JSC Short Term Gel Fund

Offering Terms (Memorandum)

Initial Version Approval Date: 07.21.2026;

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Important Information

JSC Short Term Gel Fund is a legal entity incorporated in Georgia under the Law of Georgia on Entrepreneurs and a registered open-end **Investment Fund** under the Law of Georgia on Investment Funds, under which the **Unitholders** are entitled, at any time after the expiry of a 1-week period from the acquisition of the Units, to request the redemption of their **Units** by the **Investment Fund**, subject to the limits prescribed in the **Memorandum**.

Before buying the **Unit of the Investment Fund**, the **Investor** should also read the **Founding Document** carefully.

Open-end **Investment Fund**: the **Unitholders** have the right to sell their **Units** to the **Investment Fund** in accordance with the rules under the **Founding Document**, which includes, inter alia, the applicable limitations set out in the **Memorandum** with respect to the **Investment Fund's** fulfillment of redemption requests.

Investment objective:

The **Investment Fund** aims to generate current income and maintain high liquidity by investing in various short and medium-term instruments. The **Fund** will use its best efforts to achieve returns commensurate with the risk to the **Fund's Investors**, although there is no guarantee that the **Fund's** objectives will be achieved.

Investment strategy:

The **Fund** aims to allocate the attracted funds as follows:

- Up to (including) 30% of the attracted funds in the units of the other investment funds;
- Up to (including) 100% of the attracted funds in the sovereign and quasi-sovereign bonds of the developing markets, including but not limited to Georgia, and local public and private corporate bonds, foreign public corporate bonds (among and to which a 20% limit (inclusive of 20%) of/for the financial instruments denominated in a currency other than the national currency applies);
- Up to (including) 100% of the attracted funds in the Georgian treasury obligations, bank deposits, certificates of deposit and other money market instruments;
- Up to 20% (including) in corporate bank loans (throug Syndication);
- Up to 20% (including) in Exchange-Traded Funds (ETF) composed of bonds.

For the avoidance of any doubt, compliance with the established limits for each of the above-mentioned types of instruments represents the expected allocation indicators of the raised funds, which may not be met at a specific point in time.

Up to 20% (including) of the **Fund's** assets that the **Asset Management Company** invests in might be denominated in any other currency/currencies than GEL.

Asset Management Company:

BOG Asset Management LLC (I/N: 404696389) is an **Asset Management Company** licensed by the **NBG** in accordance with the Law of Georgia on Investment Funds and provides fund asset management services. The **Fund** is not self-governing, has no internal board or staff. Therefore, only the **Asset Management Company** has the right to manage and represent the **Fund**, as well as conduct its activities in accordance with the **Founding Document**, as well as the asset management agreement concluded with the **Asset Management Company**.

Public distribution/offering of the **Units of the Investment Fund** will be carried out in accordance with the Law of Georgia on Investment Funds. The number of **Unitholders** who are not sophisticated investors (as defined in accordance with the Law of Georgia on the Securities Market and the procedure of the **Asset Management Company**) at any point in time shall not exceed 20 (twenty). The distribution and offering of this document and the **Units of the Investment Fund** under the **Memorandum** is permitted to the extent permitted by the **Legislation**.

It is not permitted to offer **Units of the Investment Fund** under the **Memorandum** in any jurisdiction in which such action is not permitted or to any person to whom such an offer is unlawful. No action is being taken in any jurisdiction (other than Georgia) to obtain permission to offer the **Units** under the **Memorandum**, or to distribute the **Memorandum**.

The **Units** have not been and will not be registered under the US Securities Act of 1933 (the "**US Securities Act**") or the laws of any US state. Therefore, the **Investors** will not be able to offer or sell **Units** except in cases that are exempt from the registration requirements under the **US securities Act** or the securities laws of any US state and/or in transactions that are not subject to such requirements. It is the responsibility of **Investors** to ensure that their offering and sale of **Units** in the United States or other countries meets the requirements of applicable securities laws.

Investors should rely only on the information provided or referred in the **Memorandum**. No person other than the **Asset Management Company** is authorized to give any information, representation or warranty in connection with the purchase of the **Unit**.

No information provided by the **Investment Fund** and/or the relevant **Asset Management Company** should be considered as an assessment of the risks associated with the purchase of the **Units of the Investment Fund**. Each **Investor** is obliged to carry out his/her own, independent research and assessment regarding the risks involved in purchasing a **Unit of the Investment Fund**. The **Memorandum** does not fully and exhaustively reflect all the potential factors and events that may affect the risks associated with a **Unit of the Investment Fund**. Risks and information to be considered in the investment decision-making process is provided in the **Memorandum** only in the form of general information and for information purposes only. The **Investors** shall consult their own financial and legal advisors to assess the risks associated with making an investment and determine the feasibility of making an investment in each specific case. Neither the **Memorandum** nor any statement of the authorized representative of the **Investment Fund** and/or the relevant **Asset Management Company** and/or any member company of the **Bank of Georgia Group** constitutes a financial and/or a legal advice.

The **Memorandum** is prepared in Georgian. It can be translated/created in other languages in the future. In the event of any discrepancy between the Georgian version and any translation thereof, the Georgian version shall prevail.

Any member company of the **Bank of Georgia Group**, including, without limitation, the **Bank of Georgia**, fully exempts responsibility for the correctness and accuracy of the information referenced in the **Memorandum**. Each **Investor** shall use any such information with particular care.

Forward Looking Statements

Certain statements contained in the **Memorandum** may be considered forward-looking. These include, for example, the **Investment Fund's** plans, expectations, forecasts, guidelines, goals, objectives, strategies, future events, revenues, capital expenditures, financing needs, plans and intentions, observed future trends and other information - other than historical.

Words such as, “believe”, “expect”, “estimate”, “as per our estimation”, “potentially”, “expected”, “intended”, “anticipate”, “forecast”, “may”, “should”, “could”, “we plan”, “we aim”, “we want”, and other similar expressions are intended to identify forward-looking statements, although these expressions or statements are not exhaustive.

By their nature, forward-looking statements involve substantial risks and uncertainties, both in general and in specific cases. There is also a risk that estimated statements, forecasts and other forward-looking statements may not be achieved. The **Unitholders** should understand that several important factors could cause results to differ materially from the plans, orientations, expectations, assumptions and intentions expressed in the forward-looking statements. For the avoidance of any doubt, the said entry does not exempt the **Investment Fund** from fulfilling the obligations established by the **Memorandum** and/or the **Legislation**.

Thus, the **Investors** should not place undue reliance on forward-looking statements and should carefully understand the foregoing and other uncertainties or events, particularly the political, economic, social and legal environment in which the **Investment Fund** operates and the market which the **Units** issued by the **Investment Fund** are a part of. The forward-looking statements contained in the **Memorandum** are relevant as of the date they are made. The **Investment Fund**/**Asset Management Company** does not undertake to update or revise them (in accordance with new information, future events or other matters), except in cases where this is required by the **Legislation**. The **Investment Fund**/**Asset Management Company** does not represent or warrant that such forward-looking statements will achieve the expected results. In any case, these statements are one of many possible scenarios and cannot be understood as the most likely or standard scenario of the development of events. These cautionary statements apply to all forward-looking statements made by the **Investment Fund** or the **Asset Management Company** acting on its behalf, as well as by the third parties provided for in the **Memorandum**, in the form of forecasts. For the avoidance of any doubt, the said entry does not release the **Investment Fund** from fulfilling the obligations defined by the **Memorandum** and/or the **Legislation**.

The validity of the terms of the offer (memorandum)

By purchasing a **Unit**, the **Unitholder** agrees to the terms of the **Memorandum** and is bound by the terms of the **Memorandum**. The **Memorandum** is drawn up on the basis of and in compliance with the **Founding Document** of the **Investment Fund**.

The same rule applies to the amendment of the **Memorandum** as is established for the amendment of the **Founding Document** in accordance with the **Founding Document**.

Notwithstanding all other entries, the **Asset Management Company** is authorized, at its sole discretion, without the prior notice and consent/decision of the **Unitholder**, to amend the chapter of “Risk Profile” in the **Memorandum**, any information related to the **Unit's** risk disclosure and/or non-essential terms of the **Memorandum**.

For the avoidance of any doubt, amendments to the chapter “Risk Profile” in this **Memorandum**, as well as any information on the risk disclosure in relation to the **Units**, and/or non-essential terms of the **Memorandum**, require prior consent of the **NBG**.

In the event of any discrepancy and/or inconsistency between the terms of the **Founding Document** and the **Memorandum**, the terms of the **Founding Document** shall prevail.

Any and all matters set forth in **Memorandum** that require the prior consent/decision of the **Unitholder**, shall be decided by the general meeting of the **Unitholders**, in accordance with the rules envisaged in the **Founding Document** of the **Investment Fund**.

