO-2. The latter refer in particular to changes in accounting policies, error corrections and revaluation.

7.3. TAXATION OF INVESTORS THAT ARE RESIDENT NATURAL PERSONS

7.3.1. TAXATION IN THE EVENT OF THE REALISATION OR SALE OF AN INVESTMENT COUPON, OR THE WINDING UP OF A SUBFUND

In accordance with Article 93 of the Personal Income Tax Act (ZDoh-2), an investment coupon of a subfund is considered as capital; in the case of the disposal (or realisation or sale) of an investment coupon or the winding up of a subfund, the investor is subject to tax under the rules on capital gains set out in ZDoh-2.

According to Article 94 of ZDoh-2, the realisation or sale of an investment coupon of a subfund and the payment of a proportionate share of the liquidation estate is deemed to be the taxable disposal of an investment coupon.

In accordance with Article 95 of ZDoh-2, a non-taxable disposal of an investment coupon includes, but is not limited to:

- the transfer of a deceased person's capital to an heir, legatee or any other person who replaces them under regulations governing inheritance, or any other person who has a claim on a deceased's estate following the death of a natural person; and;
- the transfer of capital in the process of the forced collection of mandatory duties in accordance with the law.

Exemption from the payment of personal income tax on the disposal of investment coupons according to Article 525 of ZISDU-2 applies to holders that acquired investment coupons:

- through the exchange of investment coupons of an existing mutual fund for those of a subfund in the process of forming an umbrella fund from existing mutual funds;
- through the exchange of investment coupons of an existing subfund of the umbrella fund in the process of including the subfunds of the umbrella fund into another umbrella fund of the same management company,

if the exchanged investment coupons of an existing mutual fund or subfund were originally acquired through the exchange of shares of an authorised investment company or an investment company emerging from an authorised investment company in the process of the compulsory transformation thereof into a mutual fund, or in



the process of the compulsory division of some of this company's assets into a mutual fund, on the condition that the holder acquired the shares of an authorised investment company in accordance with the rules governing the ownership transformation of companies.

The tax base for determining the amount of tax is the difference between the investment coupon value at disposal and the investment coupon value at acquisition.

The value of an investment coupon at acquisition is the amount of payment into a subfund less the subscription fee (i.e. the number of units multiplied by the unit value). This value is then increased by itemised expenses related to the acquisition of investment coupons, which are recognised at 1% of the investment coupon purchase value. In cases of inheritance, the purchase value of an investment coupon is increased by the amount of tax payable on inheritance and gifts, if any.

The investment coupon value at disposal equals the value calculated by multiplying the number of units held and the value of one unit at redemption. This value is reduced by the amount of itemised expenses, which equal 1% of the investment coupon value at its disposal.

For investors who acquired subfund investment coupons by exchanging the investment coupons of a mutual fund acquired prior to 1 January 2003, the investment coupon purchase value is deemed to be the value as at 1 January 2006.

If the investor acquired the investment coupon prior to the euro change-over, the value of an investment coupon at acquisition will be translated into euros at the mean exchange rate of the Bank of Slovenia effective on the investment coupon acquisition day, or on 1 January 2006 if the value as at this day is considered to be the investment coupon purchase value.

Income tax at a rate of 25% is charged and payable on this taxable base. The income tax rate will be reduced for every five years of holding investment coupons and will amount to:

- 15% upon a holding period of 5 years,
- 10% upon the completion of a holding period of 10 years,
- 5% upon a holding period of 15 years.

After a holding period of 20 years, the investor is exempt from income tax on capital gains.

Investment coupons of a Subfund are managed according to the First In First Out method (FIFO) whereby the investment coupon value at acquisition is considered to be the value of the investment certificate acquired first.

The investment coupons of a subfund acquired through the exchange of the investment coupons of a mutual fund emerging from the exchange of shares of an authorised investment company in the process of the compulsory transformation thereof into a mutual fund, or in the process of the compulsory division of some of this company's assets into a mutual fund, on the condition that the holder acquired the shares of an authorised investment company in accordance with the rules governing the ownership transformation of companies, are deemed to have been acquired:

- on the day of establishment of an umbrella fund, if the latter was established through the merger of existing mutual funds;
- on the day of establishment of a subfund of an existing umbrella fund, if an existing mutual fund is transformed into a subfund of an existing umbrella fund;
- on the day of merger of mutual funds, if assets of the mutual funds or the subfunds of an umbrella fund were transferred to a newly established or existing subfund of the umbrella fund;
- on the day of transfer of subfunds, if the subfunds of an umbrella fund were transferred to another umbrella fund of the same management company.

The income tax on capital gains is assessed by the tax authorities in a decision based on the tax return submitted by the taxpayer no later than 28 February for the preceding year, in which all disposals of capital



carried out within the year (except immovable property) are declared. Income so declared includes capital gains or capital loss realised in the fiscal year; in the latter case, losses arising from the disposal of capital are not recognised if the taxpayer acquired substitution capital identical in terms of its substance within 30 days prior to or following the disposal. Losses are also not recognised if the disposed capital was acquired by a taxpayer's related person.

The tax authorities will issue a decision on the assessment of income tax on capital gains by 30 April of the current year for the preceding year. The assessment of personal income tax on capital gains is final.

7.3.2. TAXATION OF SUBFUND TRANSFERS WITHIN THE SAME UMBRELLA FUND

Where a subfund investment coupon is exchanged for that of another subfund within the same umbrella fund, the determination of tax liability is suspended. Where an investment coupon is realised in order to settle the transfer fee, a tax liability does not occur.

Where the determination of tax is suspended, tax will only be assessed with the next taxable disposal of investment coupons, whereby:

- the time of investment coupon acquisition is deemed to be the day the exchanged investment coupons were acquired as established under the rules of ZDoh-2; and
- the purchase value is the purchase value of the first exchanged investment coupons, established in accordance with ZDoh-2.

For taxpayers subject to an exemption from the payment of income tax on exchanged investment coupons pursuant to Article 525 of ZISDU-2, the exemption also applies to investment coupons acquired in the process of coupon exchange in the framework of a transfer between subfunds of the same umbrella fund.

Where data from the second paragraph of this subpoint are not available to the management company, the latter must, in the event of the exchange or realisation of such investment coupons, request the holder to provide evidence on the actual time of the acquisition as well as the purchase value and method of acquisition of the first investment coupon.

The suspension of tax determination should be notified to the Tax Administration of the Republic of Slovenia by the management company managing the umbrella fund. The management company must inform taxable persons in writing about the suspension of determining tax liability within 15 days of the exchange of investment coupons.

7.3.3. TAXATION IN THE EVENT OF A SUBFUND MERGER, ESTABLISHMENT OF AN UMBRELLA FUND FROM EXISTING MUTUAL FUNDS, AND THE INCLUSION OF SUBFUNDS OF AN EXISTING UMBRELLA FUND IN ANOTHER UMBRELLA FUND OF THE SAME MANAGEMENT COMPANY

Where investment coupons of a transferring subfund are exchanged for those of a transferee subfund within the framework of a merger of subfunds, the taxable person may have the determination of their tax liability suspended.

The suspension of a tax liability determination can also be exercised when investment coupons of existing mutual funds are exchanged for those of the subfunds of an umbrella fund within the framework of establishing an umbrella fund from existing mutual funds, and when the investment coupons of a subfund of the umbrella fund are exchanged for investment coupons of the subfunds of another umbrella fund within the framework of inclusion of the subfunds into another umbrella fund of the same management company.

Where the determination of tax is suspended, tax will only be assessed with the next taxable disposal of investment coupons, whereby:



- the time of investment coupon acquisition is deemed to be the day the exchanged investment coupons were acquired as established under the rules of ZDoh-2; and
- the purchase value is the purchase value of the exchanged investment coupons, established in accordance with ZDoh-2.

For taxpayers subject to an exemption from the payment of income tax on exchanged investment coupons pursuant to Article 525 of ZISDU-2, the exemption also applies to investment coupons acquired in the process of a coupon exchange in the framework of a merger of subfunds, the establishment of an umbrella fund from existing mutual funds, and the inclusion of the subfunds of the umbrella fund in another umbrella fund of the same management company.

Where data from the second paragraph of this subpoint are not available to the management company, the latter must, in the event of the exchange of such investment coupons, request the holder to provide evidence on the actual time of the acquisition as well as the purchase value and method of acquisition of the investment coupon.

The suspension of tax liability determination should be notified to the Tax Administration of Slovenia by the management company, which should inform taxable persons thereof within 15 days and provide them with all the information required to determine their tax liabilities.

7.4. INVESTORS THAT ARE NON-RESIDENT LEGAL ENTITIES OR NATURAL PERSONS

Non-resident natural persons are not liable to pay personal income tax on capital gains arising from the disposal of investment coupons.

With regard to taxes levied on an investment in subfund investment coupons, non-resident natural persons must comply with special provisions (for residents and non-residents) of the Personal Income Tax Act (Zdoh-2) as well as tax regulations applicable to them in other countries where they are taxable persons (generally the countries of their residence).

Investors that are non-resident legal entities must comply with the tax regulations applicable to them in the other countries where they are taxable persons. In the case of investors that are non-resident legal persons and invest in the investment coupons of subfunds through their business units in Slovenia, the latter are subject to the same rules as for resident legal entities (item 7.2.).

CHAPTER 8: FINANCIAL YEAR

The Umbrella Fund's financial year equals the calendar year.

CHAPTER 9: INFORMATION FOR THE PUBLIC AND HOLDERS OF INVESTMENT COUPONS

9.1. PUBLICATION OF UNIT VALUES OF THE SUBFUNDS

The Management Company publishes Subfund unit values (UV) on its website no later than the business day following the valuation day, and in the daily newspaper Finance and possibly other daily newspapers with a high circulation no later than in their next regular edition on the day following publication in the electronic media.

9.2. PUBLICATION OF MONTHLY BUSINESS REPORTS FOR THE SUBFUNDS

Monthly business reports for the Subfunds are published on the Management Company's website no later than the 15th day of a month according to the situation as at the end of the preceding month.



9.3. PUBLICATION OF INFORMATION ON LEGAL AND BUSINESS EVENTS

Information on legal and business events associated with the Umbrella Fund, a Subfund or the Management Company that could significantly affect the Subfunds' operations is published by the Management Company on its website www.kd-skladi.si under the heading "Public notices" (Slovenian: "Javne objave"). Information on events that could significantly affect the unit value of a Subfund and events with respect to which information must also be published in a newspaper is announced by the Management Company in the daily newspaper Dnevnik.

9.4. DIRECT COMMUNICATION WITH HOLDERS OF INVESTMENT COUPONS

The Management Company communicates directly with holders of Subfund investment coupons by sending them, to the addresses specified by them:

- notices in printed format by regular mail, or
- notices in electronic format by electronic mail.

An investor agrees on the electronic method of data exchange with the Management Company by notifying the latter of his/her e-mail address to be used for this purpose.

CHAPTER 10: INVESTMENT COUPONS AND THEIR PAYMENT AND REDEMPTION

The assets of the Umbrella Fund's Subfunds are divided into units.

10.1. INVESTMENT COUPONS

The Management Company issues Subfund investment coupons referring to one or several units, or parts of units, but not less than one unit.⁶

The investment coupons of the Umbrella Fund's Subfunds give their holders the right to:

- request the Management Company to redeem the units of the Subfund in respect of which an investment coupon is issued; and
- be paid a proportionate part of the liquidation estate in case a Subfund is wound-up.

A Subfund investment coupon should contain the following key elements, which are also recorded in the register of investment coupon holders maintained for each Subfund by the Management Company:

- an indication that the document is a Subfund investment coupon;
- the name of the Umbrella Fund and the Subfund;
- the name, registered office and registration number of the Management Company that issued the investment coupon;
- the name and registered office, or the name and surname of the person to whom the investment coupon refers, and an indication that the instrument is (non)-transferable;
- the number of units of the Subfund to which the investment coupon refers;
- the obligations of the Management Company and the rights of the investment coupon holder;
- the serial number;
- the place and date of issue; and
- the signature or signature stamp of the Management Company's board members.

⁶ Where the unit value of a Subfund grows, the Management Company reserves the right to change its denomination to a lower value (and appropriately increase the number of units). Investors will be informed in advance about the time and manner of such denomination.



A Subfund investment coupon is a registered security issued as a written instrument that cannot be transferred to another person (i.e. it is non-transferable).

10.2. PAYMENT FOR AND REDEMPTION OF INVESTMENT COUPONS

10.2.1. PAYMENT FOR INVESTMENT COUPONS

Subfund investment coupons can only be paid for in cash. The purchase value of an investment coupon equals the number of units multiplied by the unit value (UV) of a Subfund, increased by the subscription fees to which the Management Company is entitled.

An investor becomes the holder of investment coupons of one or several Subfunds by agreeing to the Umbrella Fund Management Rules at the Management Company subscription offices, which he/she does by signing a duly and fully completed subscription form, and paying the purchase value of an investment coupon to the cash account of the relevant Subfund or a special cash account of the Umbrella Fund. The Management Company enables the electronic subscription to the Umbrella Fund Management Rules by way of a special computer application.

