

PROSPECTUS

Effective as of April 1, 2018.

LHV World Equities Fund

IMPORTANT INFORMATION

This document is for the purposes of the Investment Funds Act the public offer prospectus (hereinafter the Prospectus) of LHV World Equities Fund (LHV Maailma Aktsiad Fond; hereinafter the Fund). The fund rules of the Fund (hereinafter the Fund Rules) are an integral part of the Prospectus.

The Prospectus and the Fund Rules provide an investor with an overview of the investment objectives and risks of the Fund helping the investor decide over whether to invest in the Fund. The information provided in the Prospectus shall not be considered investment advice nor any other investment service or ancillary service, or an invitation to acquire or transfer the units of the Fund.

The offer of units of the Funds shall always comply with the Prospectus, the Fund Rules and the legislation. Misleading advertisements or commercials or other promises that are in conflict with the Prospectus, the Fund Rules or the legislation shall not be deemed to be approved by the Management Company.

The information is provided as at the date of the approval of the Prospectus.

Outside the Republic of Estonia only an intermediary who has entered into the respective agreement may distribute the Prospect and the Fund Rules and offer the Fund units publicly. Foreign investor should be familiar with the requirements on securities transactions established in their homeland and the circumstances in relation to the taxation. It should also be taken into consideration that measures taken for the protection of investors in one country may not be applicable to the transactions of a fund registered in another country.

If the translation of the Prospectus in another language and the Prospectus in Estonian are contradictory or ambiguous, the Prospectus in Estonian takes precedence.

The Prospectus is neither meant as an offer of units in a country where such offer is illegal nor as an offer to any person to whom it is prohibited to make such an offer.

The Management Company shall not offer or sell the units of the Fund or offer any investment services to US persons. By submitting a subscription order the investor confirms to the Management Company that it is not a US person. The investor undertakes to inform the management company immediately of any circumstances which could cause the investor to be qualified as an US person. The Management Company has the right to redeem the units of the Fund immediately if the investor is a US person or becomes a US person while the investor is holding the units.

The Management Company shall not be liable for any loss which the investor may suffer as a result of being or becoming a US person, including the refusal of the offering of units of the Fund, redeeming the units or for other reasons related to the prior.

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GENERAL INFORMATION

Main information about the Fund is as follows:

LEGAL STATUS	The Fund is a public open-ended common investment fund registered in the Republic of Estonia. The Fund is in compliance with the provisions laid out in Directive 2009/65/EC of the European Parliament and of the Council and the legislation of the Republic of Estonia regarding UCITS (Undertaking for Collective Investment in Transferable Securities).
FUND MANAGEMENT COMPANY	AS LHV Varahaldus, registry code 10572453, address Tartu rd. 2, 10145 Tallinn, the Republic of Estonia (hereinafter: "Management Company"). Phone: +372 6 800 400, fax: +372 6 800 402, e-mail: info@lhv.ee.
ESTABLISHMENT OF THE FUND	The Management Company established the Fund on April 27, 2007.
SEAT OF THE FUND	Tartu rd. 2, 10145 Tallinn, the Republic of Estonia.
LAUNCH OF THE FUND	The Fund was launched on August 13, 2007.
UNITS OF THE FUND	A unit of the Fund (hereinafter: "Unit") is a registered immaterial security certifying the share of the common ownership of the investor in the assets of the Fund. Units are divisible. The issuer of the Units is the Management Company. The issue of the Units is public. No material document certifying ownership is issued for a Unit. Units do not give the unit-holder the decision-making power in concluding transactions with the assets of the Fund. The Fund has one Unit class with nominal value 10 euros and ISIN code: EE3600092417.
PRICE CALCULATION AND PUBLICATION	The net asset value of the Fund, the net asset values of the Unit, as well as the issue and redemption price of the Unit are calculated once for each banking day and published on the web page www.lhv.ee not later than 14:00 (Tallinn time) on the following banking day.
DEALINGS WITH UNITS	Investors can acquire and redeem the Units each banking day pursuant to the Prospectus and Fund Rules.
REGISTRARS	The register of the Units is kept by AS LHV Pank, registry code 10539549, address Tartu rd 2, 10145 Tallinn, the Republic of Estonia (hereinafter: "the Registrar").
LISTING	The Units are not listed on any exchange or other regulated or public securities market.
INTERMEDIARIES	LHV Pank, registry code 10539549, address Tartu rd 2, 10145 Tallinn, the Republic of Estonia. Complete list of intermediaries (including intermediaries that have been added after latest

	amendments in this Prospectus) is available at the web page www.lhv.ee .
PUBLIC OFFERING ABROAD	The Units may be publicly offered in all Contracting States of the Agreement on the European Economic Area.
DEPOSITARY	The depositary of the Fund is AS SEB Pank, registry code 10004252, address Tornimäe tn 2, Kesklinn, 15010 Tallinn, Harju county, Estonia (hereinafter: „Depositary”).
AUDITOR	AS PricewaterhouseCoopers, registry code 10142876, Pärnu rd. 15, 10141 Tallinn, the Republic of Estonia.
SUPERVISION	Activities and operations of the Management Company, the Fund, the Depositary and the Registrar are supervised by the Financial Supervision Authority of the Republic of Estonia, address Sakala 4, 15030 Tallinn, the Republic of Estonia.
FINANCIAL YEAR OF THE FUND	The financial year of the Fund starts on January 1 and ends on December 31.
DOCUMENTS OF THE FUND AND IMPORTANT INFORMATION	Important information and documents of the Fund are accessible at the seat of the Fund and on the web page www.lhv.ee .

BASES AND OBJECTIVE OF ACTIVITIES OF THE FUND AND INVESTMENT POLICY OF THE FUND

Bases of the Activities of the Fund

The bases for the activities of the Fund and the relationships of the unit-holders with the Management Company are provided by this Prospectus, Fund Rules, legislation of the Republic of Estonia and legislation applicable to the offer. The Prospectus and Fund Rules have been set out in accordance with the effective legislation. In case the Fund Rules or Prospectus conflict with the provision of legislation, the provisions of legislation will be applied. In case the different provisions of the Fund Rules or Prospectus conflict with each other, such provisions will be interpreted in accordance with the best interests of the unit-holders of the Fund.