Main characteristics of the Fund

Name of the **Investment Fund**:	JSC Short Term GEL Fund
Type of the **Investment Fund**:	The **Investment Fund** is an open-end, registered investment fund (fund for sophisticated investors).
Limits for the exercise of Put Option:	• **Individual Put Option Limit (5%)** - during/for any rolling three-month period, the put option request of any individual investor may not exceed **5%** of the **NAV**; • **Maximum Quarterly Put Option Limit (25%)** – during/for any rolling three-month period, the aggregate amount of all put option requests (i.e., put option requests submitted by all investors) may not exceed **25%** of the **NAV**; • **Maximum Annual Put Option Limit (50%) –** during/for any rolling twelve-month period, the aggregate amount of all put option requests (i.e., put option requests submitted by all investors) may not exceed **50%** of the **NAV**.
The maximum amount, under which the **Units** can be issued:	GEL 250,000,000 (two hundred and fifty million)
Offering:	• 250,000 (two hundred and fifty thousand) common shares (units) with the following pricing: (a) for the initial issuance – GEL 1,000 (one thousand) per **Unit**, (b) for each following issuance – the relevant price of the **Unit**. • The minimum amount of the initial investment for each investor is GEL 1,000 (one thousand), if not indicated otherwise by the **Asset Management Company** in its sole and absolute discretion. • The maximum amount of investment for each investor is 10% of the **Fund** size as of the **Unit** issuance date, if not indicated otherwise by the **Asset Management Company** in its sole and absolute discretion.
Target size of the **Investment Fund**:	GEL 250,000,000 (two hundred and fifty million);
Investment objective:	The main objective of the investment is for the **Investment Fund** to generate **Profit** for the benefit of the **Unitholders**, in accordance with the predetermined investment risk appetite and

	through diversified investments, following the principles of transparent and sound investment.
Investment strategy:	The **Investment Fund** seeks to achieve its investment objectives by investing primarily in units of the investment funds, Georgian treasury bonds, sovereign and quasi-sovereign bonds, foreign public corporate bonds, money market instuments, exchange-traded funds (ETFs) composed of bonds, of the developing markets, and local public and private corporate bonds, as well as corporate secured[1] (including, only by suretyship) loans of various maturities of local commercial bank/banks, by way of **syndication.**
The target allocation of the assets:	Up to (including) 30% of the attracted funds in the units of the other investment funds; Up to (including) 100% of the attracted funds in the sovereign and quasi-sovereign bonds of the developing markets, including but not limited to Georgia, local public and private corporate bonds, and foreign public corporate bonds; Up to (including) 100% of the attracted funds in the Georgian treasury obligations, bank deposits, certificates of deposit and other money market instruments; Up to 20% (including 20%) in exchange-traded funds (ETFs) composed of bonds; Up to 20% (including) in corporate bank loans of local commercial banks (throug Syndication).
Accrual and payment of interest per **Unit**:	It is determined in accordance with the **Memorandum** (chapter - "*The distribution of the **Profits** of the **Investment Fund***")
The currency, in which the **Unit's** price or value is expressed:	Georgian Lari (GEL)
The currency, in which the payments are made:	Georgian Lari (GEL)
The commission of the **Asset Management Company**:	Determined in accordance with the rule established by the **Memorandum**.

[1] An assessment regarding the credit collateral will be obtained from the bank in whose credits/exposure the Fund will make the investment.

Any restriction on the free movement of the **Unit**:	Any form of disposal of the **Unit**, including encumbrance and/or alienation, requires the prior written consent of the **Asset Management Company**. Such an action without the consent of the **Asset Management Company** has no legal force.
The liquidation of the **Investment Fund**:	Determined under article 11 of the **Founding Document**.

The Management of the Investment Fund

The management and representative authority of the **Investment Fund** is exercised without limitation by BOG Asset Management LLC (I/N: 404696389), as envisaged in the **Founding Document**. The **Asset Management Company** has the authority to manage the assets of the Investment Fund and the risks related to the management of the **Investment Fund**.

The **Asset Management Company**, in accordance with its **Founding Document**, in addition to asset management and risk management, performs the following functions, which includes but is not limited to:

- Legal and accounting services required for the management of the **Investment Fund**;
- Communication with **Investors** and answering their questions;
- Valuation and pricing, including tax declaration;
- Production of the register of the **Unitholders**;
- Distribution of the **Profits**;
- Organization/provision of actions related to the issuance and redemption of the **Units**;
- Offering **Units** to **Investors**.

Additionally, the offering of the **Units** to the **Investors** will, for the time being, be carried out through JSC Galt and Taggart (I/N: 211359206) and/or the intermediaries of the latter (which, without limitation, includes JSC Bank of Georgia (I/N: 204378869)). In the future, the offering may be carried out through any other intermediary of the financial market.

The **Asset Management Company** also carries out any other activity related to the assets of the **Investment Fund** that are not expressly prohibited for the asset management company by the **Legislation**, including, but not limited to, the provision of services required to fulfill the asset management company's fiduciary duties, the management of facilities/buildings, the administration of the real property, giving advice on capital structure, production strategy and issues related thereto, affiliated with the activities/objectives of the **Investment Fund**.

The **Unitholders** should note that, subject to the requirements under the **Legislation**, the **Asset Management Company** may delegate its functions to third parties, whom the **Asset Management Company** may choose in its sole discretion, and such delegation of authority shall not require the consent of the **Unitholders**.

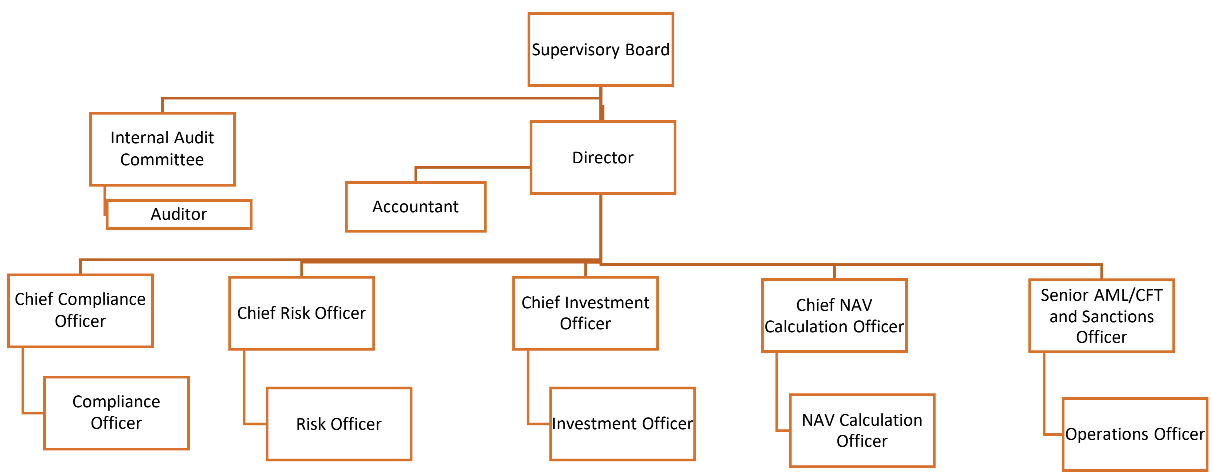
The liability of the **Asset Management Company** is limited and reserved both by the **Founding Document** and the asset management agreement signed with it.

The decision to terminate the management and representative powers of the **Asset Management Company**, to dismiss, replace the **Asset Management Company** and/or to terminate the asset management agreement with it is made by the general meeting of the **Unitholders**, and to make such a decision, the consent of all **Unitholders** with voting rights is required (100% of **Unitholders** with voting rights). In addition, such a decision can be made by the **Unitholders** only if:

- It has been confirmed by a legally binding decision of the court that the **Asset Management Company** had committed a criminal offense under the **Legislation**;

- It has been confirmed by a legally binding decision of the court that the **Asset Management Company** had deliberately, grossly violated the essential requirements provided by the **Founding Document** and/or the **Legislation**;
- The **Asset Management Company's** license to be an asset management company has been revoked;
- The liquidation or insolvency proceedings have been initiated against the **Asset Management Company**;
- The **NBG** has requested the termination of the agreement between the **Investment Fund** and the **Asset Management Company**.

The structure of the Asset Management Company



The replacement of the **Asset Management Company** is allowed only in cases provided for by the **Founding Document**.

Maintenance of the Unitholders' Registry

The registry of the **Fund's Units** is maintained by the **Asset Management Company**.

The purchase and the possession of the **Fund's Unit** shall be carried out through a brokerage company/brokerage account registered in Georgia. To purchase the **Fund's Units**, the **Investor** must contact a brokerage company licensed and operating in Georgia, with which the **Fund** has signed the respective agreement.

Issuance of new Units

The **Asset Management Company** will issue new **Units** at its sole discretion, including, without limitation, without consent of the **Unitholders**.

If the **Asset Management Company** makes a decision of issuing new **Units** of the **Investment Fund**, such issuance can be carried out on any Business Day of the month, in accordance with the **Unit** value for the same **Business Day**, which shall be determined pursuant to the rules envisaged in chapter "*Assessment of the Investment Values*" of this **Memorandum**. For the avoidance of any doubt, the approach set forth in this paragraph applies both to the first issuance of Units as well as to any subsequent issuance(s).

The **Fund** is prohibited from issuing **Units** if the respective corresponding price for the **Units** is not paid in exchange for such **Units**, or the recipient of such **Units** does not undertake the obligation to pay in the pre-determined period the price for the **Units**.

<u>The investment process</u>

The control function in the investment process is mainly performed by the following three bodies: the supervisory board, the investment committee and the risk committee.

Supervisory Board

The supervisory board consists of four members, at least two of whom are independent members. As of the date of the **Memorandum**, all members of the supervisory board have been appointed with the **NBG's** confirmation.

The supervisory board determines the risk appetite in relation to investment and non-investment risks. The supervisory board will develop policies and procedures to ensure compliance of investment decisions with the **Investment Fund's** objectives, investment strategy and risk limits (if applicable).

Moreover, the approval of both independent members of the supervisory board of the **Asset Management Company** is required to develop and/or make changes to the policy related to related party transactions.

Investment Committee

An investment committee is established by the **Asset Management Company**, which, within the limits set by the supervisory board (if applicable), will issue recommendations on planned investments, and monitor the investment activity process. Furthermore, it monitors the compliance of investment activities with the strategy established by the supervisory board.

Risk Committee

The risk committee consists of at least a director, a chief risk officer (in the absence of which, it shall be a risk officer) and a chief investment officer (in the absence of which, it shall be an investment officer). The risk committee reviews and approves the company's risk management strategy, both aggregated and in terms of individual risks. The risk committee monitors the performance of the investment strategy and oversees the risk appetite management process.

Internal Audit Committee

An Audit Committee has been established within the Supervisory Board of the asset management company, the function of which is to oversee the process of preparation of financial statements, the effectiveness of quality control, risk management and, where necessary, internal audit of financial information, the performance of the audit of financial statements/consolidated financial statements taking into account the conclusions reflected in the quality control monitoring report, and compliance by the auditor/audit firm with the requirements of applicable legislation. The Audit Committee provides the Supervisory Board with information on the results of the audit performed, the impact of the audit on the reliability of the financial statements, and the participation of the Audit Committee in this process.