Before logging in to the Management Company's web application for the first time, the investor must complete the registration process. He/she can later log in with a qualified digital certificate (which is issued by a registered certification authority and is used to check the investor's identity), and a username and personal password created by him/herself. In the subscription process, the investor submits all the details necessary to complete the subscription form to the Management Company and, in the end, attaches an electronic signature to the form and all other related documents. For a successful online subscription, the investor must submit several other supporting documents or photocopies of them to the Management Company.

The web application is accessible at the Management Company's website, along with all user instructions and the General Terms and Conditions.

As the investor agrees to the Umbrella Fund Management Rules through a qualified digital certificate without his/her actual presence, the Management Company must adopt measures to ensure that the first payment into a Subfund is effected from the investor's bank account stated in the subscription form. In order to comply with the rules on money laundering and preventing terrorist financing, the Management Company can subsequently and in certain cases obtain from the registered certification authority data on the manner of verifying the investor's identity.

Upon the first and all subsequent payments, the investor will pay the relevant amount into the transaction account of a selected Subfund or a specific money account open with the Umbrella Fund's Depository. A reference number must be indicated in the payment transfer order. The Management Company will not accept incorrectly effected payments.

An investor's payment that arrives in a Subfund's transaction account by 0:01 hours (the cut-off time) on valuation day T will be considered by the Management Company for the purpose of calculating the purchase value of an investment coupon at the unit value on that valuation day T, which will be made available to the public at the Management Company's website no later than the following business day T+1. For an investor's payment arriving in the Subfund's transaction account after 0:01 hours (the cut-off time) on day T, the calculation of the purchase value will be based on the unit value as at the valuation day, which will be published on the Management Company's website no later than the business day T+2.



The exact time of the inflow of an investor's funds into a Subfund's transaction account is determined on the basis of a statement of payments forwarded by the Depositary that maintains the Subfund's account. The Management Company will no later than five business days after the end of the valuation day on which payment arrived in the account send to the investment coupon holder a certificate on the issue of the investment coupon, together with an itemised statement of payment and a statement of balance on his/her account, which is kept in the records of investment coupon holders.

An investor can decide to make a lump-sum payment or instalment payments (savings scheme) into the Subfunds of the Umbrella Fund. With the instalment payments option agreed on in advance, the investor has the possibility to pay lower rate subscription fees with respect to total payments made within the entire savings period than in the case of paying the same amount by way of a lump-sum payment. In the case of instalment payments, the Management Company can send an investor a certificate on the issue of investment coupons only every six months. The minimum agreed instalments are specified on its website. An investor can maintain a number of separate active savings schemes within the same Subfund.

When investors subscribe to its Subfunds and pay in contributions, the Management Company must comply with the procedures set out in the regulations on money laundering and terrorist financing prevention as well as tax regulations. The Management Company can stop business cooperation with an investor if this is prescribed by the law, or if the investor does not become or ceases to be an investment coupon holder within a period of seven years from the signing of the subscription form or the last payment made, or if this is requested in writing by an investor who is no longer an investment coupon holder.

By subscribing to the Management Rules, an investor agrees that his/her personal and other data may be used for purposes connected with the holding of investment coupons.

A more detailed description of the procedures and terms and conditions for subscribing to the Umbrella Fund Management Rules, changing personal details in the records of investment coupon holders, the methods of payment, as well as other related information is available at all subscription offices and on the website of the Management Company.

10.2.2. SUSPENDING PAYMENTS INTO SUBFUNDS

In exceptional cases and when required by special circumstances, the Management Company can suspend payments into some or all Subfunds of the Umbrella Fund.

The Management Company can undertake this in particular:

- with the extremely high volatility of capital markets (extensive and fast falls or growth in the prices of single or several financial instruments), which prevents the reliable and credible valuation of financial instruments in a Subfund's portfolio;
- if there is a standstill in the transferability, liquidity and realisation of financial instruments, and if other problems exist in specific capital markets to which the Subfund should invest in accordance with its investment policy;
- upon the occurrence of a reason for the beginning of a winding-up procedure of a Subfund;
- in the event of a planned transfer, merger or other transformation of a Subfund,
- in the event of insurmountable technical problems in the Management Company, the Depositary of the Umbrella Fund's assets, or the Global Depositary or Sub-depositaries.

The Management Company can undertake this in particular:

- if unforeseeable technical problems occur with the Depositary of the Umbrella Fund's assets, or the Global Depositary or Sub-depositaries;
- if an unforeseeable standstill occurs with the paper or cash settlement of financial instruments in the markets of safekeeping of financial instruments,
- if unforeseeable financial problems arise in the Republic of Slovenia.



10.2.3. REPURCHASE OF INVESTMENT COUPONS

An investment coupon holder can at any time request that the Subfund redeem (either fully or partially) his/her investment coupons at their redemption value, which equals the number of units multiplied by the unit value of a Subfund less the redemption fee, and to pay the redemption value to the holder's transaction account.

An investor can only request redemption by duly and fully completing and signing a prescribed redemption request form, which is available at all subscription offices and on the website of the Management Company. The request can be delivered in person at the subscription offices, sent by mail to the Management Company's address, by e-mail (scanned form) to izplacila@kd-group.si or via the web application using a qualified digital certificate. The subscription offices with access to the system supporting the direct inputting of transfer requests are specifically indicated on the Management Company's website. Those subscription offices without this access should forward redemption requests to the Management Company by fax, e-mail or regular mail, on an investor's request.

A redemption request is deemed delivered at the time of the day it arrives at the Management Company's head office, whether submitted directly by the investor or by a subscription office.

On the basis of an investor's redemption request received by 0:01 hours (the cut-off time) on valuation day T, the Management Company will calculate the redemption value of an investment coupon on the basis of the unit value as at valuation day T, which will be available on the Management Company's website no later than the next business day T+1. With respect to a redemption request received after 0:01 hours (the cut-off time) on valuation day T, the redemption value will be calculated on the basis of the unit value as at valuation day T+1, which is to be published on the Management Company's website no later than the business day T+2.

The Management Company records the exact time and sequence of receiving redemption requests in its records of received redemption requests. In accordance with the relevant regulations, redemption payments are effected according to the sequence of duly and fully completed redemption requests received. The Management Company issues a redemption order no later than five working days following the end of the valuation day on which it received a duly and fully completed redemption request and sends the investor in the same period a notice of redemption, together with an itemised statement of redemption and statement of balance on his/her account as kept in the record of investment coupon holders.

When redeeming investment coupons, the Management Company must comply with the procedures set out in the regulations on the prevention of money laundering and terrorist financing as well as tax regulations. For the sake of investor security and applicable rules governing the redemption of Subfund investment coupons, the Management Company adheres to the rules which are available in a more detailed format at its subscription offices and the website. Investors can find all other detailed information referring to investment coupon requests, such as the conditions of making redemption payments to juvenile investment coupon holders, conditions for instalment payments of redemption amounts and details on the website and at the subscription offices.

10.2.4. SUSPENSION OF REPURCHASING OF INVESTMENT COUPONS

In exceptional cases and when required by special circumstances due to the protection and interests of investment coupon holders, the Management Company can suspend the repurchase of Subfund investment coupons. Suspension is only possible in the circumstances and under the conditions set out in a decision issued by the Agency, specifying the temporary suspension of repurchasing investment coupons.

The temporary suspension of repurchasing investment coupons of a Subfund can be ordered by the Agency when it deems this to be in the interest of investment coupon holders or the public, and in cases specified in ZISDU-2 it can also be introduced by the Depositary of the Umbrella Fund's assets.

10.2.5. CONCURRENT PAYMENTS FOR AND REDEMPTIONS OF INVESTMENT COUPONS



If an investment coupon holder requests the Management Company to pay the redemption value of a Subfund investment coupon and this is followed by payment for the investment coupon of another Subfund of the KD Umbrella Fund, the redemption request and the payment request are addressed concurrently. This system will be put into operation no later than 14 January 2013,⁷ and until then transfers between the Subfunds will continue to be processed according to the rules of separate payments and separate redemption: first, the payment of the investment coupon redemption value is performed from the cash account of a Subfund at the unit value of this Subfund on a particular valuation day, after which the payment of the investment coupon purchase value of another Subfund at the unit value thereof on a later valuation day is made.

An investor can only request the transfer by duly and fully completing and signing a prescribed transfer form, which is available at all subscription offices and on the website of the Management Company. The request can be delivered in person at the subscription offices, sent by mail to the Management Company's address, by e-mail (scanned form) to izplacila@kd-group.si or via the web application using a qualified digital certificate. Those subscription offices with access to the system supporting the direct inputting of transfer requests are specifically indicated on the Management Company's website. The subscription offices without this access should forward transfer requests to the Management Company by fax, e-mail or regular mail, on an investor's request.

A transfer request is deemed delivered at the time of the day it arrives at the Management Company's head office, whether submitted directly by the investor or by a subscription office.

On the basis of an investor's transfer request received by 0:01 hours (the cut-off time) on valuation day T, the Management Company will calculate the redemption and purchase values of an investment coupon on the basis of the unit value as at valuation day T, which will be available on the Management Company's website no later than the next business day T+1. With respect to a transfer request received after 0:01 hours (the cut-off time) on valuation day T, the redemption and purchase values will be calculated on the basis of the unit value as at valuation day T+1, which is to be published on the Management Company's website no later than the business day T+2.

The Management Company records the exact time and sequence of receiving transfer requests in its records of received transfer requests. In compliance with the relevant regulations, transfers are effected according to the sequence of duly completed transfer requests received. The Management Company issues a transfer order no later than five working days following the end of the valuation day on which it received a duly and fully completed transfer request and sends the investor in the same period a notice of transfer, together with a statement of redemption and payment as well as a statement of balance of his/her account as kept in the record of investment coupon holders.

A more detailed description of how the transfer of assets between Subfunds is accounted for is available at the Management Company subscription offices and the website.

10.2.6. ERRORS IN CALCULATION OF THE NET ASSET VALUE

An error in the calculation of the net asset value (NAV) of a Subfund is deemed to have occurred if:

- the difference between the correct NAV and the wrong NAV of a Subfund in the category of money market funds represents more than 0.25% of the correct NAV;
- the difference between the correct NAV and the wrong NAV of a Subfund in the category of bond funds represents more than 0.5% of the correct NAV;
- the difference between the correct NAV and the wrong NAV of a Subfund in the category of equity funds represents more than 1% of the correct NAV;
- the difference between the correct NAV and the wrong NAV of a Subfund in other fund categories represents more than 0.5% of the correct NAV.

If the NAV is too high due to an error in the NAV calculation, the following applies:

⁷ On the day of the entry into force of changes to the Umbrella Fund Management Rules.



- the Management Company accounts additional units for the holders who paid for the investments coupons based on a NAV calculation that was too high, and sends them a new notice of payments accounted for;
- the Management Company transfers to the Subfund the difference in cash if the redemption value received by the holders of the investment coupons upon exiting from a Subfund was too high.

If the NAV is too low due to an error in the NAV calculation, the following applies:

- where the NAV representing the basis for redemption value calculation was too low, the Management Company transfers to the relevant holders the difference in cash according to the correctly calculated NAV and sends them a new notice of payment;
- where holders paid for investment coupons based on an NAV that was too low, the Management Board sends them a new notice of payment.

The Management Company acts by analogy also in cases where the NAV is incorrectly calculated due to an incorrect number of a Subfund's units in circulation or a calculation error.

The Management Company transfers the funds required to rectify errors within 5 working days of the day when the correct NAV is calculated. Amounts below EUR 2 will not be transferred, in which case investors will not be notified.

The expenses arising in connection with the rectification of NAV calculation errors do not burden the Subfunds' assets.

10.3. TRADING IN INVESTMENT COUPONS

Investment coupons of the Umbrella Fund Subfunds are not traded on a regulated market.

CHAPTER 11: OTHER PROVISIONS GOVERNING THE UMBRELLA FUND AND THE SUBFUNDS

11.1. DURATION OF THE SUBFUNDS

All Subfunds of the Umbrella Fund are established for an indefinite period.

11.2. THE TRANSFER OF MANAGEMENT

The Management Company that manages the Umbrella Fund (the transferor company) may transfer the management of the entire Umbrella Fund or an individual Subfund to another management company (transferee company)

Where the management company's authorisation to perform the services of investment fund management is withdrawn by the Agency in a finally binding decision, or when a bankruptcy procedure or a compulsory liquidation procedure is initiated, the forced transfer of the Umbrella Fund's management to another management company is effected.

The transfer or forced transfer of the Umbrella Fund's management to another management company is defined in the relevant provisions of ZISDU-2.

Payments for and redemptions of investment coupons are stopped upon the transfer.