Objective of the Activities of the Fund

The objective of the Fund's activities is long-term maximum growth of the investments made by investors of the Fund. In order to achieve long-term growth, the Fund invests in risky asset classes (e.g. equities) and is exposed to significant investment risks and may suffer investment losses especially for investors with short-term time horizon (less than three years).

The Fund invests up to 100% of the market value of its assets in equities or in investment funds that invest into equities around the world. Fund's assets are invested into deposits of credit institutions, money markets instruments, high grade bonds and other similar securities only in order to manage liquidity, during times of redeeming or purchasing investments, when there are no suitable investment opportunities available or in a situation, where the upside potential of stock markets is limited.

While investing into equities (i.e. shares of companies, the financial performance of which reflects long-term economic development of sectors and nations) the Fund intends to benefit from economic growth expected over a longer time period and outperform global inflation rate.

Please refer to the "Investment Risks" section on page 10 in order to understand the investment risks related to investing into the Fund.

Investment Policy of the Fund

The principles of the investment policy and investment limitations of the Fund are described in more detail in the Fund Rules.

Investment Region

The Fund's investments are diversified geographically across different world financial markets. The Fund invests in developed markets (e.g. contracting state of the European Economic Area, the United States of America and Japan), as well as in emerging markets (e.g. Asia, Latin America and Eastern Europe).

Investment Restrictions and Authorized Securities

The assets of the Fund may be invested in:

- shares or other similar tradable rights;
- bonds, convertible securities or other tradable debt obligations;
- shares and units of investment funds;
- subscription rights or other tradable rights that entitle to acquire aforementioned securities;
- deposits in credit institutions;
- money market instruments;
- derivative instruments.

The assets of the Fund are invested in the base currency (euro), in the United States dollars and in the national currencies of the countries located in the investment regions.

The assets of the Fund will not be invested in:

- immovables;
- precious metals and certificates that give rights to precious metals.

Investments in securities:

- The Fund invests up to 100% of the market value of its assets in freely transferable securities specified in section 2, subsections 1-3, 5 and 7 of chapter 2 of the Investment Funds Act (hereinafter in this chapter "securities"), which are traded, or pursuant to the conditions will be admitted to trading within 12 months after the issue of securities, on a regulated securities market in the following countries: all contracting states of the European Economic Area (EEA)¹, Albania, the United States of America, the United Arab Emirates, Argentina, Armenia, Azerbaijan, Australia, the Bahamas, Bahrain, Bangladesh, Barbados, Bermuda, Bolivia, Bosnia and Herzegovina, Brazil, British Virgin Islands, Brunei, Ecuador, Egypt, Philippines, Georgia, Guernsey, China (including Taiwan), Hong Kong, Israel, India, Indonesia, Japan, Jamaica, Yemen, Jersey, Jordan, Cambodia, Canada, Kazakhstan, Qatar, Kenya, Colombia, Kuwait, Kyrgyzstan, Laos, Lebanon, South Africa, South Korea, Macedonia, Malaysia, the Isle of Man, Morocco, Mexico, Moldova, Montenegro, Myanmar, Nigeria, Oman, Pakistan, Panama, Peru, Saudi Arabia, Serbia, Singapore, Sri Lanka, Switzerland, Tajikistan, Thailand, Chile, Turkey, Turkmenistan, Ukraine, Uruguay, Uzbekistan, New-Zealand, Russia, Venezuela and Vietnam.
- The Fund may invest up to 50% of the market value of its assets of the Fund in money market instruments that meet the requirements specified in the Investment Funds Act;
- up to 10% of the market value of its assets of the Fund may be invested in securities other than those aforementioned;
- the Fund may invest not more than 10% of the market value of its assets in securities issued by the same person. If the value of securities issued by one person is more than 5% of the market value of the assets of the Fund, the aggregate value of such securities shall total not more than 40% of the market value of the assets of the Fund. The value of securities issued by persons belonging to the same group shall total not more than 20% of the market value of the assets of the Fund;
- the value of securities issued by one person may amount up to 35% of the market value of the assets of the Fund if the issuer or guarantor of the securities is a contracting state of the EEA or an international organization to which an EEA contracting state belongs.

Investments in investment funds:

- The Fund may invest up to 100% of the market value of its assets in units or shares of other investment funds in compliance with the restrictions arising from legislation. The Fund may also invest into the units of closed-ended contractual funds and the shares of closed-ended funds founded as public limited companies;
- the Fund may invest only in units or shares of another UCITS or a UCITS of another contracting state of the EEA;
- in addition to the limitation specified in the previous section, the Fund may invest up to 30% of the market value of its assets in other open-ended and public investment funds, which meet the terms and conditions provided by the legislation;
- the value of units or shares of one investment fund may not total more than 20% of the market value of the assets of the Fund;
- the Fund may hold and invest in shares and units of other funds managed by the Management Company provided that the following conditions are met: i) the investment policies of the funds differ significantly, ii) the Management Company does not charge an issue or redemption fee.

¹ At the moment of registration of the Prospectus the contracting states are Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, Netherlands, Norway, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden and the United Kingdom. Countries joining the respective treaty after registration of the Prospectus shall be considered contracting states as well.

Investments in deposits:

- The Fund may invest up to 50% of the market value of the assets of the Fund in deposits in credit institutions maturing in not more than twelve months;
- the Fund may not invest more than 20% of the market value of its assets in deposits made with the same credit institution (does not apply to money held in a bank account or placed on overnight deposit in the Depository).

Transactions with Derivative Instruments

The Fund may invest or take positions in derivatives only for the purpose of hedging financial risks, including market price, foreign exchange and interest rate risks. Investing into derivatives does not increase the risk level of the Fund as derivatives are only used for hedging risks.

The Fund is exposed to counterparty risks when taking positions in derivatives as the counterparty may fail to perform obligations assumed under the transaction (e.g. currency forward contract). The total exposure in relation to derivative instruments may not exceed the total net asset value of the Fund.