The Rights of the Unitholders of the Investment Fund

Each **Unitholder** of the **Investment Fund** is authorized to:

(1) request from the **Investment Fund** the redemption of the **Units** owned by it (Put Option) in accordance with the rules and terms stipulated in the **Founding Document**;
(2) receive the **Profits** in accordance with the rules and terms stipulated in the **Memorandum**;
(3) request from the **Investment Fund** the standards and procedures references in the **Memorandum** and/or the **Founding Document**.

Additionally, the **Unitholder**, who is registered in the register of **Unitholders** as of the accounting date of the general meeting of **Unitholders**, is entitled to attend the meeting and participate in the voting process. Moreover, if a nominal owner is indicated as the owner of the **Unit** in the register of **Unitholders**, such nominal owner is entitled to attend the general meeting of **Unitholders**.

The general meeting of **Unitholders** is convened and held in accordance with the procedure envisaged in the **Founding Document**.

The general meeting of **Unitholders** considers and makes decisions only on the following issues:

1. making an amendment to the **Founding Document** and/or adopting a new edition of the **Founding Document**;
2. the reorganization of the **Investment Fund**, unless something else is/will be provided by the **Legislation**;
3. the appointment and/or dismissal of the **Asset Management Company** and/or on the conclusion and/or termination of the relevant agreement with it;
4. the determination of compensation and/or other additional benefits for the **Asset Management Company**;
5. the confirmation of the transaction in which the interested person defined by the Law of Georgia on Entrepreneurs is participating in;
6. participation in legal proceedings against the **Asset Management Company**, including the appointment of a representative for such proceedings.

On all matters listed above, with the exception of the matters provided for in subparagraphs (c) and/or (e) above, the decision is made by:

i. if the matter is initiated/confirmed by the **Asset Management Company** - a simple majority of the **Unitholders** present or represented with voting rights;
ii. in other cases - 100% of the **Unitholders** with voting rights.

The decision on the matter referred to in subparagraph (c) above shall be made by 100% of the **Unitholders** with voting rights.

The decision on the matter referred to in subparagraph (e) above shall be made by a simple majority of the **Unitholders** present or represented with voting rights.

Apart from the issues listed above, the decisions on all other matters are made solely and exclusively by the **Asset Management Company**. The **Unitholders** and/or the general assembly of **Unitholders** are not authorized to participate in the daily management of the **Investment Fund** or to make decisions on issues related to the management of the **Investment Fund**.

Any form of disposal of the **Unit**, including encumbrance and/or alienation, requires the prior written consent of the **Asset Management Company**. Such an action without the consent of the **Asset Management Company** has no legal force.

The rules and terms governing the general meeting of **Unitholders** are envisaged in detail in the **Founding Document**. This chapter is prepared on the basis of the **Founding Document** of the **Investment Fund** and in accordance with it. The conditions contained in this chapter are subject to change and will be changed in the event of a change in the **Founding Document**. In the event of any discrepancy and/or inconsistency between the terms of the **Founding Document** and the **Memorandum**, the terms of the **Founding Document** shall prevail. As a result, each **Investor** should read the **Founding Document** and its terms carefully.

Representation on the Conflict of Interest

The **Investor** acknowledges, acknowledges, agrees and accepts the following:

- The **Asset Management Company**, the **Investment Fund**, JSC Galt and Taggart (I/N: 211359206), the **Bank of Georgia** and other companies that are members of the **Bank of Georgia Group** are and/or may be involved in other financial, investment and/or related professional activities that in some cases, can potentially be a cause of conflict of interest. In order to mitigate the said risk, during the implementation of all and any transactions that will be concluded with any member company of the **Bank of Georgia Group**, the “arm's length principle” shall be complied with, which means that the transaction shall be concluded with the terms of the market value.
- There may be transactions affecting the interest of the **Asset Management Company**, **Bank of Georgia**, a member company of the **Bank of Georgia Group**, JSC Galt and Taggart (I/N: 211359206) and/or the members of the supervisory board of the **Asset Management Company**, which potentially creates a conflict of interest with their obligations towards the **Investment Fund**. In such cases, if the conflict of interest cannot be mitigated, the person with the conflict of interest shall act in accordance with its fiduciary obligations and in the best interests of the **Investment Fund** and the **Investors** of the **Investment Fund**.
- The **Asset Management Company** may also be the body responsible for the management of another investment fund. Additionally, the members of the supervisory board of the **Asset Management Company** may represent the persons performing the management function in another company that is a member of the **Bank of Georgia Group**. Each party shall, to the best of their ability and in accordance with the requirements of the **Legislation**, ensure that their involvement does not affect the performance of their obligations towards the **Investment Fund**.
- In addition to complying with the “arm's length principle”, the **Asset Management Company** has a “policy on the management of the conflict of interest with related parties”, which provides mechanisms for avoiding and managing potential cases of conflict of interest in order to ensure the development of the best and sound professional activity practices.
- The asset in which the **Investment Fund** invests may belong to the **Bank of Georgia**.
- For the avoidance of any doubt, should the **Investment Fund** invest in corporate loans of commercial banks, it may do so from, including solely from, a commercial bank within its group and/or a related party, namely JSC Bank of Georgia (I/N: 204378869).

The **Investment Fund** and the **Asset Management Company** state that there may be cases where, given the organizational and/or administrative arrangements, conflict of interest management mechanisms are not sufficient to influence the interests of the **Investment Fund** and the **Investment Fund's Investors**. If the **Asset Management Company** considers that the mechanisms for managing the conflict of interest are not sufficient, in such cases, if the mechanisms implemented by the **Investment Fund** and the **Asset Management Company** are not sufficient to eliminate the conflict, as a last resort, it will be announced to the **Unitholders** about the said circumstance in writing.

The **Asset Management Company** may also manage other investment funds and/or engage in other activities provided for and permitted by the **Legislation** for the **Asset Management Company**. Because of this, a situation may arise where the **Asset Management Company**, its directors, officers and employees have interests that are in conflict with the interests of the **Investment Fund** or have other customers whose interests are in conflict with the interests of the **Investment Fund** (hereinafter – the "**Material Interest**").

In order to avoid the conflict caused by the **Material Interest**, the **Asset Management Company** shall erect "chinese walls", which provides for limiting the access of employees to information related to activities with which they do not have direct contact, and requires employees to ignore **Material Interests**, because the emergence of such may affect the **Investment Fund**.

In order to waive any duties, liabilities and restrictions that may otherwise be required by the **Legislation**, the **Unitholder** expressly acknowledges and represents that the **Asset Management Company** or its officers, directors and employees may have **Material Interests**. Notwithstanding the foregoing, the **Asset Management Company** confirms that no member of the team managing the **Asset Management Company** has or will have any **Material Interest** that would directly conflict with the management of the **Investment Fund**. The **Unitholder** acknowledges that the normal activities of such team members may include managing other investment funds.

The **Unitholder** acknowledges and agrees that by following the **Legislation** or due to confidentiality obligations to others and/or to maintain "chinese walls", the **Asset Management Company** may be prohibited, or may be ineligible for the **Asset Management Company**, to use information about **Material Interests** for the benefit of the **Investment Fund**.

The **Unitholder** agrees that the **Asset Management Company** shall not disclose to the **Unitholder**, or use for the benefit of the **Unitholder**, any non-public information obtained in the course of providing services to another person, performing other activities.

The **Unitholder** acknowledges, represents, agrees and accepts that any investment or business relationship may involve potential conflicts of interest with related parties of the **Investment Fund** and/or the **Asset Management Company**. The **Unitholder** understands that the **Asset Management Company** will act in a manner it believes to be in good faith and that such conduct will be in the best interests of the **Investment Fund**. By purchasing a **Unit** in the **Investment Fund**, each **Unitholder** acknowledges that there may be an actual or potential conflict of interest and agrees to the possible existence of such conflict of interest and, at the same time, waives any claim and will not have any claim regarding the existence of such conflict.

Risk Profile

Risk Factors

I. Macroeconomic Risks and Political Risks Related to Georgia

- ***The Investment Fund is subject to risks associated with political, financial and economic instability in Georgia and the wider region.***

The Investment Fund operates primarily in Georgia and its assets are located primarily in Georgia; nevertheless, the **Investment Fund's** business profitability and its financial condition are affected by global macroeconomic and market conditions. Accordingly, the Investment Fund's results of operations are, and are expected to continue to be, significantly affected by political, financial and economic developments in or affecting Georgia. Factors such as GDP, inflation, interest and currency exchange rates, as well as unemployment, personal income and corporate finance, can have a material impact on Investment Fund's investments.

After the contraction arising due to the COVID-19 pandemic in 2020, Georgia's economy recovered in 2021, with real GDP growth of 9.8% on average during the period from 2021 to 2023, according to Geostat. Starting from early 2022, the relocation of migrants and businesses to Georgia has had a favourable impact on economic activity as well as GEL exchange rate. Georgia's EU candidacy, which was announced by the European Council in December 2023, is also expected to have a favourable impact on the conutry's economic growth expectations.

Notably, the positive trend of recent years is not a guarantee that economic growth and foreign currency inflows will remain robust, particularly amid high uncertainty in the global economy, elevated geopolitical risks in the region, and a domestic political environment characterized by tension and polarization. In the event of a further escalation of the regional geopolitical situation or political instability in Georgia, a reassessment of the country's risks may occur, triggering significant capital outflow. In such a scenario, the Georgian Lari could depreciate significantly.

In recent years, inflation has also been a significant challenge for the economy. Persistent high inflation during 2019-2022 was driven by successive external shocks and subsequently by strong demand. The NBG managed to regain control over rising prices through a tight monetary policy. Consequently, according to data from Geostat, the annual CPI inflation rate stood at 1.9% at the end of 2024, whereas the average annual inflation for 2019-2022 was 8.9%. Despite the improved inflation outlook, inflation risks remain elevated. A deterioration of the geopolitical situation in the region, a potential increase in global trade barriers, and strong domestic demand could exert upward pressure on domestic prices, leading to inflation above the NBG's 3% target.