11.3. INCLUSION OF THE SUBFUNDS OF THE UMBRELLA FUND IN ANOTHER UMBRELLA FUND



If the Management Company managed two or more Umbrella Funds, the Subfunds of one Umbrella Fund could be included in the other Umbrella Fund. If all Subfunds of an Umbrella Fund were the subject of inclusion in another Umbrella Fund, the latter would cease to exist following the transfer of the Subfunds into another Umbrella Fund without a special liquidation procedure. Before separating Subfunds from an Umbrella Fund and including them in another Umbrella Fund, the Management Company must obtain the Agency's authorisation.

11.4. REPLACEMENT OF THE DEPOSITARY

The Management Company can replace the Umbrella Fund Depositary by terminating the Depositary Contract concluded with the existing Depositary and replacing it with another. In order to sign a contract with a new Depositary, the company needs the approval of the Agency. When the new contract is enforced, the old Depositary service contract ceases to apply.

The Management Company can replace the Depositary of the Umbrella Fund if:

- the Depositary is temporarily or permanently unable to perform any of its depositary services due to technical reasons, the withdrawal of the authorisation to perform depositary services, the beginning of a bankruptcy or compulsory settlement procedure, or any other insurmountable obstacles in its operations;
- the Depositary performs depositary services under non-competitive conditions;
- the Depositary or its related entity performs transactions or acquires impermissible assets under Article 180 of ZISDU-2;
- it is established within a supervision procedure that the Depositary does not perform depositary services in compliance with the rules of its profession (professional due diligence) or regulations or in accordance with the provisions of the depositary services agreement;
- the Depositary abuses internal information;
- the Depositary causes damage to a Subfund's assets; or
- the Depositary terminates the depositary services agreement.

11.5. MERGER OF SUBFUNDS

11.5.1. CONDITIONS FOR THE MERGER OF SUBFUNDS AND CONSEQUENCES FOR INVESTMENT COUPON HOLDERS

The Management Company or several management companies may merge two or several Subfunds of the same Umbrella Fund or several Umbrella Funds managed by it/them, by acquisition or consolidation. A merger by acquisition is carried out by transferring all assets of one or several Subfunds (the transferring fund) to another existing Subfund (the transferee fund). In a merger by consolidation, a new Subfund is established (the transferring fund) to which all assets of two or more Subfunds are transferred (the transferee fund). After the merger, the transferring fund ceases to exist without a liquidation procedure, and all its assets, rights and obligations are transferred to the transferee fund. After the merger procedure, investment coupon holders shall receive investment coupons of the transferee funds at the conversion rate determined by the Management Company or management companies in accordance with ZISDU-1 and the applicable implementing regulations. If in the conversion of investment coupons of the transferring fund for transferable investment coupons of the transferee fund a coupon holder is not eligible for a whole number of the transferee fund's investment coupons, the management company of the transferee fund can pay such a holder in cash the value of units affected by the partial right.

A merger of Subfunds is only permissible if the financial situation of holders of investment coupons of the merging Subfunds does not deteriorate after the merger. After the merger and taking into account any cash payment made to investment coupon holders, the NAV of the transferring fund must equal at least the sum of the NAVs of the transferring fund and the transferee fund before the procedure, and the total value of all investment coupons of the transferee fund that a person holds after the merger procedure must equal at least the total value of all investment coupons of the transferring fund held by the same person before the procedure. The process of merging Subfunds is subject to a preliminary review of the Depositary and the auditing company.



The merger authorisation is issued by the Agency. Costs arising from the merger are borne by the management companies that manage the Subfunds of the Umbrella Funds involved in the merger.

11.5.2. THE RIGHTS OF INVESTMENT COUPON HOLDERS

Each investment coupon holder of any Subfund involved in the merger has the right to request from the Management Company:

- a copy of the auditor's report on the merger, which the Management Company must send free of charge no later than the next business day following receipt of the relevant written request; an electronic version can be sent; and
- the redemption of his/her investment coupons, with respect to which the Management Company may not charge redemption fees, or
- the conversion of these investment coupons for those of another Subfund with a similar investment policy managed by the same management company or by a management company that is either in close relation to the management company managing the Umbrella Fund comprising this Subfund or is related to companies associated through joint management.

Investment coupon holders have the right to request the redemption of their investment coupons in accordance with the terms of this chapter in the period from receipt of the notice of the merger up to the beginning of payments into and redemptions from the transferring and transferee funds.

11.6. LIQUIDATION

A Subfund is liquidated:

- if its net asset value does not reach EUR 100,000 within four months of the day the Management Company received the Agency's decision on the authorisation to manage the Subfund;
- if its net asset value drops below EUR 100,000 and does not return to EUR 100,000 in the next 30 days; or
- on the basis of a resolution adopted by the Management Company.

The Management Company can decide to initiate a liquidation procedure if it assesses this to be in the interest of investors in a Subfund, in particular where its operating costs could become disproportionately high in comparison to its revenues, and investors would therefore not be able to achieve adequate returns on their investments in the Subfund's investment coupons. The same applies where the Management Company assesses the risks connected with a Subfund have increased so much that they could substantially threaten the security of its assets and thus the value of the holders' investment coupons. In principle, the Management Company can decide to adopt such a decision any time it judges that investors could achieve higher returns if they claimed their right to be paid a proportionate part of a Subfund's liquidation estate instead of keeping the Subfund in operation.

The Umbrella Fund ceases to exist without a liquidation procedure in two cases:

- if all its Subfunds are included in another umbrella fund, and/or
- if the Umbrella Fund does not comprise at least two Subfunds.

The Umbrella Fund can also cease to exist if there are reasons for the forced transfer of the Umbrella Fund management and its Depositary fails to conduct procedures connected to the signing of an agreement on the transfer of the Umbrella Fund management with a new management company (the transferee management company).

The relevant provisions of ZISDU-2 apply to the process of Umbrella Fund dissolution and the process of the liquidation of a Subfund, as well as their legal consequences.



The Management Company will publish a notice on the initiation of the liquidation procedure of a Subfund within three days of the occurrence of the reason therefore on its public website, in the daily newspaper Dnevnik and possibly other mass media; it will also directly inform all investment coupon holders about the initiation of the liquidation procedure and its consequences.

If the Management Company failed to meet its obligation of public notices and information for holders of investment coupons of a Subfund or Subfunds, this obligation will be carried out by the Depositary of the Umbrella Fund's assets no later than three working days following the day when the Depositary became aware or should have become aware of the omission on the part of the Management Company.



CHAPTER 12: THE MANAGEMENT COMPANY

12.1. GENERAL INFORMATION

Company name: KD SKLADI, družba za upravljanje, d. o. o.
Company name in English: KD Funds – Management Company LLC
Abbreviated company name: KD SKLADI, d. o. o.
Abbreviated company name in English: KD Funds LLC
Registered office: Dunajska cesta 63, 1000 Ljubljana
Date of establishment: February 1994 (established as Kmečka družba d. d.)
Company registration number: 5834457
Tax number: 56687036

The Memorandum of Association and the last available audited annual report of the Management Company are available at its registered office each business day from 10:00 to 12:00 hours. The entire annual report together with the auditor's opinion is published by the Management Company on its website within 15 days of its adoption but no later than 6 months after the end of the calendar year. The Management Company delivers the annual report together with the auditor's report to the Agency of the Republic of Slovenia for Public Legal Records and Related Services for the purpose of public release.

The Management Company received authorisation of the Securities Market Agency (no. 25/23/AG-94) to perform the activities of investment fund management on 7 July 1994.

The Management Company's paid-up share capital recorded in the Court Register is EUR 1,767,668.00.

12.2. MANAGEMENT AND SUPERVISORY BODIES

The Management Company's corporate governance system, its management and supervisory bodies, and their members are described in Appendix A.

CHAPTER 13: INFORMATION ABOUT OTHER PERSONS

13.1. DEPOSITARY BANK

Company name: Abanka Vipava d. d.
Registered office: Slovenska cesta 58, 1000 Ljubljana
Main activity: banking and other financial services

The Bank of Slovenia authorised Abanka Vipava, d. d., to perform depositary services for investment funds on 18 September 2003.

The Securities Market Agency gave its consent to the signing of the agreement on depositary services for the Umbrella Fund on 4 December 2012.

OTHER PROVIDERS OF UMBRELLA FUND AND SUBFUND MANAGEMENT SERVICES

Data on persons to whom the Management Company delegated specific services of Umbrella Fund or Subfund management are listed in Appendix B.



CHAPTER 14: COMPLAINTS BY INVESTORS AND OUT-OF-COURT DISPUTE SETTLEMENT

An investor may complain or send a complaint relating to his/her investment or intended investment in the investment coupons of a Subfund of the Umbrella Fund to the address of the Management Company or its e-mail kd-skladi@kd-group.si. All information on the Management Company's complaints policy can be found on its website www.kd-skladi.si and obtained on the telephone number 080 80 24.

Any disputes arising between investors in the Subfunds of the Umbrella Fund on one hand and the Management Company and other providers of Umbrella Fund or Subfund management services having signed an agreement on the outsourcing of certain Umbrella Fund management services on the other hand can be resolved out-of-court before the Permanent Arbitration of the Slovenian Investment Fund Association (*Združenje družb za upravljanje investicijskih skladov – GIZ*), Čufarjeva ulica 5, Ljubljana.

Investors can obtain the documentation describing the circumstances in which an out-of-court dispute settlement can be applied and obtain information about all elements of such out-of-court settlements on the Management Company's website, registered office and all subscription offices.

CHAPTER 15: RESPONSIBILITY FOR THE PROSPECTUS

"We hereby declare that the Umbrella Fund Prospectus Including the Management Rules contains true information and does not omit any information which the Management Company as the prospectus issuer should state or is aware of and whose non-disclosure could cause a loss to the holders of Subfund investment coupons or potential investors. The Prospectus does not contain any misleading data or information that could be interpreted in different ways."

Ljubljana, 20 February 2012

KD Skladi, družba za upravljanje, d.o.o.

Luka Podlogar

Member of the Management Board

Matej Tomažin

President of the Management Board



APPENDICES



APPENDIX A: MANAGEMENT AND SUPERVISORY BODIES OF THE MANAGEMENT COMPANY

The Management Company has a two-tier management system consisting of a Management Board and a Supervisory Board.

Management Board

In accordance with the Memorandum of Association, the company's Management Board shall consist of at least two members. Composition at the moment of publishing this Prospectus:

- Matej Tomažin, President of the Management Board,⁸
- Luka Podlogar, Member.

Supervisory Board

In accordance with the Memorandum of Association, the Supervisory Board shall have at least three and a maximum of seven members. It is composed of:

- Willem Jacob Westerlaken, President of the Supervisory Board,
- Matija Šenk, Deputy President,
- Jure Kvaternik, Member.

APPENDIX B: LIST OF OTHER PROVIDERS OF UMBRELLA FUND AND SUBFUND MANAGEMENT SERVICES

Administrative services

Administrative services, which include the keeping of books and preparation of business reports for the Umbrella Fund, asset valuation, reporting (preparation of financial and other reports) on the Subfunds' performances, register keeping and other administrative services related to the Umbrella Fund and Subfund operations, were outsourced by the Management Company on the basis of an Annex to the Outsourcing Agreement of 28 November 2008 to Abanka Vipava d. d., Slovenska cesta 58, Ljubljana.

Marketing of investment coupons – subscription offices

Details of persons providing the services of marketing and selling the investment coupons of the Subfunds (subscription offices) and points in the territory of the Republic of Slovenia where it is possible to subscribe to the Umbrella Fund Management Rules can be found on the website of the Management company.

APPENDIX C: SOFT COMMISSIONS AND FEE-SHARING AGREEMENTS

A. Soft commissions

In relation to carrying out transactions in financial instruments for the account of the Subfunds and the Umbrella Fund (services of transaction settlement and execution), the Management Company can accept an economic benefit from stockbroking companies or banks in the form of soft commissions, such as analyses of financial markets and issuers, and access to databases, without giving rise to any conflict of interest. The purpose of this arrangement is to ensure a high degree of information support for and the effective management of the Subfunds' assets.



B. Fee-sharing agreements

The Management Company has not entered into any fee-sharing agreements relating to the sharing of transaction costs charged to the Subfunds' assets with stockbroking companies. In relation to funds that place a significant part of their assets in units of target funds, it has no fee-sharing agreements (direct or indirect) with the management companies of the target funds.

APPENDIX D: LIST OF REGULATED MARKETS

A. Within the framework of their investment objectives, Subfunds' assets will only be invested in transferable securities, money market instruments and structured financial instruments (convertible bonds):

1. listed or traded on a stock exchange of an EU member state, or traded on another recognised, regulated market open to the public in an EU member state.

A list of regulated markets in the EU is available on the following website:

http://www.a-tvp.si/Documents/Seznam_organiziranih_trgov_EU.pdf

2. traded on the following stock exchanges in non-EU countries in Europe:⁹

- Banjalučka berza hartija od vrijednosti a. d., Bosnia and Herzegovina
- Beogradska berza a. d., Serbia
- Makedonska berza a. d., Macedonia
- Oslo Børs, Norway
- Sarajevska berza a. d., Bosnia and Herzegovina
- Zagrebačka burza d. d., Croatia
- SIX Swiss Exchange, Switzerland

3. traded on the following stock exchanges of non-European country members of the World Federation of Exchanges (WFE).