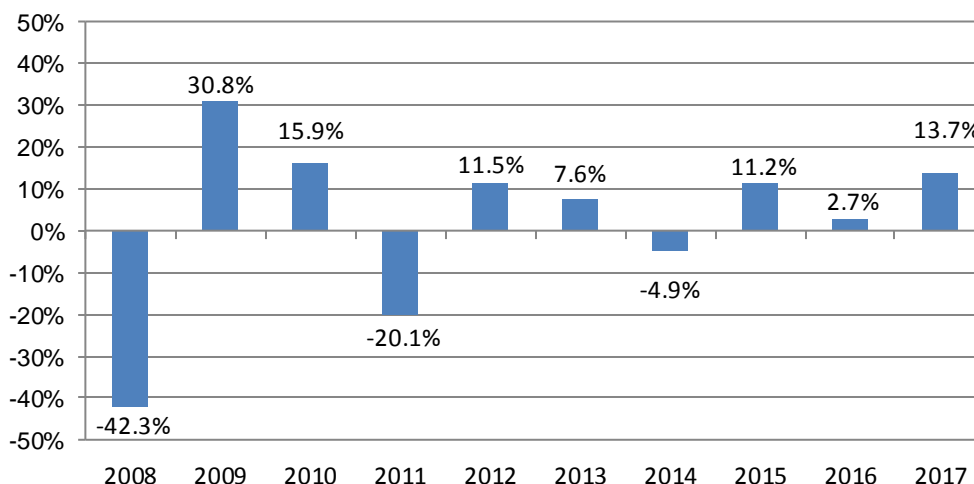
Other Permitted Transactions

Although the Management Company may pursuant to the Fund Rules enter into repurchase and reverse repurchase agreements and conclude other securities-borrowing transactions, the Management Company does not at the moment of the amendment of the Prospectus upon investing the assets of the Fund intend to conclude aforementioned transactions or use any efficient portfolio management techniques.

The Fund may borrow and assume other liabilities in the amount of up to 10% of the Fund’s assets. The maturity of the loans and other liabilities may be up to three months.

Historical Performance of Fund

The cumulative average return of the Fund for the two (2016-2017), three (2015-2017) and five (2013-2017) previous calendar years is respectively 8.93%, 9.10% and 5.87%. The past performance of the Fund is presented in the chart below for 10 previous full calendar years.



The Fund’s historical performance does not promise or offer any indications regarding future performance.

Description of a Typical Investor

Investors not experienced in investing into equities or equity funds should consult a professional investment advisory in order to understand the risks arising from investments into equity markets, as well as the relationship of risk and expected return.

Upon investing in the Fund an investor must be able to bear the risks arising from possibly high volatility of equity markets. The Fund is a suitable investment for investors who wish to invest in the stock markets for a longer term, without preferring any specific region. The Fund can be the main equity market related investment in one's investment portfolio, as the assets of this Fund are geographically diversified. An investor should have higher than average risk tolerance and some previous experience with financial investment products. As the investments of the Fund are generally of a long-term nature, the Fund is an appropriate investment for investors who have a long-term investment horizon.

The Fund has a medium/high risk level (comparable to a globally diversified equities portfolio). The recommended investment horizon is over 3 years.

Investment Risks

Investing in the Fund is accompanied by various risks that may affect the return on the investment. Upon investing in the Fund, the investor must take into account that the Fund may make a profit or suffer losses. Investment into the Fund cannot be deemed as a deposit and no financial or state institution guarantees the preservation or growth of the investment in the Fund. Past performances of the Fund do not guarantee similar results in the future.

As the investments of the Fund are generally of a long-term nature, investment risks are relatively lower when making long-term investment (over three years) and more significant for short-term investors (less than three years).

The following are the main investment risks:

Market Risks

Market price (volatility) risk – due to the nature of capital markets the prices of securities may increase or decrease. A disadvantageous change in the market price reduces the value of the Fund's investments. Such disadvantageous changes may be caused by economic or social developments and can be industry, sector or company specific.

Market liquidity risk – due to insufficient liquidity of securities markets the Fund may not be able to sell its assets at the time desired on a reasonable price, or may not be able to sell the assets at all. This risk is reduced through diversification of the investments of the Fund, however it can remain valid for certain investments.

Liquidity risk also arises when the Fund invests into securities (e.g. debt obligations of companies) that are not traded on a regulated market.

Valuation risk – as Fund may invest up to 10% of the market value of its assets into securities that are not money-market instruments or traded on a regulated market, the Fund is exposed to valuation risks if the assets, where the Fund has invested, do not have a reliable market price.

Valuation risk is relevant for example when the Fund invest into debt obligations of companies. In such a case the valuation of such investments may be based on models with input data being based on the Management Company's own assessment. Such valuation may differ significantly from the price at which the Fund could sell the asset during obscure market situation.

Risk arising from capital flows – international capital flows and investors may have a significant adverse influence on the asset prices and liquidity. This risk influences the Fund when capital moves out from equity markets.

Risk caused by short-term investors – as it is possible to invest in the Fund for a short term, a situation may arise for the Fund, where additional money comes to the Fund from the issue of Units which the Management Company is required to transfer out of the Fund in a short period of time as the investment made by the investor is for short-term. If in such a case the Fund invests the money into securities which have to be sold after a short period of time, the investment result may be negatively affected by the costs arising from the transactions (e.g. brokerage fees) which principally damages the interests of the long-term investors. If the Fund has not yet

managed to invest the money but there is a rise in the average price of the securities, the investment result of the Fund may be lower as a percentage, which principally damages the interests of the long-term investors.

Foreign exchange risk – unfavourable movements in foreign exchange rates may reduce the value of an investment denominated in a currency other than the base currency. This risk may be reduced with derivatives.

Although the Fund uses euro as its base currency, it does not have to hedge currency risks arising from investments in other currencies.

Interest rate risk – changes in i) interest rates, ii) yield curves, iii) volatilities of interest rates and iv) differences in interest rates of instruments with various risk levels may affect the value of investments of the Fund in an undesired direction.

As the Fund rarely invests into fixed income markets, the effect of interest rate changes is not direct.

Inflation risk – due to inflation and increasing prices the real value of investments may diminish.

Risk due to concentration of certain asset classes – As the Fund is focused on one asset class, which is equities, the performance of the Fund may have a substantial impact by one event or circumstance that affects equity markets.

Credit Risks

Issuer risk – the issuer of a security, where the Fund has invested, may not fulfil the obligations derived from the terms of the security. To minimize this risk the credibility of the issuers is being analysed and monitored continuously.