Sustained geopolitical instability in the region and tight global financial conditions also pose downside risks to the outlook. In the event of further escalation of regional conflicts, the Georgian economy may be adversely affected through exchange rate depreciation, higher inflation and slower growth. Furthermore, in the event of further tightening of global financial conditions, investment and credit activity may slow, leading to weaker growth.

Market turmoil, economic deterioration and political instability in Georgia may cause consumer spending to decline and may have a material adverse effect on the liquidity and financial condition of the Group's customers in Georgia. Uncertain and unstable global and regional economic conditions-such as unpredictable developments in Ukraine, tight global financial conditions, the introduction of trade barriers by leading economies, the ongoing armed conflict between Israel and Hamas, and Houthi attacks on ships in the Red Sea-could have substantial political and macroeconomic consequences globally, which, in turn, could significantly impact Georgia's economy.

The Georgian economy is diversified, with no significant dependency on a single country, although European Union, Turkey, China, Azerbaijan, Armenia and Russia are significant trading partners.

After signing the deep and comprehensive free trade area (DCFTA) agreement with Georgia in 2014, the European Union (EU) has become Georgia's major trading partner. In 2023 and 2024, trade with the EU accounted for 11.6% and 8.7% of Georgia's total exports, respectively, and 24.5% and 27.2% of its total imports, respectively. Georgia also has significant linkages with the EU in terms of remittances and tourist inflows. In 2023 and 2024, remittances from the EU constituted 31.5% and 42.9% of total remittances to Georgia, respectively. In 2023 and the first nine months of 2024, the share of Georgia's tourism revenues from EU member countries was 13.3% and 13.2%, respectively. In recent years, slowed growth in the EU region, driven by high interest rates, could lead to a decrease in demand for Georgian exports, as well as a reduction in remittances and tourist flows.

Turkey is the largest source of Georgian imports, accounting for 17.5%, 16.5%, and 16.4% of total imports in 2022, 2023, and 2024, respectively, according to data published by Geostat. In recent years, due to challenges related to macroeconomic policy in Turkey, inflation has risen, economic growth has slowed, and the Turkish Lira has depreciated. According to the International Monetary Fund (IMF), growth is expected to slow further to 2.7% in 2025. Although monetary policy in Turkey returned to a standard framework from mid-2023, the Lira has continued to depreciate. Against the US Dollar, the Lira depreciated by 40% in 2022, 57% in 2023, and an additional 20% in 2024. In March 2024, the Central Bank of the Republic of Turkey raised the interest rate by 500 basis points to 50%, the highest level in 20 years. Then, starting in December 2024, in line with falling inflation, a gradual reduction of the rate began.

According to Geostat data, in 2024, Georgia's two leading export destinations were Azerbaijan and Armenia, with shares of 11.0% and 9.4% of total exports, respectively. In recent years, these two countries have shown different development paths. The Armenian economy is developing with strong capital inflows and trade, while Azerbaijan's economy remains heavily dependent on oil production and exports amid weak global commodity markets. In 2024, amid strong trade activity and consistently high remittances, the Armenian Dram appreciated by 2% against the US Dollar, which is one of the best performances in the region. The Central Bank of Azerbaijan, meanwhile, maintains a fixed exchange rate regime against the US Dollar. This currency policy is risky, as it carries the threat of a sharp depreciation in the event of external imbalances.

According to Geostat data, Russia is one of Georgia's largest export and import markets, accounting for 10.8% and 10.4% of Georgia's total exports and 11.2% and 11.0% of its total imports in 2023 and 2024, respectively. In early 2022, Russia's invasion of Ukraine and the imposition of sanctions by the West was followed by a sharp depreciation of the Russian Ruble. In the following months, the introduction of capital controls by Russia caused the Ruble to strengthen; however, in 2023 and 2024, the Ruble continued to depreciate amid new packages of Western sanctions and a deteriorating external balance. According to the International Monetary Fund's assessment, Russia's economy grew by 3.6% in 2023 and 2024, after contracting by 1.2% in 2022. In 2025, economic growth is expected to slow to 1.3%. In 2024, due to a decline in revenues from goods exports caused by Western sanctions and additional restrictions on financial transactions, the Russian Ruble depreciated by 13.4% against the US Dollar.

Due to strong economic ties, any economic disruptions or geopolitical escalations among Georgia's main trading partners may have a material adverse effect on Georgia's economy. There can be no assurance that the economic performance of Georgia can or will be sustained. To the extent that economic growth or performance in Georgia slows or begins to decline or there is a return to high or sustained inflation, the Investment Fund's business, financial condition, results of operations and prospects may be adversely affected.

- ***Instability or a lack of growth in the domestic currency market may have an adverse effect on the development of Georgia's economy and, in turn, have an adverse effect on the Investment Fund.***

Although the Lari is a fully convertible currency, a market for exchanging the Lari generally does not exist outside of Georgia. A market for converting the Lari into other currencies exists within Georgia, but it is limited in size. According to NBG data, the total trading turnover in the Lari-US Dollar and Lari-Euro markets (including NBG's activities) amounted to US$132.2 billion and €55.2 billion, respectively, in 2024, compared to US$127.7 billion and €68.1 billion, respectively, in 2023, and US$105.5 billion and €48.9 billion, respectively, in 2022. Excluding the NBG's activities, the total trading turnover in the Lari-US Dollar market amounted to US$131.7 billion in 2024, compared to US$126.1 billion in 2023 and US$104.8 billion in 2022 (the NBG was not active in the Euro market). According to NBG data, as of December 2024, it held gross international reserves of US$4.4 billion, compared to US$5.0 billion as of December 2023 and US$4.9 billion as of December 2022. Although these reserves are sufficient to maintain the stability of the domestic foreign exchange market in the short term, a lack of growth in the foreign exchange market could hinder the development of Georgia's economy. This could have a material adverse effect on the investment business of the Investment Fund and, in turn, on the business, financial condition, results of operations, and prospects of the Investment Fund.

In addition, any lack of stability in the currency market may adversely affect Georgia's economy. There was significant instability in the Lari/US Dollar exchange rate following conflict with Russia in 2008 and following the regional economic slowdown due to the fall in oil prices in 2015. In 2015, the Lari depreciated against the US Dollar, as a results of the economic slowdown in neighbouring countries. The Lari generally appreciated against the US Dollar and other major international currencies in the first half of 2016, primarily due to an increase in the number of tourists travelling to Georgia, but experienced depreciation in the second half of 2016 and in 2017 and 2018 due to negative expectations surrounding the collapse of the Turkish Lira, and in 2019 due to negative expectations surrounding Russia's direct flight ban. The Lari registered a 14.3% depreciation against the US dollar in 2020 amid the uncertainty and severe lockdowns of the economy caused by the COVID-19 pandemic. In 2021, 2022 and 2023, Lari gained 5.5%, 12.8%, and 0.5%, respectively, versus the US dollar as the Georgian economy experienced swift post-COVID-19 pandemic recovery followed by influx of foreign currency inflows triggered by the Russia-Ukraine war. In 2024, the Lari depreciated by 4.4% against the US Dollar, which can be attributed to the normalization of foreign currency inflows and election-related fluctuations. The Lari/US Dollar exchange rate was 3.0976 as of

December 31, 2021, 2.7020 as of December 31, 2022, 2.6894 as of December 31, 2023, and 2.8068 as of December 31, 2024. The ability of the Government and the NBG to limit any volatility of the Lari will depend on a range of political and economic factors, including the ability of the NBG and the Government to control inflation, foreign currency reserves, foreign direct investment, and other foreign currency inflows. Any failure in this regard, or a significant or future depreciation of the Lari, could have a material adverse effect on Georgia's economy and financial system.

Disruptions in global supply chains and Lari depreciation caused persistently elevated CPI inflation in Georgia during 2019-2022. Inflation started to decline from 2023 due to lower global commodity prices as well as delayed effects of Lari appreciation and tight monetary policy. According to information published by Geostat, annual inflation in Georgia, as measured by the Consumer Price Index, was 9.8%, 0.4%, and 1.9% in 2022, 2023, and 2024, respectively. There is no guarantee that Georgia's economy will not be further adversely affected by domestic or global increases in the prices of food, consumer products, and oil. While deflation increases the purchasing power of the Lari, it could negatively impact foreign direct investment. On the other hand, high and sustained inflation could lead to market instability, financial crisis, a reduction in consumer purchasing power, and an erosion of consumer confidence. Any of these events could lead to a deterioration in the performance of Georgia's economy and negatively affect the Investment Fund's business, financial condition and results of operations.

- ***Regional tensions and disruptions in neighbouring markets could have a negative effect on Georgia's economy.***

Georgia shares borders with Russia, Azerbaijan, Armenia and Turkey and has two breakaway territories within its borders, Abkhazia and the Tskhinvali Region/South Ossetia. Ongoing political tensions within the region have led to sporadic outbreaks of violence and the straining of diplomatic relations between Georgia and Russia, and in the region generally. Russia imposed sanctions on Georgia in 2006, and conflict between the countries escalated in 2008 when Russian forces crossed the international border and a state of war was declared. Although a French-brokered ceasefire was signed, calling for the withdrawal of Russian troops, Russia recognised the independence of the breakaway regions and tensions persist. Russia is opposed to the eastward enlargement of NATO, including former Soviet republics such as Georgia. Therefore, Georgia's continued progression towards closer economic and political ties with the EU and NATO may exacerbate tensions between Georgia and Russia. Developments, such as the introduction of a free trade regime between Georgia and the EU in September 2014, and the visa-free travel in the EU granted to Georgian citizens in March 2017, similarly contributed to such tensions. In response to the mass anti-Russian demonstrations in Tbilisi in June 2019, the Russian state introduced a ban on direct flights to Georgia in July 2019. The granting of EU candidate status to Georgia by the European Council in December 2023 could also be a reason for certain retaliatory measures from Russia.