A list of members of the World Federation of Exchanges is available on the website:

<http://www.world-exchanges.org/member-exchanges>

B. Within the framework of their investment objectives and policies, Subfunds' assets will only be invested in derivative financial instruments:

1. traded on a regulated market of an EU member state;
2. traded on a regulated market of third country members of the World Federation of Exchanges from the list of web address indicated in point A.3 above.

⁹ The Iceland Stock Exchange OMX Iceland is, in addition to some stock exchanges of EU member states, included in NASDAQ OMX (Europe) and is therefore already on the list of regulated markets of the European Union.



APPENDIX E: LIST OF SUBFUNDS OF THE UMBRELLA FUND

1. KD Galileo, mešani fleksibilni sklad / KD Galileo, Mixed Flexible Fund
2. KD Rastko, evropski delniški sklad / KD Rastko, Europe Equity Fund
3. KD Bond, obvezniški – EUR / KD Bond – EUR
4. KD MM, sklad denarnega trga – EUR / KD MM, Money Market – EUR
5. KD Prvi izbor, sklad delniških skladov / KD First Selection, Fund of Equity Funds
6. KD Balkan, delniški / KD Balkan, Equity
7. KD Novi trgi, delniški / KD New Markets, Equity
8. KD Surovine in energija, delniški / KD Raw Materials and Energy, Equity
9. KD Tehnologija, delniški / KD Technology, Equity
10. KD Vitalnost, delniški / KD Vitality, Equity
11. KD Indija – Kitajska, delniški / KD India – China, Equity
12. KD Latinska Amerika, delniški / KD Latin America, Equity
13. KD Vzhodna Evropa, delniški / KD Eastern Europe, Equity
14. KD Dividendni, delniški / KD Dividend, Equity



APPENDIX F: DETAILED SUBFUND MANAGEMENT RULES

The management rules of the specific Subfunds set out in detail in this Appendix are always applied together with the management rules from the common part of this Prospectus.

1. KD GALILEO, MIXED FLEXIBLE FUND

Type: mixed flexible global fund

1.1. DATE OF ESTABLISHMENT AND INVESTMENT COUPON DESIGNATION

Date of fund management authorisation issued by the Securities Market Agency: 12 March 1997

Commencement of operation (as a mutual fund): 1 January 1992¹⁰

Investment coupon ISIN code: SI0021400294

Investment coupon designation: KDZGA

1.2. INVESTMENT OBJECTIVE

The Subfund's investment objective is to seek long-term capital growth.

The Subfund's assets will be actively managed. Its performance will be benchmarked against the following combination of financial indices: 60% Morgan Stanley Capital International (MSCI) AC World equity index (measured in EUR) and 40% Markit iBoxx Overall EUR Total Return bond index.

1.3. INVESTMENT POLICY

With regard to the general restrictions set out in the common part of the Prospectus and the restrictions set out in this part of the Appendix to the Prospectus, the Subfund will invest in the following types of financial instruments:

- equity securities (shares, including share certificates, and units of closed-end investment funds);
- debt securities (government and corporate bonds);
- money market instruments;
- transferable units of other open-end investment funds (target funds) traded on organised markets (ETF);
- non-transferable units of other open-end investment funds (target funds);
- structured financial instruments with built-in financial instruments (convertible securities); and
- money deposits.

A portfolio consisting of the above listed instruments can be modified without restrictions and adjusted to a new market situation (tactical asset allocation strategy with frequent portfolio adjustments). Hence, up to 100% of the Subfund's assets can at any time be invested in equities, debt securities, money market instruments, units of target funds investing in the aforementioned financial instruments, deposits, or cash and cash equivalents.

By geographical criteria, the fund is a global fund and will therefore be exposed both to developed markets as well as emerging markets, with each group of economies accounting for at least 20% of its assets.

Standardised marketable put options based on marketable equity financial instruments, equity indices or units of equity index funds (ETF) will be used to hedge the Subfund's portfolio against market risk.

¹⁰ The KD Galileo mutual fund started operating before the adoption of the Act on Investment Funds and Management Companies (ZISDU) and prior to the establishment of the Securities Market Agency. The Management Company assumed the management of the Galileo mutual fund on the basis of a decision of the Securities Market Agency on 31 January 1996. The authorisation for the management of the Galileo mutual fund was issued later, i.e. on 12 March 1997.



The fund's global exposure due to the use of options and investments in convertible bonds is measured according to the commitment approach.

The investment policy of the Subfund displays these additional characteristics:

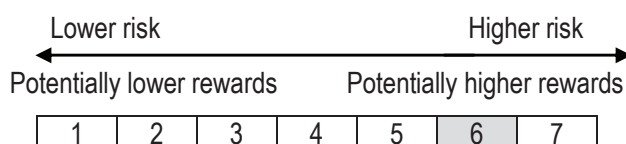
- bond maturities will generally range from 2 to 15 years;
- investments in target funds whose operations do not comply with the Investment Funds Directive can reach a maximum of 30% of the Subfund's assets; the selection of target funds depends on their investment policies and objectives, operating costs, subscription and redemption fees, and profile and quality of their managers;
- the Subfund will also invest in securities and money market instruments within an initial offering process;
- the Subfund will also invest in money market instruments normally not traded on a regulated market;
- a higher exposure to a single issuer not falling into special categories of entities is permissible up to 10% of the Subfund's assets (and total exposure to issuers whose individual exposure exceeds 5% can reach a maximum 40%) if this concerns shares of issuers from the Republic of Slovenia included in the index of the most liquid stocks on the Ljubljana Stock Exchange; shares of foreign issuers whose average daily trade on the relevant market in the last three months exceeded EUR 1 million or the corresponding amount in another currency; shares with a rating of at least A3 (Moody's) or A- (S&P in Fitch); highest-grade money market instruments;
- ancillary liquid assets will not exceed 20% of the Subfund's assets.

A list of stock exchanges and other regulated markets is in Appendix D.

1.4. RISKS

The Subfund is especially exposed to market risk, interest risk, credit risk, currency risk, counterparty risk with investments in non-transferable units of target funds, and liquidity risk. The risks are detailed in Chapter 3 of the Prospectus Including Management Rules.

According to the value of the synthetic risk and reward indicator (SRRI), which is based on fluctuations in the unit value in the last 5 years, the fund ranks as a higher-risk investment entailing potentially higher rewards and falls into category 6.



The following should be taken into account with the explanation and use of the synthetic indicator:

- historical data, such as is used in calculating the synthetic indicator, may not be a reliable indication of the future risk profile of the fund,
- the risk and reward category shown is not guaranteed to remain unchanged and the categorisation of the fund may shift over time,
- the lowest category on the above scale does not mean a risk-free investment.

1.5. OTHER SPECIFICITIES OF THE SUBFUND'S MANAGEMENT RULES

The cut-off time for payments and redemptions is 0:01 hours.

Payments into the Subfund cannot be made with transferable securities.

The management fee amounts to 2.00% of the average annual NAV.

The Subfund investment coupon is a non-transferable security.



2. KD RASTKO, EUROPE EQUITY FUND

Type: equity fund Europe

2.1. DATE OF ESTABLISHMENT AND INVESTMENT COUPON DESIGNATION

Date of fund management authorisation issued by the Securities Market Agency: 12 March 1997

Commencement of operation (as a mutual fund): 23 August 1996¹¹

Investment coupon ISIN code: SI0021400310

Investment coupon designation: KDZRA

2.2. INVESTMENT OBJECTIVE

The Subfund's investment objective is to seek long-term capital growth.

The Subfund's assets will be actively managed. Its performance is benchmarked against the Morgan Stanley Capital International (MSCI) Europe equity index (measured in EUR).

2.3. INVESTMENT POLICY

With regard to the general restrictions set out in the common part of the Prospectus and the restrictions set out in this part of the Appendix to the Prospectus, the Subfund will invest in the following types of financial instruments:

- equity securities (shares, including share certificates, and units of closed-end investment funds);
- units of other open-end investment funds (target funds);
- debt securities (government and corporate bonds);
- money market instruments; and
- money deposits.

At least 80% of the Subfund's assets will be allocated to shares and units of equity investment funds relating to issuers from Europe.

Standardised marketable put options based on marketable equity financial instruments, equity indices or units of equity index funds (ETF) will be used to hedge the Subfund's portfolio against market risk. The Subfund's global exposure due to the use of options is measured according to the commitment approach.

The investment policy of the Subfund displays these additional characteristics:

- investments in shares and equity investment funds will account for at least 85% of the Subfund's assets;
- investments in target funds will not exceed 10% of the Subfund's assets, regardless of their investment objectives and compliance with the Investment Funds Directive;
- the Subfund will also invest in securities and money market instruments within an initial offering process;
- the Subfund will also invest in money market instruments not traded on a regulated market;
- a higher exposure to a single issuer is permissible up to 10% of the Subfund's assets (and total exposure to issuers whose individual exposure exceeds 5% can reach a maximum 40%) if this concerns shares of issuers from the Republic of Slovenia included in the index of the most liquid stocks on the Ljubljana Stock Exchange and shares of foreign issuers whose average daily trade on the relevant market in the last three months exceeded EUR 1 million or the corresponding amount in another currency;

¹¹ The KD Rastko mutual fund was formed on the basis of the Securities Market Agency's authorisation of 20 June 1996 to take over fund management, and an authorisation of 21 August 1996 upon the merger of the Rastko I, Neli II, Diver and Herman Celjski mutual funds and the concurrent establishment of two new mutual funds, Rastko and KD Bond. The Agency issued the fund management authorisation for Rastko subsequently, i.e. on 12 March 1997. 3. 1997.



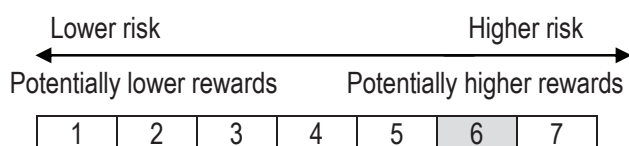
- ancillary liquid assets will not exceed 15% of the Subfund's assets.

A list of stock exchanges and other regulated markets is in Appendix D.

2.4. RISKS

The Subfund is especially exposed to market, concentration and liquidity risk. The risks are detailed in Chapter 3 of the Prospectus Including the Management Rules.

According to the value of the synthetic risk and reward indicator (SRRI), which is based on fluctuations in the unit value in the last 5 years, the fund ranks as a higher-risk investment entailing potentially higher rewards and falls into category 6.



The following should be taken into account with the explanation and use of the synthetic indicator:

- historical data, such as is used in calculating the synthetic indicator, may not be a reliable indication of the future risk profile of the fund,
- the risk and reward category shown is not guaranteed to remain unchanged and the categorisation of the fund may shift over time,
- the lowest category on the scale above does not mean a risk-free investment.

2.5. OTHER SPECIFICITIES OF THE SUBFUND'S MANAGEMENT RULES

The cut-off time for payments and redemptions is 0:01 hours.

Payments into the Subfund cannot be made with transferable securities.

The management fee amounts to 1.90% of the average annual NAV.

The Subfund investment coupon is a non-transferable security.



3. KD BOND – EUR

Type: aggregate bond fund – EUR

3.1. DATE OF ESTABLISHMENT AND INVESTMENT COUPON DESIGNATION

Date of fund management authorisation issued by the Securities Market Agency: 12 March 1997

Commencement of operation (as a mutual fund): 23 August 1996¹²

Investment coupon ISIN code: SI0021400302

Investment coupon designation: KDZBO

3.2. INVESTMENT OBJECTIVE

The Subfund's investment objective is to seek long-term capital growth.

The Subfund's assets will be actively managed. The Subfund's performance is benchmarked against the Markit iBoxx Overall EUR Total Return bond index.

3.3. INVESTMENT POLICY

With regard to the general restrictions set out in the common part of the Prospectus and the restrictions set out in this part of the Appendix to the Prospectus, the Subfund will invest in the following types of financial instruments:

- debt securities (government and corporate bonds);
- money market instruments;
- units of other open-end investment funds (target funds);
- structured financial instruments with built-in financial instruments (convertible securities); and
- money deposits.

The Subfund will place at least 90% of its assets in bonds, including convertible bonds and bond target funds. At least 70% of its assets is exposed to the euro.

No special portfolio investment techniques will be used.

The Subfund's global exposure due to investments in convertible bonds is measured according to the commitment approach.