This specific risk is relatively small, as the Fund invests into shares of companies, whereas the companies usually do not bear any specific obligations in front of share-holders.

Settlement risk – a transaction may not be settled at the prescribed time or in the full amount if the counterparty fails to fulfil its obligations (e.g. transfer money or securities). This risk is minimized by trading on organized markets, which function pursuant to the “delivery versus payment” principle.

Counterparty risk and risk arising from derivative contracts – the counterparty of a transaction may fail to perform obligations assumed by the entry into the agreement. This risk is minimized by choosing low-risk credit institutions and reliable partners in the corresponding field when entering into an agreement.

The counterparty risk mainly concerns the opposite parties to *over-the-counter* (OTC) transactions (e.g. derivative instruments like currency forwards).

The Fund uses currency forwards or futures mostly to hedge EUR/USD exchange rate risk, whereas the derivative contracts are with defined maturity and the Fund may be required to pledge collateral in order to secure its obligations to the counterparty.

Operational Risks

Business risk – the financial results of an issuer of a security, where the Fund has invested, may depend on economic cycles and level of professionalism of the management. The aforementioned may affect the price of the security. To minimize this risk the activities of the issuers are being analysed and monitored continuously.

Custody and Depository risk – the Fund may sustain losses due to inability to act or malevolent activities of custodians or depositories. Such losses may include losses due to the bankruptcy, insolvency, negligence or intentional unlawful acts of a person holding or arranging the holding of securities.

Intermediary risk – investors are exposed to risks related to Intermediaries, especially when investor's Units are kept on the Intermediary's nominee account and the Intermediary fails to keep internal register of the Units.

Political and Legal Risks

Political risk – adverse developments or events (e.g. war, unrest, nationalization of assets, changes in economic policy or legal environment) may take place in countries, where the Fund invests its assets. Unfavourable changes in the political environment may reduce the value of the Fund's investments significantly or entirely. This risk is reduced through diversification of the assets of the Fund across different countries, however the Fund may invest a significant proportion of its assets into emerging markets region, which are highly exposed to political risks from time-to-time.

Legal system risk – the legislation regulating the operations and investing activities of the Fund may be amended, among other things there may be amendments in the tax law.

In addition to ordinary investment risks, an investor should be aware that other circumstances may affect investor's investment into the Fund. For instance, the Management Company has the right to suspend redemption of Units in events and at the terms provided by the Investment Funds Act, the Fund may be reorganized, the Fund may be merged with another fund or the Fund may be liquidated. The Management Company has the right to change Fund Rules or change fees charged from the Fund or from unit-holders taking into account limitations set by Fund Rules. Such events may happen without prior notice to investors, with the exception that the amendments to the Fund Rules take effect in 1 month after publishing the corresponding notice on the website of the Management Company unless the notice prescribes a later date. Regarding amendments made to the Fund Rules arising from changes in legislative acts, a notice has to be published also by the Management Company on its website and the amendments come into effect on the date specified in the respective notice.

The foregoing statement of risks does not purport to be a comprehensive list of all risks involved with investment into the Fund. When making an investment decision investor must read the whole Prospectus, examine the Fund Rules as well as the key investor information, annual and semi-annual reports and other documents and information available on the web page of the Management Company and rely on the investor's own assessment of the merits and risks involved with the investment. Investor must be convinced that the risk profile of a particular Fund is suitable to the investor. If necessary, the investor should consult a professional investment advisory.

Information on the Risk Level of the Fund

The Management Company uses a synthetic risk assessment model according to which the Fund may on the basis of the volatility belong to a risk class from 1 to 7. The higher the volatility, the higher the risk class. The volatility of the Fund is calculated using a standard method: on the basis of the weekly rates of return of the past 5 years, rescaled to a yearly basis. According to this method the Fund belongs to risk class 5 which means that the volatility of the Fund for the past 5 years has been between 10-15 per cent. The specific information on calculation of the synthetic risk and volatility is available in the guideline of the European Securities and Markets Authority "CESR's guidelines on the methodology for the calculation of the synthetic risk and reward indicator in the Key Investor Information Document²".

Possible Conflicts of Interest

The Management Company aims to avoid situations where the interests of unit-holders and the Management Company are in conflict. However, the Management Company may benefit directly or indirectly from its funds' investments. If one of the funds managed by the Management Company invests into another fund managed by the Management Company, the fund, which received the investment, pays to the fund, that made the investment, a rebate equal to the whole management fee on that investment. In case a Fund invests in a fund managed by another fund management company and the Management Company received a rebate from this investment then this rebate shall be forwarded to the Fund.

Possible conflict of interest may arise as the Management Company has assigned some duties related to the management of the Fund to a company that belongs to the same consolidation group (e.g organization of maintenance of a register of the Units). See section: "Assignment of the Duties of the Management Company" on page 19.

In case of conflict of interest the Management Company shall operate in the best interests of the Fund and the unit-holders of the Fund.

² https://www.esma.europa.eu/sites/default/files/library/2015/11/10_673.pdf

FUND UNITS

An investor invests in the Fund by acquiring Units. The Unit represents a unit-holder's share of the Fund's assets. A Unit is a registered immaterial security.

Units are divisible. Units are issued by the Management Company. No material documents certifying the proprietary right of ownership are issued for a Unit. Investor's income depends on the changes in the net asset value of a Unit.

Fund Units

Name	LHV Maailma Aktsiad Fond osak (LHV World Equities Fund Unit)
Nominal value	10 euros
Registrar	AS LHV Pank
ISIN code	EE3600092417

Rights and Obligations Attached to Units

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

A Unit does not give the investor the decision-making power upon conducting transactions with the assets of the Fund. Unit-holders do not call and hold general meetings. A unit-holder may not demand the dissolution of the community ownership of the unit-holders.

A unit-holder has the right to:

- demand that the Management Company redeems the Units pursuant to the provisions of the Fund Rules and the legislation;
- transfer and bequeath the Units held by the unit-holder to third parties;
- receive, pursuant to the Fund Rules, a share of the assets remaining upon liquidation of the Fund in proportion to the number of Units held by the unit-holder;
- access at the registered office of the Management Company and the website of the Management Company the Fund Rules, the Prospectus, the key investor information, the three most recent annual reports of the Fund, the most recent semi-annual report if it has been approved after the last annual report, and other documents and information regarding the activities of the Fund as provided for in legislation;
- demand a document certifying the unit-holder's ownership.