In February 2022, Russia invaded Ukraine causing a humanitarian crisis in Eastern Europe. The invasion was preceded by strained relationship between the two nations since 2013. The war has changed the global security and economic landscape with major implications for the region. Western sanctions against Russia led to re-routing of trade flows, while migration of the Russian labour force affected the labour markets of the regional economies. Uncertainty regarding the duration of the war and the evolution of Western sanctions against Russia remains elevated.

The civil unrest, which took place in Turkey during 2016, has placed significant doubt over Turkey's ability to function as a stable regional trading partner for Georgia. However, in June 2018, as a result of early parliamentary and presidential elections, the amendments to Turkish constitution, which grant the president wider powers, transformed Turkey's system of government from a parliamentary system into an executive presidential system. Following the constitutional amendments, President Erdoğan was re-elected as the chairperson of the AKP and was re-elected as the President of Turkey in snap elections held on 24 June 2018. President Erdoğan won a third five-year term as president on 28 May 2023.

Further geopolitical disharmony in the region, most notably between Azerbaijan and Armenia, may also affect Georgia. After two decades of relative stability, the territorial conflict between Armenia and Azerbaijan over Nagorno-Karabakh region escalated in April 2016 with no major changes. In late 2020, a larger-scale escalation was defused by a ceasefire agreement with favourable terms to Azerbaijan. The regional security situation remains fragile after Azerbaijan assumed full control of Nagorno-Karabakh in September 2023, prompting approximately 100,000 ethnic Armenians to flee into Armenia. The Government of Armenia is currently seeking to negotiate a peace agreement with Azerbaijan, while geopolitical risks persist, as the border issues remain unresolved.

An increase in regional tensions and disruptions in Georgia's neighbouring markets could have a material adverse effect on the Georgian economy, which in turn, particularly as the Investment Fund is primarily operating in Georgia, could have a material adverse effect on the business environment in which the Investment Fund operates and, accordingly, on its business, financial condition, results of operations and prospects.

- ***Political and governmental instability in Georgia could have a material adverse effect on the local economy and the Fund’s business.***

Since its independence from the former USSR in 1991, Georgia has experienced an ongoing and substantial political transformation from a constituent republic in a federal socialist state to an independent sovereign democracy.

Georgia faces several challenges, one of which is the need to implement further economic and political reforms. However, business and investor friendly reforms may not continue or may be reversed or such reforms and economic growth may be hindered as a result of any changes affecting the continuity or stability of existing reform policies, or as a result of a rejection of reform policies by the president, the parliament or others.

In October 2010, the Georgian Parliament approved certain amendments to the Constitution of Georgia (the “Constitution”) that were intended to enhance the primary governing authority of the Georgian Parliament, to increase the powers of the prime minister of Georgia, and to limit the scope of functions of the president of Georgia. The Georgian Parliament adopted certain constitutional amendments further limiting the powers of the president of Georgia in March 2013. In October 2017 and March 2018, the Georgian Parliament made numerous changes to the Constitution introducing, inter alia, the indirect election of the president by the Georgian Parliament, a fully proportional electoral system of the Georgian Parliament starting from 2024, special status for agricultural land, and raising the minimum age for members of the Georgian Parliament and the president. The changes adopted in October 2017 and March 2018 entered into force in

December 2018. Any further changes to Georgian parliamentary, presidential or prime ministerial powers might create political disruption or political instability or otherwise negatively affect the political climate in Georgia.

In December 2023, Georgia was granted EU candidate status with nine recommendations regarding certain key aspects of the country. One of the recommendations involves reforms in the Georgian judicial system, which, if implemented, could present challenges to its stable functioning. This is because the recommendation includes introducing "vetting" procedures for certain judges of higher instance courts, involving thorough investigation and evaluation to assess their suitability and credibility, which may be time-consuming. Additionally, the recommendations emphasise the importance of the NBG maintaining independence and impartiality in its operations. This could potentially result in alterations to the regulator's corporate governance and guarantees set by the legislation. Such alterations may include internal restructuring and personnel resource changes, thereby unpredictably altering the policies and approaches of the regulator.

- ***Uncertainties in the judicial system in Georgia, or any arbitrary or inconsistent state action taken in Georgia in the future, may have a material adverse effect on the local economy, which could, in turn, have an adverse effect on the Investment Fund's activities.***

Georgia's legal framework is still developing, with several fundamental civil, criminal, tax, administrative, financial and commercial laws having only recently become effective. The recent introduction of this legislation and the rapid evolution of the Georgian legal system have resulted in ambiguities and inconsistencies in its application, including in relation to such legislation's enforceability. In addition, the court system in Georgia is understaffed and has been undergoing significant reform. Judges and courts in Georgia are generally less experienced in financial, commercial and corporate law matters than in certain other countries, particularly in the EU and the United States. The uncertainties of the Georgian judicial system, and any decision made by the Georgian courts, could have a negative effect on the Georgian economy, which could, in turn, have a material adverse effect on the Investment Fund.

- ***There may be challenges associated with legislative harmonisation of the Georgian regulatory environment with the EU driven by the DCFTA.***

On 27 June 2014, Georgia entered into the EU Association Agreement and established the DCFTA (effective since 1 September 2014) with the EU, which envisages bilateral trade liberalisation with the EU with effect from 1 July 2016. The implementation of the EU Association Agreement is expected to create new business opportunities, although it may pose challenges for businesses, households and the state. The implementation of the EU Association Agreement and the DCFTA may require Georgia to conform to EU trade-related and sector-specific legislation, which is expected to be challenging, especially in the areas of environmental protection and customer safety, including product and safety information, among others.

Georgia has been gradually conforming its trade legislation to EU norms and practices since it became a member of the World Trade Organisation in 2000. For example, in 2013, it introduced amendments to the labour code to bring Georgian labour laws closer to commitments under the EU Association Agreement and the DCFTA. These amendments required employers to pay overtime, increased severance pay (from one to two months' salary), strengthened workers' rights to challenge employers' decisions in court, prohibited dismissal without clear cause, and guaranteed basic working conditions. In September 2020, further major amendments were adopted to the labour legislation introducing a national institutional mechanism, State Labour Inspectorate, to monitor the implementation and enforcement of the labour code outside of the judicial system, imposing administrative sanctions for the violation of labour law requirements, introducing mechanisms for protection of employees' rights in case of a transfer of undertaking and various other rules enhancing employee protection.

In December 2019, the Georgian Parliament adopted the Resolution Framework, widely known as the framework under the BRRD and, in January 2020, Law of Georgia on Financial Collateral Arrangements, Netting and Derivatives (hereinafter - the "**Derivatives Law**") Law came into force. These legislative developments were consistent with Georgia's commitments under the EU Association Agreement to align its legislation with the relevant EU norms. Further, in June 2023, the Georgian Parliament adopted the new law of Georgia on personal data protection which aims to bring Georgian personal data protection standards in line with the standards of the EU General Data Protection Regulation (Regulation (EU) 2016/67).

Other changes in governmental policy are expected, including changes in the implementation or approach of previously announced government initiatives. In addition, the implementation of the EU Association Agreement may place a significant burden on regulatory bodies, divert their resources from ongoing reforms and slow their efficiency.

As a result of expected regulatory amendments to achieve harmonisation with EU legislation, the Investment Fund may be required to adjust its policies and procedures to comply with any resulting changes in laws and regulations. If any of these risks materialise, they could have a material adverse effect on the Investment Fund's business, financial condition and results of operations.

- ***The Parliament of Georgia and the NBG continue to introduce various regulations in the financial sector, which may create additional operational burden for the Investment Fund.***

In recent years, massive pieces of new laws have been introduced in the financial sector of Georgia. For example, (i) the new Investment Funds Law was introduced on 14 July 2020 followed by numerous sub-normative acts in the sector, which detailed the procedure for registration and licensing of asset management entities, investment funds and special depositaries, as well as regulated legal relations in this sector; (ii) the Law on Financial Pledge, Netting and Derivatives was introduced in 20 December 2019; (iii) new Law on Facilitating of Prevention of Money Laundering and Financing of Terrorism was introduced in October 2019, which made movement of funds subject to strict supervision. There is no guarantee that new laws and regulations introduces by the NBG or other administrative bodies will not impede the Investment Fund's operations or impose additional administrative burden on it, which may cause decrease of overall efficiency and profitability of the Investment Fund.

- ***Uncertainties in the tax system in Georgia may result in the imposition of tax adjustments or fines against the Group and there may be changes in current tax laws and policies.***

Tax laws have been in force in Georgia for a relatively short period of time compared to more developed market economies. This creates challenges in complying with tax laws, to the extent that such tax laws are unclear or subject to differing interpretations, and subject companies to the risk that their attempted compliance could be challenged by the authorities. Tax law enforcement can also be unpredictable.

Moreover, tax laws are subject to changes and amendments, which can result in complexities for businesses. A new tax code (hereinafter - the "**Tax Code**") came into effect on 1 January 2011. In December 2010, the Constitution had been amended to prohibit the introduction of new state-wide taxes or increases in existing tax rates (other than excise taxes) without a public referendum initiated by the Government (except in certain limited circumstances). In January 2011, the Georgian Parliament passed the Organic Law on Economic Liberty reflecting the same constitutional guarantee. This law has been in effect since 31 December 2013 and will remain in effect for 12 years from 16 December 2018. In October 2017, the Constitution was amended to retract the provision prohibiting the introduction of new taxes and tax increases. The Organic Law on Economic Liberty was however also amended to guarantee that the prohibition on new taxes and tax increases will remain in place until December 2030. Differing opinions regarding the interpretation of various provisions of the Tax Code exist both among and within governmental ministries and organisations, including the tax authorities, creating uncertainties, inconsistencies and areas of conflict. However, the Tax Code does allow for the Georgian tax authorities to give advance tax rulings on tax issues raised by taxpayers. While the Asset Management Company believes that the Fund is currently in compliance with the tax laws, it is possible that the relevant authorities could take differing positions with regard to their interpretation, which may result in tax adjustments or fines. There is also a risk that the Group could face fines or penalties as a result of regular tax audits.

In addition, tax laws and Government tax policies may be subject to change in the future, including changes resulting from a change in the Government. Such changes could include the introduction of new taxes or an increase in the tax rates applicable to the Investment Fund or its investments, which may, in turn, have a material adverse effect on its business.