The investment policy of the Subfund displays these additional characteristics, some of which refer specifically to the investment policy of an aggregate bond fund:

- investments in corporate bonds will not exceed 70% of the Subfund's assets;
- placements in non-investment grade bonds and convertible bonds will not exceed 30% of the Subfund's assets;
- placements in bonds and convertible bonds from emerging markets will not exceed 30% of the Subfund's assets;
- placements in non-investment grade bonds and convertible bonds from emerging markets will not exceed 10% of the Subfund's assets;
- investments in corporate bonds will not exceed 20% of the Subfund's assets;
- bond maturities will generally range from 2 to 15 years;

¹² The KD Bond mutual fund was formed on the basis of the Securities Market Agency's authorisation of 20 June 1996 to take over fund management, and an authorisation of 21 August 1996 upon the merger of the Rastko I, Neli II, Diver and Herman Celjski mutual funds and the concurrent establishment of two new mutual funds, Rastko and KD Bond. The Agency issued the fund management authorisation for KD Bond subsequently, i.e. on 12 March 1997.



- investments in target funds will not exceed 10% of the Subfund's assets, regardless of their investment objectives and compliance with the Investment Funds Directive;
- a higher exposure to single issuers falling into special categories of entities up to 100% of the Subfund's assets is permissible if these investments concern at least six different issues of financial instruments and the value of the investment in a specific issue does not exceed 30% of the Subfund's assets;
- a higher exposure to a single issuer not falling into special categories of entities is permissible up to 10% of the Subfund's assets (and total exposure to issuers whose individual exposure exceeds 5% can reach a maximum 40%) if this concerns bonds issued by major banks and insurance companies from the Republic of Slovenia regardless of their rating; bonds of other issuers not falling into special categories of entities with a rating of at least A3 (Moody's) or A- (S&P in Fitch); and highest-grade money market instruments;
- the Subfund will also invest in securities and money market instruments within an initial offering process;
- the Subfund will also invest in money market instruments not traded on a regulated market;
- ancillary liquid assets will not exceed 20% of the Subfund's assets.

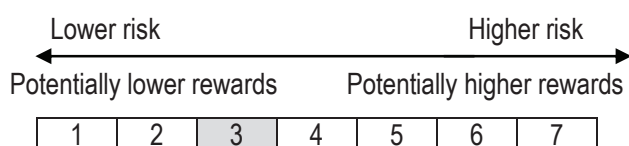
Note: The Subfund can invest up to 100% of its assets in debt financial instruments issued or guaranteed for by special categories of entities such as the Republic of Slovenia or other member states (including their local and regional communities), a third country or an international public organisation to which at least one member state is affiliated.

A list of stock exchanges and other regulated markets is in Appendix D.

3.4. RISKS

The Subfund is especially exposed to interest, credit, market and liquidity risk. The risks are detailed in Chapter 3 of the Prospectus Including the Management Rules.

According to the value of the synthetic risk and reward indicator (SRRI), which is based on fluctuations in the unit value in the last 5 years, the fund ranks as a higher-risk investment entailing potentially higher rewards and falls into category 3.



The following should be taken into account with the explanation and use of the synthetic indicator:

- historical data, such as is used in calculating the synthetic indicator, may not be a reliable indication of the future risk profile of the fund,
- the risk and reward category shown is not guaranteed to remain unchanged and the categorisation of the fund may shift over time,
- the lowest category on the scale above does not mean a risk-free investment.

3.5. OTHER SPECIFICITIES OF THE SUBFUND'S MANAGEMENT RULES

The cut-off time for payments and redemptions is 0:01 hours.

Payments into the Subfund cannot be made with transferable securities.

The management fee amounts to 0.85% of the average annual NAV.

The Subfund investment coupon is a non-transferable security.



4. KD MM, MONEY MARKET – EUR

Type: money market – EUR

4.1. DATE OF ESTABLISHMENT AND INVESTMENT COUPON DESIGNATION

Date of fund management authorisation issued by the Securities Market Agency: 30 March 2005

Commencement of operation (as a mutual fund): 16 May 2005

Investment coupon ISIN code: SI0021400203

Investment coupon designation: KDZDT

4.2. INVESTMENT OBJECTIVE

The Subfund's investment objective is to preserve the capital and generate a return comparable to money market interest rates. The Subfund's assets will be actively managed (tactical investment allocation strategy). The Subfund's performance is benchmarked against the EONIA Net Total Return index (expressed in EUR).

4.3. INVESTMENT POLICY

With regard to the general restrictions set out in the common part of the Prospectus and the restrictions set out in this part of the Appendix to the Prospectus, the Subfund will invest in:

- money market instruments; and
- money deposits.

The weighted average maturity of the Subfund normally ranges between 30 and 180 days. All assets are exposed to the euro.

No special portfolio investment techniques will be used.

The investment policy of the Subfund displays these additional characteristics:

- only investments in highest-grade money market instruments are permissible and in instruments without a rating but assessed, on the basis of due diligence, as being of equivalent quality; with special categories of issuers (with the exception of third countries), investments in money marketing instruments of a lower rating are also permissible if the instruments are still investment grade;
- a higher exposure to single issuers falling into special categories of entities up to 100% of the Subfund's assets is permissible if these investments concern at least six different issues of financial instruments and the value of investment in a specific issue does not exceed 30% of the Subfund's assets;
- a higher exposure of the Subfund to a single issuer not falling into special categories of entities is permissible up to 10% of the Subfund's assets (and total exposure to issuers whose individual exposure exceeds 5% can reach a maximum 40%);
- money market instruments also include debt instruments with a remaining maturity of up to 2 years if they are subject to regular return calculations at least every 397 days in accordance with the money market situation;
- the weighted average maturity and the weighted average life of the Subfund may not exceed 6 months and 12 months, respectively;
- the Subfund will also invest in money market instruments within an initial offering process;
- the Subfund will also invest in money market instruments not traded on a regulated market;
- ancillary liquid assets will not exceed 10% of the Subfund's assets.

Note: The Subfund can invest up to 100% of its assets in money market instruments issued or guaranteed for by special categories of entities such as the Republic of Slovenia or other member states (including their local and regional communities), a third country, the European Central Bank, the European Union or the European Investment Bank.

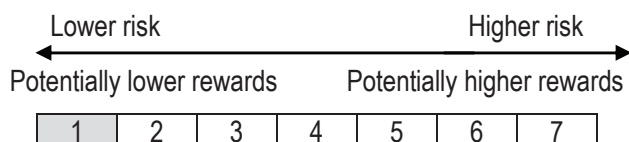


A list of stock exchanges and other regulated markets is in Appendix D.

4.4. RISKS

The Subfund is especially exposed to interest, credit, market and liquidity risk. The risks are detailed in Chapter 3 of the Prospectus Including the Management Rules.

According to the value of the synthetic risk and reward indicator (SRRI), which is based on fluctuations in the unit value in the last 5 years, the fund ranks as a lower-risk investment entailing potentially lower rewards and falls into category 1.



The following should be taken into account with the explanation and use of the synthetic indicator:

- historical data, such as is used in calculating the synthetic indicator, may not be a reliable indication of the future risk profile of the fund,
- the risk and reward category shown is not guaranteed to remain unchanged and the categorisation of the fund may shift over time,
- the lowest category on the scale above does not mean a risk-free investment.

4.5. OTHER SPECIFICITIES OF THE SUBFUND'S MANAGEMENT RULES

The initial unit value was 10,000 tolars (EUR 41.73).¹³

The cut-off time for payments and redemptions is 0:01 hours.

Payments into the Subfund cannot be made with transferable securities.

The management fee amounts to 0.50% of the average annual NAV.

The Subfund investment coupon is a non-transferable security.

¹³ The conversion was carried out according to the exchange rate SIT 239.640 – EUR 1.00 and by using rounding-up rules.



5. KD FIRST SELECTION, FUND OF EQUITY FUNDS

Type: global equity fund

5.1. DATE OF ESTABLISHMENT AND INVESTMENT COUPON DESIGNATION

Date of fund management authorisation issued by the Securities Market Agency: 30 March 2005

Commencement of operation (as a mutual fund): 16 May 2005

Investment coupon ISIN code: SI0021400211

Investment coupon designation: KDZPI

5.2. INVESTMENT OBJECTIVE

The Subfund's investment objective is to seek long-term capital growth.

The Subfund's assets will be actively managed; however, instead of directly investing in shares the Subfund will select top global managers of equity investment funds. The selection of target funds depends on their investment policies and objectives, past performance, operating costs, and subscription and redemption fees.

The Subfund's performance is benchmarked against the Morgan Stanley Capital International (MSCI) AC World equity index (measured in EUR).

5.3. INVESTMENT POLICY

With regard to the general restrictions set out in the common part of the Prospectus and the restrictions set out in this part of the Appendix to the Prospectus, the Subfund will invest in the following types of financial instruments:

- transferable units of other open-end investment funds (target funds) traded on organised markets (ETF);
- non-transferable units of other open-end investment funds (target funds);
- money market instruments; and
- money deposits.

By geographical criteria, this is a global fund; therefore its assets will be allocated to equity target funds of issuers domiciled in developed as well as emerging markets. At least 20% of its assets will be placed in countries with emerging markets, without focusing on a single country, subregion or region, whilst investments in a single region will not reach 80% of the Subfund's assets.

Standardised marketable put options based on equity indices or units of equity index funds (ETF) will be used to hedge the Subfund's portfolio against market risk. The Subfund's global exposure due to the use of options is measured according to the commitment approach.

The investment policy of the Subfund displays these additional characteristics:

- investments in equity target funds will account for at least 85% of the Subfund's assets;
- the Subfund will also invest in target funds whose operations do not comply with the Investment Funds Directive, but not more than 30%;
- the Subfund will also invest in securities and money market instruments within an initial offering process;
- the Subfund will also invest in money market instruments not traded on a regulated market;
- ancillary liquid assets will not exceed 15% of the Subfund's assets.

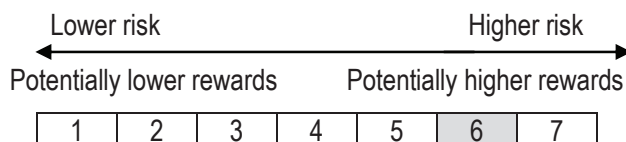
A list of stock exchanges and other regulated markets is in Appendix D.

5.4. RISKS



The Subfund is especially exposed to market and currency risk, counterparty risk with investments in non-transferable units of target funds, and liquidity risk. The risks are detailed in Chapter 3 of the Prospectus Including the Management Rules.

According to the value of the synthetic risk and reward indicator (SRRI), which is based on fluctuations in the unit value in the last 5 years, the fund ranks as a higher-risk investment entailing potentially higher rewards and falls into category 6.



The following should be taken into account with the explanation and use of the synthetic indicator:

- historical data, such as is used in calculating the synthetic indicator, may not be a reliable indication of the future risk profile of the fund,
- the risk and reward category shown is not guaranteed to remain unchanged and the categorisation of the fund may shift over time,
- the lowest category on the scale above does not mean a risk-free investment.

5.5. OTHER SPECIFICITIES OF THE SUBFUND'S MANAGEMENT RULES

The initial unit value was 1,000 tolar (EUR 4.17).¹⁴

The cut-off time for payments and redemptions is 0:01 hours.

Payments into the Subfund cannot be made with transferable securities.

The management fee amounts to 0.85% of the average annual NAV.

The Subfund investment coupon is a non-transferable security.

¹⁴ The conversion was carried out according to the exchange rate SIT 239.640 – EUR 1.00 and by using rounding-up rules.



6. KD BALKAN, EQUITY

Type: equity fund South-Eastern Europe

6.1. DATE OF ESTABLISHMENT AND INVESTMENT COUPON DESIGNATION

Date of fund management authorisation issued by the Securities Market Agency: 16 February 2006

Commencement of operation (as a mutual fund): 24 February 2006

Investment coupon ISIN code: SI0021400229

Investment coupon designation: KDZBA

6.2. INVESTMENT OBJECTIVE

The Subfund's investment objective is to seek long-term capital growth.

The Subfund's assets will be actively managed. The Subfund's performance will be measured against the STOXX® Balkan TMI ex Greece & Turkey equity index (expressed in EUR) (the STOXX® Balkan TMI ex Greece & Turkey index is a registered trademark of STOXX Limited).¹⁵

6.3. INVESTMENT POLICY

With regard to the general restrictions set out in the common part of the Prospectus and the restrictions set out in this part of the Appendix to the Prospectus, the Subfund will invest in the following types of financial instruments:

- equity securities (shares, including share certificates, and units of closed-end investment funds);
- units of other open-end investment funds (target funds);
- debt securities (government and corporate bonds);
- money market instruments; and
- money deposits.

At least 80% of the Subfund's assets will be placed in shares and units of equity investment funds relating to issuers from Slovenia, Austria, Croatia, Bosnia and Herzegovina, Serbia, Montenegro, Macedonia, Romania, Bulgaria, Greece and Turkey.

Standardised marketable put options based on marketable equity financial instruments, equity indices or units of equity index funds (ETF) will be used to hedge the Subfund's portfolio against market risk. The Subfund's global exposure due to the use of options is measured according to the commitment approach.