Unit-holders can exercise their rights at the seat of the Management Company.

A unit-holder is not personally liable for the obligations of the Fund assumed by the Management Company on behalf of the Fund, or for obligations the performance of which the Management Company has the right to demand pursuant to the Fund Rules. The liability of the unit-holder for performance of such obligations is limited to the unit-holder's share in the assets of the Fund.

The Management Company shall not assume obligations on behalf of unit-holders. In order to satisfy a claim against a unit-holder, a claim for payment may be made against the Units owned by the unit-holder but not against the assets of the Fund.

Net Asset Value of the Fund and of the Units

The Management Company establishes the net asset value of the Fund and the Unit according to the internal rules and legislation. The net asset value of a Fund shall be determined based on the market or other fair value of the assets of the Fund. The total net asset value of the Fund is calculated by deducting from the market value of the securities and other rights belonging to the assets of the Fund the liabilities of the Fund. The net asset value of the Unit is calculated by division of the total net asset value of the Units by the number of the Units. The assets of the Fund shall be accounted for in euros.

The more precise principles for the calculation of the net asset value of the Fund and the Unit are available on the web page of the Management Company in the public document "Procedure of LHV Asset Management for determining the net asset value of the funds".

The Management Company calculates and publishes the net asset values of the Fund as well as the net asset value of the Unit, and the issue and redemption prices of the Unit, once for each banking day on the following banking day not later than 14:00 (Tallinn time). This information is published on the Management Company's web page www.lhv.ee.

FEES AND EXPENSES

Fees and Expenses of the Fund

Fees and charges deducted from the assets of the Fund upon calculation of the net asset values of the Fund:

Management Fee	2% per annum of the market value of assets of the Fund;
Depository's Charge	up to 0.216% of the market value of the assets of the Fund if more than 20% of the assets are invested into countries other than the EEA contracting states and the USA and up to 0.36% of the market value of the assets of the Fund in other cases (incl. VAT).
Other costs	Pursuant to the price list of the service provider. Pursuant to the fund rules of the Fund, the following fees and expenses can be paid on the account of the Fund: the costs related to holding and entering into transactions with the assets of the Fund, including expenses related to acquisition of securities and disposal thereof (transaction fees, brokerage fees, transfer fees, subscription fees, exchange fees, registry fees, state fees, etc.), and bank charges for banking services (money transfers, international money transfers, account debiting and crediting, currency conversion, etc.), fees related to borrowing on behalf of the Fund; the expenses of auditing the Fund's reports, the expenses in relation to exercising any rights arising from the assets of the Fund, legal expenses incurred by the Fund, expenses of conducting an analysis of the transaction counterparty of the Fund, the expenses of conducting an analysis in relation to the safekeeping of the Fund's assets in a country other than an EEA contracting state.
The maximum amount of fees and expenses paid out of the Fund (calculated from the weighted average market value of the assets per year)	5%

The Management Fee and the Depository's Charge are deducted from the market value of the assets of the Fund on a daily basis and are paid within a month following the month of reporting. The applicable Depository fee rate is available on the web page of the Management Company.

The Management Company may pay at its own expense to the Intermediaries for their activities upon offering the Units to investors.

Fees and Expenses of a Unit-Holder

Fees and charges calculated from the amount of money invested by the investor:

- Unit issue fee 0% (none)
- Unit redemption fee 0% (none)

All other direct expenses related to issuing and redeeming Units shall be borne by a unit-holder. The Distributors may impose additional fees on transactions with the Units. The size of such fees shall be specified in the price list of the Distributor.

TRANSACTIONS WITH UNITS

Transactions with Units are conducted through an Intermediary. By submitting a purchase or redemption order the investor warrants and represents that the investor has examined and consents to and adheres to the Fund Rules and Prospectus.

Issue and Redemption Price of the Unit

The issue price of a Unit is the net asset value of the Unit on the banking day when a purchase order is received by the Management Company.

The redemption price of a Unit is the net asset value of the Unit on the banking day of receipt of the redemption order by the Management Company. The Distributors may impose additional fees on transactions with the Units the size of which is specified in the price list of the Distributor.

Issue of Units

To acquire Units the investor submits to an Intermediary a purchase order in a format prescribed by the Intermediary. The Intermediary can submit purchase orders to the Management Company until 15:00 (Tallinn time) on each banking day. The orders which are received after 15:00 are considered to have been received on the next banking day.

If the investor does not have an account with the Registrar, the investor must open it through an Intermediary, unless the Intermediary keeps the investor's units on a nominee account.

On the banking day following the date of the receipt of the purchase order by the Management Company, the number of issued Units is calculated by dividing the amount indicated in the purchase order with the issue price of the Unit. The issued Units are transferred to the investor's account with the Registrar not later than on the third banking day after the receipt of the purchase order by the Management Company.

Redemption of Units

To redeem the Units the investor submits to an Intermediary a redemption order in a format prescribed by the Intermediary. The Intermediary can submit redemption orders to the Management Company until 15:00 (Tallinn time) on each banking day. The orders which are received after 15:00 are considered to have been received on the next banking day.

On the banking day following the date of the receipt of the redemption order by the Management Company the amount earned from the redemption of the Units is calculated by multiplying the amount of Units indicated in the redemption order by the redemption price of the Unit.

The amount received from the redemption of the Units is transferred to the current account connected with the investor's securities account with the Registrar and the Units are deleted from the register on the third banking day after receipt of the redemption order by the Management Company.

If the unit-holders apply for the redemption of Units in an amount exceeding 5% of the net asset value of the Fund on the basis of redemption orders per banking day, the Management Company has the right to postpone all settlements made on the basis of the redemption orders of such day by up to 10 banking days.

The Management Company has the right to suspend redemption of Units in events and at the terms provided by the Investment Funds Act.

Exchange of Units

Although the exchange of Units is permitted, the Management Company does not at the time of the compilation of the Prospectus manage another UCITS where the exchange of units is also permitted.

TAXATION

Taxation of the Fund

According to the legislation of the Republic of Estonia, the Fund is not a taxable person and therefore the income of the Fund is not subject to taxation in the Republic of Estonia.