In May 2016, the Parliament of Georgia adopted amendments to the Tax Code, which provide that an enterprise is not obligated to pay profit tax until it distributes its profits to shareholders, or incurs expenses, or carries out a supply or payment that is subject to profit taxation. These amendments apply to all entities from January 1, 2017, except for certain financial institutions, including banks and insurance businesses (the amendments apply to insurance businesses from January 1, 2024). On December 16, 2022, an amendment was made to the corporate taxation model used for banks, which came into force on January 1, 2023. The updated taxation model provides for a zero dividend income tax rate on dividends distributed to shareholders and a 20% profit tax rate on annual profit, which is defined as the difference between total taxable income and deductible expenses.

- ***There are additional risks associated with investing in emerging markets such as Georgia.***

Emerging markets may have higher volatility, more limited liquidity and a narrower export base than more mature markets and are subject to more frequent changes in the political, economic, social, legal and regulatory environment. They are subject to rapid change and are particularly vulnerable to market conditions and economic downturns elsewhere in the world.

In addition, international investors may react to events, disfavouring an entire region or class of investment, a phenomenon known as "contagion effect". If such a contagion effect occurs, Georgia could be adversely affected by negative economic or financial developments in other emerging market countries. Georgia has been adversely affected by contagion effects in the past, including following2008-2009 global financial crisis, regional turbulence in 2015 due to lower oil prices and since 2022 due to Russia-Ukraine war. Georgia may be affected by similar events in the future.

Tighter global financial conditions and lower capital flows to emerging market economies, weakness in global trade due to geopolitical fragmentation, elevated geopolitical risks, high volatility and large and sustained declines in commodity prices, wide-ranging spillovers from Russia's invasion of Ukraine and the slowdown of the global economy due to, among other things, high interest rates and slower productivity growth may have an adverse effect on Georgia's economy. Financial and/or political instability in emerging markets also tends to have a material adverse effect on capital markets and the wider economy as investors generally move their money to more developed markets, which they may consider to be more stable. These risks may be compounded by incomplete, unreliable, unavailable or untimely economic and statistical data on Georgia, which may include information in this document.

II. Risks Relating to Investment Strategies, Investment Fund's Investments and the Investment Fund's Investment Policy

- ***Investment Fund's operations is subject to the overall market conditions it operates in, which may be often uncertain and not favourable.***

The success of the Investment Fund's activities will be affected by general economic and market conditions, such as interest rates, availability of credit, credit defaults, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation of the Investment Fund's investments), trade barriers, currency exchange controls, disease outbreaks, pandemics, and national and international political, environmental and socioeconomic circumstances (including wars, terrorist acts or security operations).

As global systems, economies and financial markets are increasingly interconnected, events that once had only local impact are now more likely to have regional or even global effects. Events that occur in one country, region or financial market will, more frequently, adversely impact issuers in other countries, regions or markets. These impacts can be exacerbated by failures of governments and societies to adequately respond to an emerging event or threat. These types of events quickly and significantly impact markets in the U.S. and across the globe leading to extreme market volatility and disruption. The extent and nature of the impact on supply chains or economies and markets from these events is unknown, particularly if a health emergency or other similar event, such as the recent COVID-19 outbreak, persists for an extended period of time. The value of the Investment Fund's investment may decrease as a result of such events, particularly if these events adversely impact the operations and effectiveness of the Asset Manager Company or key service providers.

The Investment Fund's investment strategy and the availability of opportunities satisfying the Investment Fund's risk-adjusted return parameters relies in part on observable trends and conditions in the financial markets and in some cases the improvement of such conditions. Trends and historical events do not imply, forecast or predict future events and, in any event, past performance is not necessarily indicative of future results. There can be no assurance that the assumptions made or the beliefs and expectations currently held by the Asset Manager Company will prove correct and actual events and circumstances may vary significantly.

Many of the issuers in which the Investment Fund will make investments may be susceptible to economic slowdowns or recessions and may be unable to repay the loans made to them during these periods. Therefore, non-performing assets may increase and the value of the Investment Fund's portfolio may decrease during these periods as the Investment Fund is required to record the investments at their current fair value. Adverse economic conditions also may decrease the value of collateral securing some of the Investment Fund's loans and the value of its equity investments. Economic slowdowns or recessions could lead to financial losses in the Investment Fund's portfolio and a decrease in revenues, net income and assets. Unfavorable economic conditions also could increase the Investment Fund's and the issuers' funding costs, limit the Investment Fund's and the issuers' access to the capital markets or result in a decision by lenders not to extend credit to the Investment Fund or the issuers. These events could prevent the Investment Fund from increasing investments and harm its operating results.

An issuer's failure to satisfy financial or operating covenants imposed by the Investment Fund or other lenders could lead to defaults and, potentially, acceleration of the time when the loans are due and foreclosure on its secured assets, which could trigger cross- defaults under other agreements and jeopardize the issuer's ability to meet its obligations under the debt that the Investment Fund holds. The Investment Fund may incur additional expenses to the extent necessary to seek recovery upon default or to negotiate new terms with a defaulting issuer. In addition, if one of the issuers were to go bankrupt, depending on the facts and circumstances, including the extent to which the Investment Fund will actually provide significant managerial assistance to that issuer, a bankruptcy court might subordinate all or a portion of the Investment Fund's claim to that of other creditors.

The prices of financial instruments in which the Investment Fund may invest can be highly volatile. General fluctuations in the market prices of securities may affect the value of the investments held by the Investment Fund. Instability in the securities markets may also increase the risks inherent in the Investment Fund's investments.

- ***Investment Fund's performance is subject to the credit risk of its portfolio entities, which will often be below investment grade, unrated and unhedged.***

One of the fundamental risks associated with the Investment Fund's investments is credit risk, which is the risk that an issuer will be unable to make principal and interest payments on its outstanding debt obligations when due. The Investment Fund's return to investors would be adversely impacted if an issuer of debt in which the Investment Fund invests becomes unable to make such payments when due.

Although the Investment Fund may make investments that the Asset Manager Company believes are secured by specific collateral, the value of which may initially exceed the principal amount of such investments or the Investment Fund's fair value of such investments, there can be no assurance that the liquidation of any such collateral would satisfy the borrower's obligation in the event of non-payment of scheduled interest or principal payments with respect to such investment, or that such collateral could be readily liquidated. Certain of these investments may have an interest-only payment schedule, with the principal amount remaining outstanding and at risk until the maturity of the investment. In addition, loans may provide for payments-in-kind, which have a similar effect of deferring current cash payments. In such cases, an issuer's ability to repay the principal of an investment may depend on a liquidity event or the long-term success of the company, the occurrence of which is uncertain.

With respect to the Investment Fund's investments in any number of credit products, if the borrower or issuer breaches any of the covenants or restrictions under the credit agreement that governs loans of such issuer or borrower, it could result in a default under the applicable indebtedness as well as the indebtedness held by the Investment Fund. Such default may allow the creditors to accelerate the related debt and may result in the acceleration of any other debt to which a cross-acceleration or cross-default provision applies. This could result in an impairment or loss of the Investment Fund's investment or a pre-payment (in whole or in part) of the Investment Fund's investment.

Similarly, while the Investment Fund will generally target investing in companies it believes are of high quality, these companies could still present a high degree of business and credit risk. Companies in which the Investment Fund invests could deteriorate as a result of, among other factors, an adverse development in their business, a change in the competitive environment or the continuation or worsening of the current (or any future) economic and financial market downturns and dislocations. As a result, companies that the Investment Fund expected to be stable or improve may operate, or expect to operate, at a loss or have significant variations in operating results, may require substantial additional capital to support their operations or maintain their competitive position, or may otherwise have a weak financial condition or experience financial distress.

- ***The Investment Fund's portfolio will be subject to the credit spread risk.***

Credit spread risk is the risk that credit spreads (i.e., the difference in yield between securities that is due to differences in their credit quality) may increase when the market expects below-investment-grade bonds to default more frequently. Widening credit spreads may quickly reduce the market values of below-investment-grade and unrated securities. The U.S. capital markets have experienced extreme volatility and disruption following the spread of COVID-19, which has increased the spread between yields realized on risk-free and higher risk securities, resulting in illiquidity in parts of the capital markets. These and future market disruptions and/or illiquidity would be expected to have a material adverse effect on the Investment Fund's business, financial condition, results of operations and cash flows.

- ***The Investment Fund's portfolio may entail a concentration risk.***

If the Investment Fund invests significantly in one industry and/or the Fund is unable to effectively diversify its investments in different economic sectors, creditors and financial instruments, it may create risks of potential financial losses.

- ***General interest rate fluctuations and changes in credit spreads on floating rate loans may have a substantial negative impact on the Investment Fund's investments and investment opportunities.***

General interest rate fluctuations and changes in credit spreads on floating rate loans may have a substantial negative impact on the Investment Fund's investments and investment opportunities and, accordingly, may have a material adverse effect on the Investment Fund's rate of return on invested capital, the Investment Fund's net investment income and the Investment Fund's NAV. Certain of the Investment Fund's debt investments will have variable interest rates that reset periodically based on benchmarks, so an increase in interest rates from current levels may make it more difficult for issuers to service their obligations under the debt investments that the Investment Fund will hold. In general, rising interest rates will negatively impact the price of a fixed rate debt instrument and falling interest rates will have a positive effect on price. In periods of declining interest rates Investment Fund's investments in variable interest rates will have lower rates of return corresponding to interest rate adjustment terms. Declining market rates will also make it difficult to find attractive investment alternatives resulting in lower performance in Investment Fund's investments. Adjustable-rate instruments also react to interest rate changes in a similar manner, although generally to a lesser degree (depending, however, on the characteristics of the reset terms, including the index chosen, frequency of reset and reset caps or floors, among other factors). From time to time, the Investment Fund may be exposed to medium to long-term spread duration securities. Longer spread duration securities may be subject to greater adverse price impacts when interest rates increase. Interest rate sensitivity is generally more pronounced and less predictable in instruments with uncertain payment or prepayment schedules.