The investment policy of the Subfund displays these additional characteristics:

- investments in shares and equity investment funds will account for at least 85% of the Subfund's assets;
- investments in target funds will not exceed 10% of the Subfund's assets, regardless of their investment objectives and compliance with the Investment Funds Directive;
- the Subfund will also invest in securities and money market instruments within an initial offering process;
- the Subfund will also invest in money market instruments not traded on a regulated market;
- a higher exposure of the Subfund to a single issuer is permissible up to 10% of the Subfund's assets (and total exposure to issuers whose individual exposure exceeds 5% can reach a maximum 40%) under the condition that the average daily trade in the financial instruments in a relevant market in the last three months exceeds EUR 50,000 or the corresponding amount in another currency; and
- ancillary liquid assets will not exceed 15% of the Subfund's assets.

¹⁵ The only business relationship existing between STOXX (or its licencees) and KD Funds LLC is the one referring to the licence for STOXX® Balkan TMI ex Greece & Turkey and its related trademarks used in connection to the KD Balkan, Equity, a Subfund of the KD Umbrella Fund.

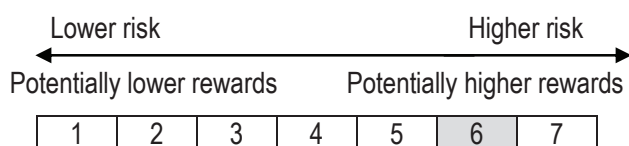


A list of stock exchanges and other regulated markets is in Appendix D.

6.4. RISKS

The Subfund is exposed to expressed market risk as well as concentration and currency risk. It is also exposed to risks connected with investments in less developed markets, which include increased liquidity risk, settlement and depositary risk, and regulatory risk, all of which lead to the potential illiquidity of the Subfund. The risks are detailed in Chapter 3 of the Prospectus Including the Management Rules.

According to the value of the synthetic risk and reward indicator (SRRI), which is based on fluctuations in the unit value in the last 5 years, the fund ranks as a higher-risk investment entailing potentially higher rewards and falls into category 6.



The following should be taken into account with the explanation and use of the synthetic indicator:

- historical data, such as is used in calculating the synthetic indicator, may not be a reliable indication of the future risk profile of the fund,
- the risk and reward category shown is not guaranteed to remain unchanged and the categorisation of the fund may shift over time,
- the lowest category on the scale above does not mean a risk-free investment.

6.5. OTHER SPECIFICITIES OF THE SUBFUND'S MANAGEMENT RULES

The initial unit value was 1,000 tolar (EUR 4.17).¹⁶

The cut-off time for payments and redemptions is 0:01 hours.

Payments into the Subfund cannot be made with transferable securities.

The management fee amounts to 2.49% of the average annual NAV.

The Subfund investment coupon is a non-transferable security.

¹⁶ The conversion was carried out according to the exchange rate SIT 239.640 – EUR 1.00 and by using rounding-up rules.



7. KD NEW MARKETS, EQUITY

Type: equity global fund of emerging markets

7.1. DATE OF ESTABLISHMENT AND INVESTMENT COUPON DESIGNATION

Date of fund management authorisation issued by the Securities Market Agency: 1 March 2006

Commencement of operation (as a mutual fund): 14 March 2006

Investment coupon ISIN code: SI0021400245

Investment coupon designation: KDZNT

7.2. INVESTMENT OBJECTIVE

The Subfund's investment objective is to seek long-term capital growth.

The Subfund's assets will be actively managed. Its performance is benchmarked against the Morgan Stanley Capital International (MSCI) Emerging Markets equity index (measured in EUR).

7.3. INVESTMENT POLICY

With regard to the general restrictions set out in the common part of the Prospectus and the restrictions set out in this part of the Appendix to the Prospectus, the Subfund will invest in the following types of financial instruments:

- equity securities (shares, including share certificates, and units of closed-end investment funds);
- units of other open-end investment funds (target funds);
- debt securities (government and corporate bonds);
- money market instruments; and
- money deposits.

At least 80% of the Subfund's assets will be placed in shares and units of equity investment funds relating to issuers from the emerging markets of Asia, Latin America, Eastern and Central Europe, and Africa.¹⁷

Standardised marketable put options based on marketable equity financial instruments, equity indices or units of equity index funds (ETF) will be used to hedge the Subfund's portfolio against market risk. The Subfund's global exposure due to the use of options is measured according to the commitment approach.

The investment policy of the Subfund displays these additional characteristics:

- investments in shares and equity investment funds will relate to at least two subregions of the emerging markets, and at all times less than 80% will be placed in a single subregion;
- investments in shares and equity investment funds will account for at least 85% of the Subfund's assets;
- investments in target funds will not exceed 10% of the Subfund's assets, regardless of their investment objectives and compliance with the Investment Funds Directive;
- the Subfund will also invest in securities and money market instruments within an initial offering process;
- the Subfund will also invest in money market instruments not traded on a regulated market;
- a higher exposure of the Subfund to a single issuer is permissible up to 10% of the Subfund's assets (and total exposure to issuers whose individual exposure exceeds 5% can reach a maximum 40%) under the condition that the average daily trade in the financial instruments in a relevant market in the last three months exceeds EUR 1 million or the corresponding amount in another currency; and
- ancillary liquid assets will not exceed 15% of the Subfund's assets.

A list of stock exchanges and other regulated markets is in Appendix D.

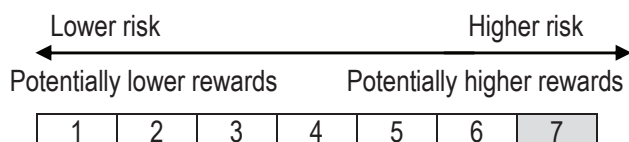
¹⁷ Emerging markets also include certain EU member states, such as the Czech Republic, Hungary, Poland, Slovakia and Slovenia.



7.4. RISKS

The Subfund is exposed to expressed market risk as well as concentration and currency risk. It is also exposed to risks connected with investments in less developed markets, which include increased liquidity risk, settlement risk, depositary risk and regulatory risk, all of which lead to the potential illiquidity of the Subfund. The risks are detailed in Chapter 3 of the Prospectus Including the Management Rules.

According to the value of the synthetic risk and reward indicator (SRRI), which is based on fluctuations in the unit value in the last 5 years, the Subfund ranks as a high-risk investment entailing potentially high rewards and falls into category 7.



The following should be taken into account with the explanation and use of the synthetic indicator:

- historical data, such as is used in calculating the synthetic indicator, may not be a reliable indication of the future risk profile of the fund,
- the risk and reward category shown is not guaranteed to remain unchanged and the categorisation of the fund may shift over time,
- the lowest category on the scale above does not mean a risk-free investment.

7.5. OTHER SPECIFICITIES OF THE SUBFUND'S MANAGEMENT RULES

The initial unit value was 1,000 tolar (EUR 4.17).¹⁸

The cut-off time for payments and redemptions is 0:01 hours.

Payments into the Subfund cannot be made with transferable securities.

The management fee amounts to 2.00% of the average annual NAV.

The Subfund investment coupon is a non-transferable security.

¹⁸ The conversion was carried out according to the exchange rate SIT 239.640 – EUR 1.00 and by using rounding-up rules.



8. KD RAW MATERIALS AND ENERGY, EQUITY

Type: equity fund in the Energy sector, and the Raw materials and manufacturing sector

8.1. DATE OF ESTABLISHMENT AND INVESTMENT COUPON DESIGNATION

Date of fund management authorisation issued by the Securities Market Agency: 29 March 2006

Commencement of operation (as a mutual fund): 8 May 2006

Investment coupon ISIN code: SI0021400252

Investment coupon designation: KDZSE

8.2. INVESTMENT OBJECTIVE

The Subfund's investment objective is to seek long-term capital growth.

The Subfund's assets will be actively managed. Its performance is benchmarked against the combination of the Morgan Stanley Capital International (MSCI) indices with the following composition: 40% MSCI World Materials Sector and 60% MSCI World Energy Sector (both measured in EUR).

8.3. INVESTMENT POLICY

With regard to the general restrictions set out in the common part of the Prospectus and the restrictions set out in this part of the Appendix to the Prospectus, the Subfund will invest in the following types of financial instruments:

- equity securities (shares, including share certificates, and units of closed-end investment funds);
- units of other open-end investment funds (target funds);
- debt securities (government and corporate bonds);
- money market instruments; and
- money deposits.

At least 80% of the Subfund's assets will be allocated to shares and units of equity investment funds relating to issuers in the industry sectors of extraction and processing of raw materials, and energy (extraction and processing of minerals, wood, cellulose and paper; manufacturing of chemical, construction and packaging materials; extraction, processing, storage and transport of oil, gas and other fuels; manufacturing of equipment and provision of services for the generation of energy).

Standardised marketable put options based on marketable equity financial instruments, equity indices or units of equity index funds (ETF) will be used to hedge the Subfund's portfolio against market risk. The Subfund's global exposure due to the use of options is measured according to the commitment approach.

The investment policy of the Subfund displays these additional characteristics:

- investments in shares and equity investment funds will account for at least 85% of the Subfund's assets;
- investments in one of the two main sectors will not exceed 80% of the Subfund's assets;
- investments in target funds will not exceed 10% of the Subfund's assets, regardless of their investment objectives and compliance with the Investment Funds Directive;
- the Subfund will also invest in securities and money market instruments within an initial offering process;
- the Subfund will also invest in money market instruments not traded on a regulated market;
- a higher exposure of the Subfund to a single issuer is permissible up to 10% of the Subfund's assets (and total exposure to issuers whose individual exposure exceeds 5% can reach a maximum 40%) under the condition that the average daily trade in the financial instruments in a relevant market in the last three months exceeds EUR 1 million or the corresponding amount in another currency; and
- ancillary liquid assets will not exceed 15% of the Subfund's assets.

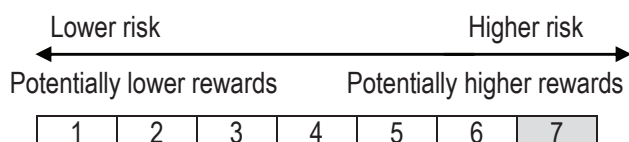
A list of stock exchanges and other regulated markets is in Appendix D.



8.4. RISKS

The Subfund is especially exposed to market, concentration, currency and liquidity risk. The risks are detailed in Chapter 3 of the Prospectus Including the Management Rules.

According to the value of the synthetic risk and reward indicator (SRRI), which is based on fluctuations in the unit value in the last 5 years, the Subfund ranks as a high-risk investment entailing potentially high rewards and falls into category 7.



The following should be taken into account with the explanation and use of the synthetic indicator:

- historical data, such as is used in calculating the synthetic indicator, may not be a reliable indication of the future risk profile of the fund,
- the risk and reward category shown is not guaranteed to remain unchanged and the categorisation of the fund may shift over time,
- the lowest category on the scale above does not mean a risk-free investment.

8.5. OTHER SPECIFICITIES OF THE SUBFUND'S MANAGEMENT RULES

The initial unit value was 1,000 tolar (EUR 4.17).¹⁹

The cut-off time for payments and redemptions is 0:01 hours.

Payments into the Subfund cannot be made with transferable securities.

The management fee amounts to 1.89% of the average annual NAV.

The Subfund investment coupon is a non-transferable security.

¹⁹ The conversion was carried out according to the exchange rate SIT 239.640 – EUR 1.00 and by using rounding-up rules.



9. KD TECHNOLOGY, EQUITY

Type: equity fund in the sector of Information Technology and the sector of Telecommunications

9.1. DATE OF ESTABLISHMENT AND INVESTMENT COUPON DESIGNATION

Date of fund management authorisation issued by the Securities Market Agency: 29 March 2006

Commencement of operation (as a mutual fund): 1 June 2006

Investment coupon ISIN code: SI0021400260

Investment coupon designation: KDZTE

9.2. INVESTMENT OBJECTIVE

The Subfund's investment objective is to seek long-term capital growth.

The Subfund's assets will be actively managed. Its performance is benchmarked against the combination of the Morgan Stanley Capital International (MSCI) indices with the following composition: 80% MSCI World Information Technology and 20% MSCI World Telecommunication Services Sector (both measured in EUR).

9.3. INVESTMENT POLICY

With regard to the general restrictions set out in the common part of the Prospectus and the restrictions set out in this part of the Appendix to the Prospectus, the Subfund will invest in the following types of financial instruments:

- equity securities (shares, including share certificates, and units of closed-end investment funds);
- units of other open-end investment funds (target funds);
- debt securities (government and corporate bonds);
- money market instruments; and
- money deposits.

At least 80% of the Subfund's assets will be allocated to shares and units of equity investment funds relating to issuers in the sectors of information technology and telecommunications.

Standardised marketable put options based on marketable equity financial instruments, equity indices or units of equity index funds (ETF) will be used to hedge the Subfund's portfolio against market risk. The Subfund's global exposure due to the use of options is measured according to the commitment approach.