Taxation of the Investors

The income of the Fund shall not be distributed to unit-holders but shall be reinvested. Unit-holder's profit or loss shall be reflected in the changes of the net asset value of the Unit. If a unit-holder is a taxable person, gains from Units may be taxable. The Management Company does not withhold any taxes on gains earned from Units. Declaring such gains in the tax declaration of accounting period is an obligation of the unit-holder. The tax system applicable to an investor may depend on the investor's residency, legal form and other similar circumstances.

Taxation of Residents of the Republic of Estonia in case of Natural Persons

Investor's income may arise from the difference between the acquisition cost and redemption price of the Units. The acquisition cost means all certified costs incurred by the taxpayer for acquisition of the assets. The taxpayer has the right to deduct certified costs that are directly related to the redemption of the Units from the taxable income. The tax obligation may be reduced by the minimum tax-free income, losses suffered from other securities transactions, etc. The payment liability related to income received from financial assets can be deferred until the time of taking the income into use by way of using an investment account. Investment account is an ordinary cash account, where any monetary transfer made into or from the investment account must be accounted for. A transfer made to acquire financial assets (incl. Units) is not deemed to be a transfer made from the account.

The Management Company does not withhold any income tax, the investor is obliged to declare such income in the tax declaration of the relevant accounting period. When using an investment account, the transfers made into and from the account must be indicated in the tax return.

No income tax is levied on the income, which a natural person obtains from the exchange of Units of the funds managed by the Management Company provided no payments are made to the investor.

Taxation of Residents of the Republic of Estonia in case of Legal Persons

The income earned by a legal person, who is a resident of the Republic of Estonia, is exempt from tax. Investor who is a legal person is obliged to declare such income in the profit and loss statement under financial income/loss in the relevant accounting period.

Taxation of Non-Residents

The income earned by a non-resident investor from Units is not subject to taxation in the Republic of Estonia. Income may be taxed in the country of residence of the non-resident investor pursuant to the taxation laws of that country.

Investors should consult their tax and financial adviser as to the tax consequences relating to each specific situation.

MANAGEMENT COMPANY, DEPOSITARY, AUDITOR AND INTERMEDIARIES

Management Company

The Fund is managed in the interest of the unit-holders by Aktsiaselts LHV Varahaldus, the share capital of which is 2,700,000 euros, and the registry code of which is 10572453, duly established and organized under the laws of the Republic of Estonia on August 9, 1999 as a public limited company that manages investment funds.

Activities and operations of the Management Company are supervised by the Financial Supervision Authority of the Republic of Estonia. The Management Company holds an activity license No F-4/0006 issued on March 27, 2002.

The Management Company has a sufficient amount of relevant information about the assets that it intends to acquire or has acquired on behalf of the Fund and sufficient information about the counterparties with whom transactions are entered into on behalf of the Fund. The Management Company has the right to dispose of and possess the assets of the Fund and other rights arising from it. Upon management of the Fund, the Management Company conducts transactions in its name and on behalf of the Fund. The Management Company manages the assets of the Fund separately from its own assets and from the assets and pools of assets of other investment funds managed by the Management Company.

The Management Company exercises the voting rights attached to shares or other securities with voting rights in a manner which is in the best interests of the unit-holders on the Fund, while also taking into account the investment policy and objectives of the Fund. The principles pursuant to which the Management Company exercises the voting rights are specified in the document "Policy regarding the exercise of voting rights arising from the assets of the fund" which is available on the website www.lhv.ee.

The remuneration principles of the Management Company are specified in the Management Company's remuneration policy. The general remuneration strategy of the Management Company is to ensure motivation remuneration for the long term goals of the Management Company, creating a strong link between the remuneration and the results of the investment funds managed by the Management Company. Remuneration consists of a fixed fee, the amount of which is determined, and a variable fee. Key persons are rewarded through an option programme with the options of AS LHV Group, the parent company of the Management Company.

The remuneration policy is approved by the supervisory board of the Management Company. A separate remuneration committee has not been established in the Management Company. A full description of the remuneration principles is provided on the web page of the Management Company and upon request it is provided to the unit-holder on paper free of charge.

Pension Funds Managed by the Management Company

LHV Pensionifond Eesti – an open-ended contractual investment fund with an active investment strategy, which allows the investors to invest money into mandatory funded pension. The assets of the fund are upon availability of suitable instruments invested into instruments associated with Estonia. Up to 75% of the assets of the Fund are invested into equity markets.

LHV Pensionifond Indeks – an open-ended contractual investment fund with a passive investment strategy, which allows the investors to invest money into mandatory funded pension. Up to 75% of the assets of the fund are invested into index funds which invest into equity and the remaining part is invested into real estate funds.

LHV Pensionifond XL – an open-ended contractual investment fund with an active investment strategy, which allows investors to invest money in mandatory funded pension. The fund invests up to 75% of its assets into equity markets and the rest of the assets in bonds and money market instruments.

LHV Pensionifond L – an open-ended contractual investment fund with an active investment strategy, which allows investors to invest money in mandatory funded pension. The fund invests up to 50% of its assets in equities and the rest of the assets in bonds and money market instruments.

LHV Pensionifond M – an open-ended contractual investment fund with an active investment strategy, which allows investors to invest money in mandatory funded pension. The fund invests up to 25% of its assets in equities and the rest of the assets in bonds and money market instruments.

LHV Pensionifond S – an open-ended contractual investment fund with an active investment strategy, which allows investors to invest money in mandatory funded pension. The fund may invest all its assets in bonds and money market instruments. The fund invests a significant amount of its assets into bonds issued by privately held companies.

LHV Pensionifond XS – an open-ended contractual investment fund with an active investment strategy, which allows investors to invest money in mandatory funded pension. The fund may invest all its assets in bonds and money market instruments. The fund invests only in the bonds issued by states, a company in which state has a majority holding or which is under the dominant influence of a state, and international organizations.

LHV Täiendav Pensionifond – an open-ended contractual investment fund with an active investment strategy, which allows investors to invest money in supplementary funded pension. The fund invests up to 95% of its assets in equities, but may also invest in bonds and money market instruments.

LHV Pensionifond Indeks Pluss – an open-ended contractual investment fund with a passive investment strategy, which allows the investors to invest money in supplementary funded pension. The assets of the fund are invested up to a 100% into index funds which invest into equity.