- ***Investment in the Investment Fund is subject to inflation risks.***

Inflation risk is the risk that the value of certain assets or income from the Investment Fund's investments will be worth less in the future as inflation decreases the value of money. As inflation increases, the real value of investments and distributions can decline. In addition, during any periods of rising inflation, the dividend rates or borrowing costs associated with the Investment Fund's use of leverage would likely increase, which would tend to further reduce returns to Unitholders.

- ***Changes in reference rates or unpredictability with the acceptable market benchmark may cause the Investment Fund to renegotiate its portfolio loans, as well as its own credit facilities and thus, have a material adverse effect on the Investment Fund's activities.***

At this time, it is not possible to predict the effect of any changes regarding reference rates, any establishment of alternative reference rates or any other reforms to current reference rates that may be enacted. It is possible that banks will not continue to provide submissions for the calculation of current reference rates. Similarly, it is not possible to predict whether current reference rates will continue to be viewed as an acceptable market benchmark, what rate or rates may become accepted alternatives to current rates, or what the effect of any such changes in views or alternatives may have on the financial markets for current reference rate-linked financial instruments.

The expected discontinuance of current reference rates may require the Investment Fund to renegotiate credit agreements entered into prior to the discontinuation of that rates, which may have a material adverse effect on the Investment Fund's ability to receive attractive returns.

Depending on several factors, including those set forth above, and the related costs of negotiating and documenting necessary changes to documentation, the Investment Fund's business, financial condition and results of operations could be materially adversely impacted by the market transition or reform of certain reference rates and benchmarks. Other factors include the pace of the transition to replacement or reformed rates, the specific terms and parameters for and market acceptance of any alternative reference rates, prices and liquidity of trading markets for products based on alternative reference rates, and the Investment Fund's ability to transition and develop appropriate systems and analytics for one or more alternative reference rates.

- ***Possibility of early repayment of portfolio loans and scarcity of alternative investment opportunities may materially reduce the Investment Fund's yield and possibility to generate positive returns.***

Loans are generally callable at any time, and certain loans may be callable at any time at no premium to par. The Asset Manager Company is generally unable to predict the rate and frequency of such repayments. Whether a loan is called will depend both on the continued positive performance of the issuer and the existence of favorable financing market conditions that allow such issuer the ability to replace existing financing with less expensive capital. As market conditions change frequently, the Asset Manager Company will often be unable to predict when, and if, this may be possible for each of the Investment Fund's issuers. In the case of some of these loans, having the loan called early may have the effect of reducing the Investment Fund's actual investment income below its expected investment income if the capital returned cannot be invested in transactions with equal or greater yields.

- ***The Fund may invest in the claims towards such companies that might be dollarized and that carry currency risks which, in case of high FX instability, might affect the risk profile of the Fund as well.***

Although the Investment Fund generally aims to invest in companies that it believes are of high quality, such companies may still carry currency risks. The financial condition of the companies in which the Investment Fund invests may deteriorate due to, among other factors, unfavorable developments in the foreign exchange market. As a result, companies from which the Investment Fund expects stability or improved performance may incur losses, experience significant changes in their operating results, require significant additional capital to support their operations or maintain their competitive position, or otherwise have a weak financial condition or experience financial distress.

Investors in the Fund are subject to FX risk, as the Fund will operate only in Lari, which may differ from an investor's base currency, and the investor may realize risks associated with the Lari.

Investors in the Fund should be aware that the Fund operates only in Lari, which exposes the Fund's investors to the currency risks of the Lari.

- ***The Investment Fund may invest in highly leveraged issuers, which will increase its exposure to adverse economic conditions and may cause loss of investment.***

TIt is expected that the Investment Fund's investments will consist of investments in borrowers whose capital structures have significant leverage (including significant leverage that is senior to the Investment Fund's investments), a large portion of which may be floating-rate. The leveraged capital structure of such borrowers will increase their vulnerability to economic factors, such as rising interest rates, downward economic trends, or a deterioration in the financial condition of the borrower or industry. In the event that these factors and events materialize, this leverage could cause more serious adverse consequences for such companies (including their overall profitability and solvency) than would be the case for less leveraged companies. When using leverage, borrowers may be subject to certain rules and conditions containing restrictive financial and operating covenants, which could hinder their ability to finance or otherwise carry out future operations or otherwise make it necessary to meet additional capital requirements. Additionally, rising interest rates could significantly increase a borrower's or project's interest expense, or a significant downturn in an industry could affect a company's ability to generate positive cash flows; in either of these circumstances, the company may be unable to service its outstanding debt. In the case of liquid assets, the Investment Fund's investments may be the most recent financing in the borrower's capital structure. In the event that such a borrower is unable to generate adequate cash flows to service its debt obligations, the company will default under its loan agreements or be forced to declare insolvency, resulting in the company's restructuring or liquidation. And, the Investment Fund, particularly given that its investments have a subordinated and/or unsecured position, may experience a total or partial loss of the capital invested in the company, which will negatively affect the Investment Fund's returns.

- ***The portfolio entities' operations may be adversely affected by force majeure events causing damage to the Investment Fund and its investments.***

Borrowers may be affected by force majeure events (that is, events beyond that party's control, such as, without limitation, fire, flood, earthquake, outbreak of an infectious disease, pandemic, or other similar public health issue, war, terrorism, and labor strikes). Some force majeure events may adversely affect a party's (including a borrower's, the Investment Fund's, or a borrower's counterparty's) ability to perform its obligations until the force majeure event is resolved. Additionally, the costs incurred by a borrower or the Investment Fund to replace or repair assets damaged as a result of a force majeure event may be significant. Some force majeure events (such as war or the outbreak of an infectious disease) may have a broader negative impact on the world economy and international business activities, or on any particular country in which the Investment Fund invests. Additionally, significant governmental intervention in an industry, including the nationalization of an industry or a change of control of one or more borrowers or their assets, could result in a loss to the Investment Fund, including if its investment in such a borrower is cancelled, terminated, or acquired (which may occur for consideration that is different from what the Investment Fund perceives to be adequate). Any of the foregoing could have a negative impact on the performance of the Investment Fund and its investments.

- ***In the event of a syndicated credit default, when satisfying creditors, the Investment Fund's claims may be satisfied only after the settlement of obligations secured by a tax lien/mortgage.***

Syndicated loans may be secured by a mortgage/pledge right; however, the Investment Fund's claims from the proceeds of the sale of the property secured by the mortgage/pledge may be satisfied only after the obligations secured by a tax lien/mortgage on that property (if any) are settled.

According to Georgian legislation, if a mortgage/pledge right of banking institutions, microfinance organizations, insurance organizations, international financial institutions, and financial institutions of developed countries as defined by sub-paragraph "e" of the first article of the Law of Georgia "On Activities of Commercial Banks" is registered before a tax lien/mortgage, and the property is sold, the claims of the aforementioned financial institutions are satisfied first from the proceeds, for the portion of the obligation that arose before the registration of the tax lien/mortgage, and then the tax debt claim is satisfied.

Since in the case of syndication, the Investment Fund participates in the financing of corporate bank loans and indirectly finances corporate bank loans with its funds, and the Investment Fund, in turn, is not one of the entities whose registered mortgage/pledge right would have priority over a tax lien/mortgage on the relevant property, the Investment Fund's claims from the proceeds of the sale of the property encumbered by the mortgage/pledge right may be satisfied only after the obligations secured by the tax lien/mortgage on that property (if any) are settled (the claims may be settled in the following order: commercial bank's claims, tax liability, and then the Investment Fund's claims).

- ***The Investment Fund faces liquidity risk.***

  The Investment Fund is vulnerable to liquidity risk, which arises when there is a mismatch between the maturities of assets and liabilities (ordinary redemption offers and distribution of returns to investors). Liquidity risk is inherent in investment operations and can be exacerbated by various factors, including over-reliance on or lack of access to a specific investment, changes in credit ratings, and market-wide events such as financial market instability. The realization of liquidity risk can be caused by a mismatch between the assets invested by the Fund and redemption requests made to the Fund, forcing the Fund to sell certain assets at below-market prices and incur a loss. The availability of credit in emerging market financial markets is significantly influenced by investor confidence. Any factor affecting this, including downward trends in credit ratings, government interventions, and debt restructuring in relevant industries, could impact the value and/or availability of the Investment Fund's investments. The Investment Fund's liquidity could also be affected by unfavorable financial market conditions if the assets available to provide liquidity to the Investment Fund become illiquid or their value significantly decreases.

- ***The risk of a decrease in the value of a Unit and the Investor's proportional participation due to the issuance of new Units (dilution risk)***

Since according to this Memorandum and the charter, the Asset Management Company is entitled to issue new Units unilaterally, such issuance might reduce the proportional participation of the Unitholder in the Investment Fund.

Apart from the above-mentioned, it may not be possible to put the investments received from the issuance of new Units into the instruments that align with the ongoing profitability of the Fund and this might cause the decrease in the Unit's value for the existing Investors.

- **Risk of Corporate Bonds**

Investing in corporate bonds involves a number of specific risks, the realization of which may reduce the Investment Fund's income and adversely affect the value of the Fund's assets.

The price of corporate bonds generally fluctuates based on the issuing company's credit rating, overall economic conditions, the level of interest rates, and market liquidity. If the bond issuer is unable to meet its obligations on time or in full (default risk), the investment fund may lose both income and principal capital.

Additionally, corporate bonds are characterized by credit risk, liquidity risk, and interest rate risk. Credit risk relates to the deterioration of the issuer's financial condition, which may be reflected in a decline in the bond's price or a downgrade of its credit rating. Liquidity risk arises when, at a given moment, there may not be enough buyers or sellers in the market, making it difficult for the Fund to sell the bonds at the expected price. An increase in interest rates may reduce the market value of fixed-income bonds.