The investment policy of the Subfund displays these additional characteristics:

- investments in shares and equity investment funds will account for at least 85% of the Subfund's assets;
- investments in one of the two main sectors will not exceed 80% of the Subfund's assets;
- investments in target funds will not exceed 10% of the Subfund's assets, regardless of their investment objectives and compliance with the Investment Funds Directive;
- the Subfund will also invest in securities and money market instruments within an initial offering process;
- the Subfund will also invest in money market instruments normally not traded on a regulated market;
- a higher exposure of the Subfund to a single issuer is permissible up to 10% of the Subfund's assets (and total exposure to issuers whose individual exposure exceeds 5% can reach a maximum 40%) under the condition that the average daily trade in the financial instrument issued by a single entity in a relevant market in the last three months exceeds EUR 1 million or the corresponding amount in another currency; and
- ancillary liquid assets will not exceed 15% of the Subfund's assets.

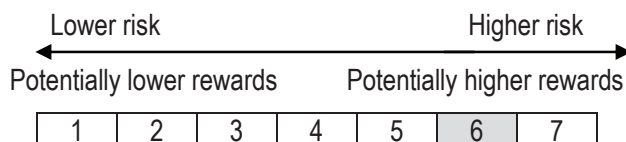
A list of stock exchanges and other regulated markets is in Appendix D.

9.4. RISKS



The Subfund is especially exposed to market, concentration, currency and liquidity risk. The risks are detailed in Chapter 3 of the Prospectus Including the Management Rules.

According to the value of the synthetic risk and reward indicator (SRRI), which is based on fluctuations in the unit value in the last 5 years, the fund ranks as a higher-risk investment entailing potentially higher rewards and falls into category 6.



The following should be taken into account with the explanation and use of the synthetic indicator:

- historical data, such as is used in calculating the synthetic indicator, may not be a reliable indication of the future risk profile of the fund,
- the risk and reward category shown is not guaranteed to remain unchanged and the categorisation of the fund may shift over time,
- the lowest category on the scale above does not mean a risk-free investment.

9.5. OTHER SPECIFICITIES OF THE SUBFUND'S MANAGEMENT RULES

The initial unit value was 1,000 tolar (EUR 4.17).²⁰

The cut-off time for payments and redemptions is 0:01 hours.

Payments into the Subfund cannot be made with transferable securities.

The management fee amounts to 1.89% of the average annual NAV.

The Subfund investment coupon is a non-transferable security.

²⁰ The conversion was carried out according to the exchange rate SIT 239.640 – EUR 1.00 and by using rounding-up rules.



10. KD VITALITY, EQUITY

Type: equity fund in the Health Care sector, Consumer Discretionary sector, and Consumer Staples sector

10.1. DATE OF ESTABLISHMENT AND INVESTMENT COUPON DESIGNATION

Date of fund management authorisation issued by the Securities Market Agency: 27 September 2006

Commencement of operation (as a mutual fund): 14 November 2006

Investment coupon ISIN code: SI0021400286

Investment coupon designation: KDZVI

10.2. INVESTMENT OBJECTIVE

The Subfund's investment objective is to seek long-term capital growth.

The Subfund's assets will be actively managed. Its performance is benchmarked against the combination of the Morgan Stanley Capital International (MSCI) indices with the following composition: 60% MSCI World Health Care, 25% MSCI World Consumer Staples and 15% MSCI World Consumer Discretionary (all measured in EUR).

10.3. INVESTMENT POLICY

With regard to the general restrictions set out in the common part of the Prospectus and the restrictions set out in this part of the Appendix to the Prospectus, the Subfund will invest in the following types of financial instruments:

- equity securities (shares, including share certificates, and units of closed-end investment funds);
- units of other open-end investment funds (target funds);
- debt securities (government and corporate bonds);
- money market instruments; and
- money deposits.

At least 80% of the Subfund's assets will be placed in shares and units of equity investment funds relating to issuers and companies whose products or services directly or indirectly preserve life, extend the life span and improve the quality of life, and which operate in the sectors of health care equipment and services, pharmaceuticals, biotechnology, consumer discretionary (automobiles and automotive parts, consumer durables and equipment, consumer services, media and retailing), and consumer staples (food and beverages excluding tobacco, household and personal products).

Standardised marketable put options based on marketable equity financial instruments, equity indices or units of equity index funds (ETF) will be used to hedge the Subfund's portfolio against market risk. The Subfund's global exposure due to the use of options is measured according to the commitment approach.

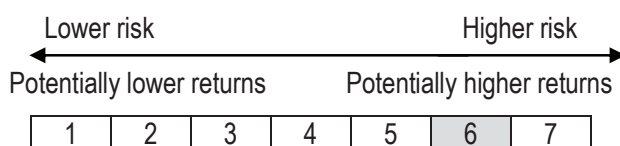
The investment policy of the Subfund displays these additional characteristics:

- investments in shares and equity investment funds will account for at least 85% of the Subfund's assets;
- investments in one of the three main sectors will not exceed 80% of the Subfund's assets;
- investments in target funds will not exceed 10% of the Subfund's assets, regardless of their investment objectives and compliance with the Investment Funds Directive;
- the Subfund will also invest in securities and money market instruments within an initial offering process;
- the Subfund will also invest in money market instruments not traded on a regulated market;
- a higher exposure of the Subfund to a single issuer is permissible up to 10% of the Subfund's assets (and total exposure to issuers whose individual exposure exceeds 5% can reach a maximum 40%) under the condition that the average daily trade in the financial instrument issued by a single entity in a relevant market in the last three months exceeds EUR 1 million or the corresponding amount in another currency; and



10.4. RISKS

According to the value of the synthetic risk and reward indicator (SRRI), which is based on fluctuations in the unit value in the last 5 years, the fund ranks as a higher-risk investment entailing potentially higher rewards and falls into category 6.



- historical data, such as is used in calculating the synthetic indicator, may not be a reliable indication of the future risk profile of the fund,
- the risk and reward category shown is not guaranteed to remain unchanged and the categorisation of the fund may shift over time,
- the lowest category on the scale above does not mean a risk-free investment.

10.5. OTHER SPECIFICITIES OF THE SUBFUND'S MANAGEMENT RULES

The Subfund investment coupon is a non-transferable security.

²¹ The conversion was carried out according to the exchange rate SIT 239.640 – EUR 1.00 and by using rounding-up rules.



11. KD INDIA – CHINA, EQUITY

Type: equity fund Asia Pacific

11.1. DATE OF ESTABLISHMENT AND INVESTMENT COUPON DESIGNATION

Date of fund management authorisation issued by the Securities Market Agency: 25 July 2008

Commencement of operation (as a mutual fund): 11 August 2008

Investment coupon ISIN code: SI0021400955

Investment coupon designation: KDZIK

11.2. INVESTMENT OBJECTIVE

The Subfund's investment objective is to seek long-term capital growth.

The Subfund's assets will be actively managed. Its performance is benchmarked against the combination of the Morgan Stanley Capital International indices with the following composition: 70% MSCI China and 30% MSCI India (both measured in EUR).

11.3. INVESTMENT POLICY

With regard to the general restrictions set out in the common part of the Prospectus and the restrictions set out in this part of the Appendix to the Prospectus, the Subfund will invest in the following types of financial instruments:

- equity securities (shares, including share certificates, and units of closed-end investment funds);
- units of other open-end investment funds (target funds);
- debt securities (government and corporate bonds);
- money market instruments; and
- money deposits.

At least 80% of the Subfund's assets will be allocated to shares and units of equity investment funds relating to issuers from greater China and India.

Standardised marketable put options based on marketable equity financial instruments, equity indices or units of equity index funds (ETF) will be used to hedge the Subfund's portfolio against market risk. The Subfund's global exposure due to the use of options is measured according to the commitment approach.

The investment policy of the Subfund displays these additional characteristics:

- investments in shares and equity investment funds will account for at least 85% of the Subfund's assets;
- investments in target funds will not exceed 10% of the Subfund's assets, regardless of their investment objectives and compliance with the Investment Funds Directive;
- the Subfund will also invest in securities and money market instruments within an initial offering process;
- the Subfund will also invest in money market instruments not traded on a regulated market;
- a higher exposure of the Subfund to a single issuer is permissible up to 10% of the Subfund's assets (and total exposure to issuers whose individual exposure exceeds 5% can reach a maximum 40%) under the condition that the average daily trade in the financial instrument issued by a single entity in a relevant market in the last three months exceeds EUR 1 million or the corresponding amount in another currency; and
- ancillary liquid assets will not exceed 15% of the Subfund's assets.

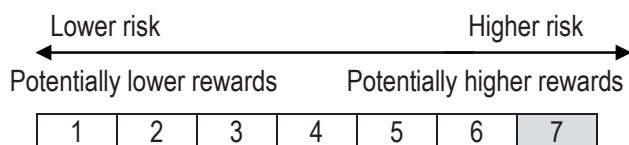
A list of stock exchanges and other regulated markets is in Appendix D.

11.4. RISKS



The Subfund is exposed especially to market risk as well as concentration and currency risk. It is also exposed to risks connected with investments in less developed markets, which include increased liquidity risk, settlement risk, depositary risk and regulatory risk, all of which lead to the potential illiquidity of the Subfund. The risks are detailed in Chapter 3 of the Prospectus Including the Management Rules.

According to the value of the synthetic risk and reward indicator (SRRI), which is based on fluctuations in the unit value in the last 5 years, the Subfund ranks as a high-risk investment entailing potentially high rewards and falls into category 7.



The following should be taken into account with the explanation and use of the synthetic indicator:

- historical data, such as is used in calculating the synthetic indicator, may not be a reliable indication of the future risk profile of the fund,
- the risk and reward category shown is not guaranteed to remain unchanged and the categorisation of the fund may shift over time,
- the lowest category on the scale above does not mean a risk-free investment.

11.5. OTHER SPECIFICITIES OF THE SUBFUND'S MANAGEMENT RULES

The initial unit value was EUR 1.

The cut-off time for payments and redemptions is 0:01 hours.

Payments into the Subfund cannot be made with transferable securities.

The management fee amounts to 2.00% of the average annual NAV.

The Subfund investment coupon is a non-transferable security.



12. KD LATIN AMERICA, EQUITY

Type: equity fund Latin America emerging markets

12.1. DATE OF ESTABLISHMENT AND INVESTMENT COUPON DESIGNATION

Date of fund management authorisation issued by the Securities Market Agency: 25 July 2008

Commencement of operation (as a mutual fund): 1 October 2008

Investment coupon ISIN code: SI0021400989

Investment coupon designation: KDZLA

12.2. INVESTMENT OBJECTIVE

The Subfund's investment objective is to seek long-term capital growth.

The Subfund's assets will be actively managed. Its performance is benchmarked against the Morgan Stanley Capital International (MSCI) Emerging Markets Latin America equity index (measured in EUR).

12.3. INVESTMENT POLICY

With regard to the general restrictions set out in the common part of the Prospectus and the restrictions set out in this part of the Appendix to the Prospectus, the Subfund will invest in the following types of financial instruments:

- equity securities (shares, including share certificates, and units of closed-end investment funds);
- units of other open-end investment funds (target funds);
- debt securities (government and corporate bonds);
- money market instruments; and
- money deposits.

At least 80% of the Subfund's assets will be allocated to shares and units of equity investment funds relating to issuers from the emerging markets of Latin America.

Standardised marketable put options based on marketable equity financial instruments, equity indices or units of equity index funds (ETF) will be used to hedge the Subfund's portfolio against market risk. The Subfund's global exposure due to the use of options is measured according to the commitment approach.

The investment policy of the Subfund displays these additional characteristics:

- investments in shares and equity investment funds will account for at least 85% of the Subfund's assets;
- investments in target funds will not exceed 10% of the Subfund's assets, regardless of their investment objectives and compliance with the Investment Funds Directive;
- the Subfund will also invest in securities and money market instruments within an initial offering process;
- the Subfund will also invest in money market instruments not traded on a regulated market;
- a higher exposure of the Subfund to a single issuer is permissible up to 10% of the Subfund's assets (and total exposure to issuers whose individual exposure exceeds 5% can reach a maximum 40%) under the condition that the average daily trade in the financial instrument issued by a single entity in a relevant market in the last three months exceeds EUR 1 million or the corresponding amount in another currency; and
- ancillary liquid assets will not exceed 15% of the Subfund's assets.

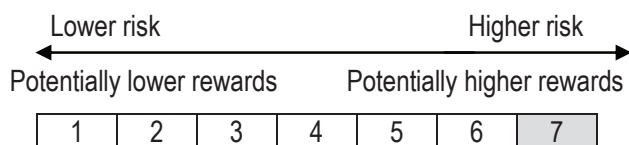
A list of stock exchanges and other regulated markets is in Appendix D.

12.4. RISKS



The Subfund is exposed especially to market risk as well as concentration and currency risk. It is also exposed to risks connected with investments in less developed markets, which include increased liquidity risk, settlement risk, depositary risk and regulatory risk, all of which lead to the potential illiquidity of the Subfund. The risks are detailed in Chapter 3 of the Prospectus Including the Management Rules.