In addition to being the management company to the aforementioned pension funds, the Management Company also offers portfolio management service to the UCITS **SEF-LHV Persian Gulf Fund**.

Supervisory Board of the Management Company

Madis Toomsalu – chairman of the supervisory board

Madis Toomsalu is a member of the management board of AS LHV Group and the chairman of the supervisory board of AS LHV Pank. Madis joined LHV in 2007 as a stock market analyst. After obtaining the banking licence in 2009, Madis started working as a credit analyst and became the head of the credit analysis department in 2011. Madis became the credit manager and a member of the credit committee of AS LHV Pank in 2012 and in 2014, the chairman of the credit committee. In 2009 Madis obtained a bachelor's degree in business administration and in 2011 a master's degree in public finance from Tallinn University of Technology.

Andres Viisemann – member of the supervisory board

Andres Viisemann is the fund manager of LHV pension funds with an active investment strategy, as well as a supervisory board member and one of the founders of AS LHV Pank in 1999. From 1991 to 1997 he was working as the Head of Capital Markets department of Hansapank (now Swedbank Estonia) and from 1998 to 1999 as the Head of Financial Risks department of Hansapank (now Swedbank Estonia). Andres has graduated from University of Tartu and holds an MBA from INSEAD.

Erki Kilu – member of the supervisory board

Erki Kilu is the chairman of the management board of LHV Pank. Earlier Erki was managing Seesam Life Insurance SE (now Compensa Life Vienna Insurance Group SE), where he worked since 1996. Erki has graduated Estonian Business School and holds a Master's degree from the University of Tartu.

Management Board of the Management Company

Mihkel Oja – chairman of the management board

Mihkel Oja has been organising the activities of the Management Company since the beginning of 2007. From 2003 to 2006 Mihkel was an associate in LHV Financial Advisory Services. As of spring 2013, Mihkel is a member of the management board of the Estonian Fund Managers Association. In 2004, Mihkel graduated from Stockholm School of Economics in Riga with specialization in finance. In 2015, Mihkel received an MBA degree (with distinction) from Edinburgh Business School.

Joel Kukemelk, CFA – member of the management board

Joel has been working for the Management Company as a fund manager since 2010. Joel was elected to the management board in 2014. Joel worked from 2006 to 2013 for LHV Pank, initially as a stock market analyst and later as a portfolio manager. Joel graduated from Tartu University in 2008 with a Bachelor's degree (*cum laude*) in Economics and in 2010 from Tartu University with a Master's degree (*cum laude*) in Economics. Joel successfully passed the CFA Level I exam in December 2009, CFA level II exam in June 2011 and CFA level III exam in June 2016.

Fund Manager

Mikk Taras

Mikk Taras has worked in LHV since 2008 as financial markets analyst and portfolio manager in private banking unit. He has received bachelor's degree in economics from University of Tartu and a master's degree in applied economics from Fudan University.

Assignment of the Duties of the Management Company

For better performance of its duties, the Management Company has the right to transfer the following activities to third parties:

- organization of the issue and redemption of the Units;
- issue of documentation proving the right of ownership to the unit-holders of the Fund;
- communication of necessary information to the unit-holders of the Fund and provision of other services to clients;
- organization of marketing of the Units;
- keeping account of the assets of the Fund and organization of accounting of the Fund;
- determination of the net asset value of the Fund;
- organization of maintenance of a register of the Units;
- monitoring the compliance of the activities of the Management Company and the Fund with legislation, including application of a relevant control audit system;
- activities directly related to the aforementioned.

The Management Company has assigned the following duties to third parties:

- organization of the issue and redemption of the Units: to AS LHV Pank;
- organization of maintenance of the registers of the Units: to AS LHV Pank;
- organization of marketing of the Units: to the Intermediaries;
- communication of necessary information to the unit-holders of the Fund and provision of other services to clients: to the Intermediaries;
- issue of documentation proving the right of ownership to the unit-holders of the Fund: to AS LHV Pank.

The Management Company's liability related to managing the Fund shall not be affected by the fact that the Management Company delegated any functions to third parties.

Depositary

The Depositary of the Fund, AS SEB Pank, is a company established on December 15, 1992 on the basis and pursuant to the laws of the Republic of Estonia, with a registry code 10004252. The Depositary has an authorization of a credit institution granted for an unspecified term in January 12, 1993. The principal and permanent activity of the Depositary is deposit transactions for the receipt of deposits and other repayable funds from the public and granting loans in its name and on its account or other financing transactions. The Depositary is supervised by the Financial Supervision Authority.

The Depositary has *inter alia* the following duties:

- to safekeep the money, securities and other assets of the Fund;
- to perform the settlements and transactions with the assets of the Fund and to keep account thereof;
- to ensure that the Units are issued, redeemed and cancelled, compensated for and exchanged pursuant to the requirements prescribed by law, legislation issued on the basis thereof and the Fund Rules;

- to verify that the transactions entered into by the Management Company on behalf of the Fund are in compliance with effective legislation, the Fund Rules and the Prospectus.

Pursuant to the procedure prescribed in the depositary contract the Depositary has the right to enter into agreements with third parties for the safekeeping of the Fund's assets, the performance of transactions therewith and the transfer of other duties of the Depositary. The Depositary shall choose a third party with due diligence in order to ensure the reliability of the third party. Before the transfer of duties and thereafter, the Depositary is required to verify whether the level of the organizational and technical administration of the third party and its financial situation are adequate to ensure the performance of obligations prescribed in the contract.