According to the value of the synthetic risk and reward indicator (SRRI), which is based on fluctuations in the unit value in the last 5 years, the Subfund ranks as a high-risk investment entailing potentially high rewards and falls into category 7.



The following should be taken into account with the explanation and use of the synthetic indicator:

- historical data, such as is used in calculating the synthetic indicator, may not be a reliable indication of the future risk profile of the fund,
- the risk and reward category shown is not guaranteed to remain unchanged and the categorisation of the fund may shift over time,
- the lowest category on the scale above does not mean a risk-free investment.

12.5. OTHER SPECIFICITIES OF THE SUBFUND'S MANAGEMENT RULES

The initial unit value was EUR 1.

The cut-off time for payments and redemptions is 0:01 hours.

Payments into the Subfund cannot be made with transferable securities.

The management fee amounts to 2.00% of the average annual NAV.

The Subfund investment coupon is a non-transferable security.



13. KD EASTERN EUROPE, EQUITY

Type: equity index Central and Eastern Europe

13.1. DATE OF ESTABLISHMENT AND INVESTMENT COUPON DESIGNATION

Date of fund management authorisation issued by the Securities Market Agency: 25 July 2008

Commencement of operation (as a mutual fund): 1 October 2008

Investment coupon ISIN code: SI0021400963

Investment coupon designation: KDZVE

13.2. INVESTMENT OBJECTIVE

The Subfund's investment objective is to seek long-term capital growth.

The Subfund's assets will be actively managed. Its performance is benchmarked against the Morgan Stanley Capital International (MSCI) Emerging Markets Europe 10/40 equity index (measured in EUR).

13.3. INVESTMENT POLICY

With regard to the general restrictions set out in the common part of the Prospectus and the restrictions set out in this part of the Appendix to the Prospectus, the Subfund will invest in the following types of financial instruments:

- equity securities (shares, including share certificates, and units of closed-end investment funds);
- units of other open-end investment funds (target funds);
- debt securities (government and corporate bonds);
- money market instruments; and
- money deposits.

At least 80% of the Subfund's assets will be invested shares and equity investment funds relating to issuers from Eastern European countries which, in addition to Slovenia and the Eastern European members of the EU, comprise Russia, Croatia, Serbia, Bosnia and Herzegovina, Macedonia, and issuers from Turkey. Exposure to Croatia, Bosnia and Herzegovina, Serbia and Macedonia does not exceed 20% of the Subfund's assets.

Standardised marketable put options based on marketable equity financial instruments, equity indices or units of equity index funds (ETF) will be used to hedge the Subfund's portfolio against market risk. The Subfund's global exposure due to the use of options is measured according to the commitment approach.

The investment policy of the Subfund displays these additional characteristics:

- investments in shares and equity investment funds will account for at least 85% of the Subfund's assets;
- investments in target funds will not exceed 10% of the Subfund's assets, regardless of their investment objectives and compliance with the Investment Funds Directive;
- the Subfund will also invest in securities and money market instruments within an initial offering process;
- the Subfund will also invest in money market instruments not traded on a regulated market;
- a higher exposure of the Subfund to a single issuer is permissible up to 10% of the Subfund's assets (and total exposure to issuers whose individual exposure exceeds 5% can reach a maximum 40%) under the condition that the average daily trade in the financial instrument issued by a single entity in a relevant market in the last three months exceeds EUR 50,000 or the corresponding amount in another currency; and
- ancillary liquid assets will not exceed 15% of the Subfund's assets.

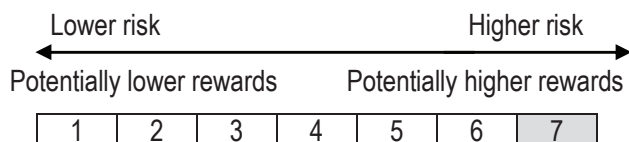
A list of stock exchanges and other regulated markets is in Appendix D.

13.4. RISKS



The Subfund is exposed especially to market risk as well as concentration and currency risk. It is also exposed to risks connected with investments in less developed markets, which include increased liquidity risk, settlement risk, depositary risk and regulatory risk, all of which lead to the potential illiquidity of the Subfund. The risks are detailed in Chapter 3 of the Prospectus Including the Management Rules.

According to the value of the synthetic risk and reward indicator (SRRI), which is based on fluctuations in the unit value in the last 5 years, the Subfund ranks as a high-risk investment entailing potentially high rewards and falls into category 7.



The following should be taken into account with the explanation and use of the synthetic indicator:

- historical data, such as is used in calculating the synthetic indicator, may not be a reliable indication of the future risk profile of the fund,
- the risk and reward category shown is not guaranteed to remain unchanged and the categorisation of the fund may shift over time,
- the lowest category on the scale above does not mean a risk-free investment.

13.5. OTHER SPECIFICITIES OF THE SUBFUND'S MANAGEMENT RULES

The initial unit value was EUR 1.

The cut-off time for payments and redemptions is 0:01 hours.

Payments into the Subfund cannot be made with transferable securities.

The management fee amounts to 2.15% of the average annual NAV.

The Subfund investment coupon is a non-transferable security.



14. KD DIVIDEND, EQUITY

Type: global equity fund

14.1. DATE OF ESTABLISHMENT AND INVESTMENT COUPON DESIGNATION

Date of fund management authorisation issued by the Securities Market Agency: 15 March 2011

Commencement of operation (as a mutual fund): 12 April 2011²²

Investment coupon ISIN code: SI0021401383

Investment coupon designation: KDZDO

14.2. INVESTMENT OBJECTIVE

The Subfund's investment objective is long-term capital growth pursued through investments in shares with dividend income.

The Subfund's assets will be actively managed. Its performance is benchmarked against the equity index Morgan Stanley Capital International (MSCI) AC World (measured in EUR).

14.3. INVESTMENT POLICY

With regard to the general restrictions set out in the common part of the Prospectus and the restrictions set out in this part of the Appendix to the Prospectus, the Subfund will invest in the following types of financial instruments:

- equity securities (shares, including share certificates, and units of closed-end investment funds);
- units of other open-end investment funds (target funds);
- debt securities (government and corporate bonds);
- money market instruments; and
- money deposits.

By geographical criteria, this is a global fund; therefore its assets will be invested in shares and units of equity target funds of issuers domiciled in developed as well as emerging markets. At least 20% of its assets will be placed in countries with emerging markets, without focusing on a single country, subregion or region, whilst investments in a single region will not reach 80% of the Subfund's assets.

Standardised marketable put options based on marketable equity financial instruments, equity indices or units of equity index funds (ETF) will be used to hedge the Subfund's portfolio against market risk. The Subfund's global exposure due to the use of options is measured according to the commitment approach.

The investment policy of the Subfund displays these additional characteristics:

- investments in shares and equity investment funds will account for at least 85% of the Subfund's assets;
- investments in target funds will not exceed 10% of the Subfund's assets, regardless of their investment objectives and compliance with the Investment Funds Directive;
- the Subfund will also invest in securities and money market instruments within an initial offering process;
- the Subfund will also invest in money market instruments not traded on a regulated market;
- a higher exposure to a single issuer is permissible up to 10% of the Subfund's assets (and total exposure to issuers whose individual exposure exceeds 5% can reach a maximum 40%) if this concerns shares of issuers from the Republic of Slovenia included in the index of the most liquid stocks on the Ljubljana Stock Exchange and shares of foreign issuers whose average daily trade on the relevant

²² The Subfund was included in the KD Umbrella Fund on 14 January 2013. Prior to that, it operated as a self-standing mutual fund entitled KD Equity Income having emerged from the transformation of KD ID, Equity Investment Company, plc (KD ID, delniška investicijska družba, d. d.) into a mutual fund. Details of the mutual fund and the investment company as its predecessor are available on the website of the Management Company.



APPENDIX G: SUBFUND OPERATIONS

Details on Subfund operations include:

- past returns,
- ongoing charges.

**TABLE: Subfunds of the KD Umbrella Fund:
past returns and ongoing charges**

Note:

**A Subfund's past performance is not an indication of how its investment coupons will perform in the future
With international benchmarking, the different tax regimes that could influence the calculation of a Subfund's performance
should be taken into consideration.**

		1	2	3	4	5
	PERIOD	KD Galileo, Mixed Flexible Fund	KD Rastko, Europe Equity Fund	KD Bond – EUR	KD MM, Money Market – EUR	KD First Selection, Fund of Equity Funds
Past return (%)	2003	13.6	15.2	7.3		
	2004	17.4	20.1	5.3		
	2005	4.3	2.7	3.8		
	2006	23.1	20.4	1.0	2.8	12.4
	2006 (BM)		32	3.1	2.9	5.8
	2007	30.3	37.6	5.4	3.2	11.2
	2007 (BM)	4.0	34.3	1.5	4.0	-3.1
	2008	-59.3	-61.6	-7.9	4.1	-43.5
	2008 (BM)	4.0	-57.0	6.2	4.0	-39.5
	2009	25.9	23.1	8.1	2.3	40.5
	2009 (BM)	0.7	17.7	6.9	0.7	23.6
	2010	-2.0	-6.6	0.3	1.7	13.5
	2010 (BM)	1.9	-4.4	2.1	0.4	17.6
	2011	-17.8	-22.5	1.0	2.2	-14.1
	2011 (BM)	-1.1	-8.3	3.3	0.7	-4.4
	2012	11.4	12.6	11.7	2.2	14.3
	2012 (BM)	13.0	17.0	11.2	0.1	14.0
Ongoing charges (%)	1.1.2012-31.12.2012	2.23*	2.04	1.00	0.59	1.10*

		6	7	8	9	10
	PERIOD	KD Balkan, Equity	KD New Markets, Equity	KD Raw Materials and Energy, Equity	KD Technology, Equity	KD Vitality, Equity
Past return (%)	2007	24.6	27.0	21.9	14.7	0.0
	2007 (BM)	52.0	23.4	16.7	-0.2	-5.3
	2008	-69.7	-54.1	-47.0	-38.3	-35.6
	2008 (BM)	-72.2	-52.4	-40.7	-31.3	-23.2
	2009	11.6	78.8	39.3	41.5	47.7
	2009 (BM)	22.5	69.9	31.3	24.6	17.0
	2010	-8.1	20.4	18.1	13.6	20.8
	2010 (BM)	-6.8	24.9	21.3	12.5	13.7
	2011	-25.9	-20.7	-10.2	5.3	-6.0
	2011 (BM)	-21.8	-15.9	-5.3	4.2	10.4
	2012	2.8	15.8	3.4	12.5	14.7
	2012 (BM)	-0.3	16.1	3.8	13.8	15.4



Ongoing charges (%)	1.1.2012-31.12.2012	2.86	2.12	2.06	2.25	2.17
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		11	12	13	14
	PERIOD	KD India - China, Equity	KD Latin America, Equity	KD Eastern Europe, Equity	KD Dividend, Equity
Past return (%)	2009	71.1	91.7	86.9	
	2009 (BM)	70.0	92.9	76.3	
	2010	22.3	17.4	22.8	
	2010 (BM)	13.1	20.5	22.2	
	2011	-26.4	-14.2	-25.7	
	2011 (BM)	-23.1	-16.8	-21.9	
	2012	25.6	2.2	21.2	8.1
	2012 (BM)	22.0	6.7	25.5	14.0
Ongoing charges (%)	1.1.2012-31.12.2012	2.17	2.13	2.41	1.63

Notes:

Figures are only indicated for those Subfunds and periods with respect to which they are available.

It is impossible to provide a comparison of the Subfund's performance with the benchmark (BM) for a longer time span as the latter was only defined for the first time in 2005. With amendments to the Prospectus Including the Management Rules, the benchmarks of all Subfunds were partly or completely changed a number of times, therefore the reported returns were achieved in conditions that are no longer applicable.

Where the actual ongoing charges are not available, estimates (*) are provided (*).

The past return (performance) of a fund means the total annual return on investments in a Subfund investment coupon. The above calculation does not reflect any subscription fees (the Management Company does not charge redemption fees) and the potential effect of tax liabilities that may be levied on the holder upon the redemption of investment coupons.²⁴

Ongoing charges consist of the management and depositary fees payable as well as other charges borne by a Subfund, but exclude the costs of transactions in financial instruments except with the Subfunds that invest a large portion of their assets in target funds and whose ongoing charges also include entry and exit charges of the target funds where these are actually paid by the Subfund. The ongoing charges figure for a Subfund is based on the the last year's expenses, for the year ending December 2012, and may vary from year to year.

Historical data for the calculated and published ongoing charges figure are available on the Management Company's website.

²⁴ The Bank of Slovenia's mean exchange rate on the day of valuation was used to convert the tolar amounts of the fund units into euros. The tolar values of the fund units in the period before the euro changeover on 1 January 1999 were converted according to the Bank of Slovenia's mean exchange rate applicable for the ECU.