As at the date of the compilation of the Prospectus, the list of the persons to whom the Depositary has outsourced the safekeeping of the Fund's assets is as follows:

Exchange traded funds of foreign markets, eurobonds ja the bonds of the following countries: Austria, Belgium, France, Greece, Hungary, Ireland, Italy, Netherlands, Portugal, Russia, Slovakia, Slovenia, Spain, Switzerland, The United Kingdom and the United States.	Clearstream
Austria	Via Skandinaviska Enskilda Banken AB RAIFFEISEN BANK INTERNATIONAL AG
Belgium	Via Skandinaviska Enskilda Banken AB KBC SECURITIES N.V.
Bulgaria	UNICREDIT BULBANK A.D
Czech Republic	CESKOSLOVENSKA OBCHODNI BANKA, A.S.
Denmark	Skandinaviska Enskilda Banken AB, Denmark branch
Finland	Skandinaviska Enskilda Banken AB, Finland branch
France	Via Skandinaviska Enskilda Banken AB CACEIS BANK FRANCE
Germany	DEUTSCHE BANK AG
Hungary	Via Skandinaviska Enskilda Banken AB CITIBANK EUROPE PLC Ungari Filiaal
Ireland	Via Skandinaviska Enskilda Banken AB HSBC BANK PLC
Italy	Via Skandinaviska Enskilda Banken AB INTESA SANPAOLO S.P.A.
Japan	Via Skandinaviska Enskilda Banken AB BANK OF TOKYO MITSUBISHI UFJ
Netherlands	Via Skandinaviska Enskilda Banken AB BNP PARIBAS SECURITIES SERVICES
Norway	Via Skandinaviska Enskilda Banken AB

Poland	BANK PEKAO S.A
Portugal	Via Skandinaviska Enskilda Banken AB BANCO COMERCIAL PORTUGES S.A.
Rumenia	UNICREDIT BANK S.A.
Slovenia	Via Skandinaviska Enskilda Banken AB UNICREDIT BANKA SLOVENIJA D.D
Sweden	Skandinaviska Enskilda Banken AB
Switzerland	Via Skandinaviska Enskilda Banken AB CREDIT SUISSE AG
Russia	Via Skandinaviska Enskilda Banken AB: AO RAIFFEISENBANK
United Kingdom	Via Skandinaviska Enskilda Banken AB HSBC BANK PLC
USA	Via Skandinaviska Enskilda Banken AB BROWN BROTHERS HARRIMAN

The Depositary and the Management Company do not belong to the same consolidation group, the Depositary does however offer the Management Company other services in addition to the depositary service (i.e. the brokerage service). Additionally, the Depositary may offer the depositary service to other investment funds, incl. the investment funds managed by a management company belonging to the same consolidation group as the Depositary.

For identifying conflict of interest and managing the risks in relation to conflict of interests, the Depositary has implemented relevant procedures.

Upon the request of the unit-holder, the Management Company shall provide an updated list of the third persons to whom the Depositary has outsourced the safekeeping of the Fund's assets and the description of the conflicts of interests which may arise when offering the depositary service.

The Depositary shall be held liable for direct material damage arising to the Fund, the unit-holders or the Management Company from violating the Depositary's obligations. The Depositary shall not be held liable for damage arising from the loss of the securities of the Fund transferred to a third party if the Depositary proves that the loss was caused by an external event independent of the Depositary with inevitable consequences despite the Depositary's efforts.

Auditor

The Auditor of the Management Company and the Fund is AS PricewaterhouseCoopers, registry code 10142876, Pärnu rd. 15, 10141 Tallinn, the Republic of Estonia.

Intermediaries

Unit transactions are intermediated by persons who have entered into an intermediation contract with the Management Company:

- LHV Pank, Tartu rd. 2, 10145 Tallinn, the Republic of Estonia. Is subject to prudential supervision by the Estonian Financial Supervision Authority (www.fi.ee). The contacts of the Intermediary are as follows:
address: Tartu rd. 2, 10145 Tallinn, the Republic of Estonia,

phone: +372 6 800 400,
fax: +372 6 800 402,
e-mail: info@lhv.ee.

A complete list of intermediaries (incl. intermediaries that have been added after latest amendments in this Prospectus) is available on the web page www.lhv.ee.

LIQUIDATION OF THE FUND

Liquidation of the Fund shall be effected in the cases and according to the procedures provided for in the Investment Funds Act.

Liquidation of the Fund shall be decided by the management board of the Management Company. In the cases provided for in the Investment Funds Act, the Depositary can act as the liquidator.

The circumstances causing liquidation of the Fund may be, for instance, the impossibility of achievement of the investment objective arising from changes in the market situation, lack of interest among the investors, etc.

To liquidate the Fund the Management Company or the Depositary shall apply to the Financial Supervision Authority for such permission. Subsequent to obtaining approval for liquidation of the Fund from the Financial Supervisory Authority, the Management Company shall without delay publish a notice regarding the liquidation of the Fund in at least one daily national newspaper and on the website specified in the Prospectus, indicating in the notice the data required by legislation, including the deadline by which the creditors of the Fund must file their claims against the Fund.

The issue and redemption of the Units of the Fund are suspended as from the date following the publication of the liquidation notice.

Upon liquidation of the Fund the liquidator shall, as soon as possible and in accordance with the interests of the unit-holders, transfer the assets of the Fund, collect the debts of the Fund and satisfy the claims of the creditors of the Fund. The liquidation costs covered at the account of the Fund may not exceed 2% of the net asset value of the Fund as of the date of approval of the liquidation decision.

The Management Company shall distribute the assets remaining after the liquidation between the unit-holders according to the number and the net asset value of the Units held by a unit-holder. The Management Company shall publish a notice regarding the distribution of assets to be distributed in at least one daily national newspaper and on the website specified in the Prospectus.

INFORMATION ABOUT THE FUND

Information about the Fund is published according to the legislation and Fund Rules at the seat of the Management Company and on the web page www.lhv.ee. Each person can examine the following information and documents at the seat of the Management Company (during the business hours) and on the website of the Management Company: i) the Fund Rules, ii) three of the most recent annual reports of the Fund, iii) the last semi-annual report of the Fund if it has been approved after the last annual report, iv) the Prospectus and the key investor information, v) the name and contact details of the Management Company, vi) the names of the fund managers, vii) the name and contact details of the Depositary, viii) information on the size of holdings of the Management Company in the Fund, ix) internal rules for calculating the net asset value, x) the best execution rules xi) Policy regarding the exercise of voting rights arising from the assets of the fund and xii) three of the most recent annual reports of the Management Company. The Management Company provides the unit-holders with the copies of the documents from i) to iv) free of charge.

The annual report of the Fund shall be made available in not more than 4 months after the end of the Fund's financial year. The semi-annual report of the Fund shall be made available in not more than 2 months after the end of the half-year.

The Management Company has the right to send notices and reports about the Fund to the postal and e-mail address of the unit-holders.

The Prospectus has been approved in Tallinn, on March 29, 2018.