- **Sovereign and Quasi-sovereign Risks**

Investing in sovereign and quasi-sovereign bonds involves a number of risks, the realization of which may significantly reduce the fund's income and the value of its assets. Bonds issued by sovereign are exposed to both credit and market risks. Sovereign default risk is particularly relevant for emerging markets, where economic and political conditions flactuate. Additionally, changes in fiscal and monetary policy, regulations, and political instability may directly affect bond prices and liquidity. In some cases, liquidity risk may arise, limiting the ability to sell bonds at the desired price.

Quasi-sovereign bonds (for example, securities issued by companies under state control) may be perceived as sovereign-supported instruments, however, this support is not always formally or fully guaranteed. Accordingly, such bonds carry credit risk due to the financial stability of the issuer itself, as well as the risk that direct or indirect sovereign support may not materialize when needed. In addition, they are affected by the same factors as corporate bonds: changes in interest rates, a decline in credit ratings, and a drop in market liquidity. The combination of these risks may significantly reduce the Fund's expected income and complicate the achievement of its investment objectives

- **Investments of funds, including exchange-traded funds (ETF) have currency risks**

The Unit will be denominated in GEL, and any and all payments related to the Unit will be made in GEL; however, up to and including 20% of the Fund's assets, in which the Asset Management Company will invest, may be denominated in foreign currency. Such investments carry risks associated with currency exchange rate fluctuations, which can significantly affect both the Fund's income and the value of its assets. A change in the exchange rate between foreign currency-denominated securities and the GEL may decrease or increase the real value of the investment. Furthermore, exchange rate fluctuations can also affect the income accrued or to be distributed by the Fund, particularly since all of the Fund's operations are conducted in GEL. As a result, currency exchange rate fluctuations may significantly impact the Fund's net value and its profitability.

- **Risks associated with the Fund's use of leverage (credit products)**

Within its investment strategy, the Fund may use leverage, including bank loans or other types of debt instruments. The use of leverage increases the volume of the Fund's investment opportunities, but at the same time, it significantly amplifies risks. An unfavorable change in asset prices can lead to a disproportionate increase in the Fund's losses, which may exceed the risks present in investments made without leverage.

Debt obligations are associated with interest rate risk, which can be reflected in an increase in the Fund's expenses and a decrease in its net income. Furthermore, the use of leverage can create liquidity risk, especially if counterparties demand additional collateral or the early repayment of obligations under unfavorable market conditions.

There is also counterparty risk, where the other party to a loan fails to fulfill its obligations, which can lead to financial loss for the Fund or the temporary unavailability of assets. The combination of these factors can significantly affect the Fund's net asset value, profitability, and financial stability.

- **Risks associated with the Fund's use of investment assets as collateral and the early termination of the respective investment asset agreements**

By purchasing units of the Investment Fund, Unitholders acknowledge and agree that in the event the Investment Fund takes out a credit and uses investment assets as collateral (encumbers them with a pledge right), there is a risk that the Investment Fund may fail to perform its obligations in accordance with the terms of the bank credit agreement, which creates the risk of the creditor enforcing its rights against the collateral (including deposit certificates).

Alternatively, to create sufficient liquidity, instead of obtaining a bank credit from a commercial bank, the Investment Fund may prematurely terminate/breach the agreement(s) for the volume of deposit certificate(s) necessary to create liquidity (to satisfy the demands of Unitholders exercising the put option). By purchasing units of the Investment Fund, Unitholders acknowledge and agree to the Investment Fund's breach of the respective deposit certificate agreement(s) as a temporary mechanism to create liquidity, which, in turn, will also affect those Unitholders who are not participating in/exercising the put option.

III. Other Risks Relating to the Investment Fund:

- ***Having no employees of its own, the Investment Fund is highly dependent on the Asset Manager Company and its senior management team.***

Since the Investment Fund has no employees of its own, it is dependent on the business network, skills, and investment qualifications of the Asset Management Company. The Asset Management Company evaluates, negotiates, structures, executes, and monitors the Investment Fund's investments. The future success of the Investment Fund is largely dependent on the continued service and coordination of the Asset Management Company and its management team. The departure of any member of the Asset Management Company's management team could have a negative impact on the Investment Fund's ability to achieve its investment objective.

The ability of the Investment Fund to achieve its investment objective is objectively dependent on the Asset Management Company's ability to identify, analyze, invest in, finance, and monitor companies that are consistent with the Investment Fund's investment criteria. The Asset Management Company's ability to manage the investment process, provide competent, diligent, and prompt service to the Investment Fund, and secure access to financing on acceptable terms depends on employing an adequate number of investment professionals with sufficient experience to handle the relevant transaction flow. To achieve the Investment Fund's investment objective, the Asset Management Company may need to hire, train, supervise, and manage new investment professionals who will participate in the process of selecting and monitoring the Investment Fund's investments. The Asset Management Company may not be able to find such investment professionals in a timely manner, or at all. Such obstacles in supporting the Investment Fund could have a material adverse effect on the Investment Fund's business, financial condition, and results of operations.

- ***The Investment Fund’s success depends on the skills and network of certain professionals and there is no guarantee that the Asset Manager Company will have the ability to hire or maintain such qualified personnel.***

The Asset Manager Company depends on the diligence, skill and network of business contacts of certain professionals. The Asset Manager Company also depends, to a significant extent, on access to other investment professionals and the information and deal flow generated by these investment professionals in the course of their investment and portfolio management activities. The Investment Fund’s success depends on the continued service of such personnel. The investment professionals associated with the Asset Manager Company are actively involved in other investment activities not concerning the Investment Fund and will not be able to devote all of their time to the Investment Fund’s business and affairs. The departure of any of the senior managers of the Asset Manager Company, or of a significant number of the investment professionals or partners of the Asset Manager Company’s affiliates, could have a material adverse effect on the Investment Fund’s ability to achieve its investment objective. Individuals not currently associated with the Asset Manager Company may become associated with the Investment Fund and the performance of the Investment Fund may also depend on the experience and expertise of such individuals. In addition, there is no assurance that the Asset Manager Company will continue to have access to the investment professionals and partners of its affiliates and the information and deal flow generated by the investment professionals of its affiliates.

- ***Units will not be listed. Absent the obligation of the Investment Fund to redeem investors on a daily basis and no functional secondary market in Georgia, investment in the Investment Fund will be highly illiquid. There is a risk that selling units in a highly illiquid market will result in high liquidity discount and thus significantly reduced proceeds from selling.***

The Investment Fund is not intended to be a typically traded investment. There is no secondary market for the Investment Fund's units, and the Investment Fund does not expect such a secondary market to develop. An investor should not invest in the Investment Fund if the investor requires a liquid instrument. The Investment Fund will satisfy put rights requested by investors in accordance with the "Right to Sell/Redeem Investment Fund Units" chapter. Despite the liquidity risk management mechanism defined in this same document, there is a risk that the Fund may not be able to satisfy all investor redemptions under conditions of increased demand. Investors may not be able to sell their units at the time or in the amount they desire. Even if unitholders manage to sell their units in a highly illiquid secondary market, there is a risk that a high liquidity discount will apply to them and a significantly reduced return will be received from such a transaction.

- ***Investment opportunities are scarce, and there is high competition among financial sector players, some of whom are more experienced and have greater resources. This could have a negative impact on the Investment Fund's performance.***

The Investment Fund competes for investments with other investment funds as well as with more traditional financial service providers, such as commercial banks and other sources of financing. Additionally, alternative investment vehicles, such as hedge funds, have recently started investing in areas that were not previously characteristic for them. As a result of these developments, competition for investment opportunities has intensified. Many of the Investment Fund's competitors are significantly larger players and may have much better financial, technical, and marketing resources compared to the Investment Fund. For example, some competitors may have a lower cost of capital and access to more sources of financing that are not available to the Investment Fund. Additionally, some of the Investment Fund's competitors may have a higher tolerance for risk and a different perception of risk assessment. These characteristics may allow the Investment Fund's competitors to consider a wider range of investments, establish more business relationships, and pay more competitive prices for investments compared to the Investment Fund. The Investment Fund may lose its investment opportunities if it does not compete with the prices offered by its competitors. If the Investment Fund is forced to match a competitor's price, it may no longer be able to achieve its target returns on its investments or may become subject to a significant risk of capital loss. A significant increase in the number and size of the Investment Fund's competitors may force the Investment Fund to agree to and accept less attractive investment terms.

- ***The Investment Fund’s returns may not justify the risk related to investment in Units.***

No assurance can be given that the returns on the Investment Fund's investments will be commensurate with the risk of investment in its Units.

- ***The Units are offered on a "best effort" basis, with no guarantee that the Asset Manager Company will raise funds.***

This offering is being made on a best-efforts basis, whereby the Asset Manager Company is only required to use its best efforts to sell the Units and has no firm commitment or obligation to purchase any of the Units. To the extent that less than the maximum offering amount is subscribed for, the opportunity for the allocation of the Investment Fund's investments among various issuers and industries may be decreased, and the returns achieved on those investments may be reduced as a result of allocating all of the Investment Fund's expenses over a smaller capital base.

- ***The Asset Manager Company may not be able to maintain an adequate network of broker-dealers.***

The success of the Investment Fund's continuous offering, and correspondingly the Investment Fund's ability to implement its investment objective and strategies, depends upon the ability of the Asset Manager Company to establish, operate and maintain a network of selected broker-dealers to sell the Units. If the Asset Manager Company fails to perform, the Investment Fund may not be able to raise adequate proceeds through the Investment Fund's continuous private offering to implement the Investment Fund's investment objective and strategies. If the Investment Fund is unsuccessful in implementing its investment objective and strategies, an investor could lose all or a part of its investment in the Investment Fund.

- ***Due to absence of public market for the Investment Fund's portfolio investments, the Asset Manager Company will have to evaluate the Investment Fund's investments at a fair value, which, because of selected methodology and other objective factors, may cause to understate or overstate the value of an investment.***

The Investment Fund is required to carry its portfolio investments at market value or, if there is no readily available market value, at a fair value. There is not a public market for the loans in which the Investment Fund may invest.

A high proportion of the Investment Fund's investments relative to its total investments are expected to be valued at fair value. Certain factors that may be considered in determining the fair value of the Investment Fund's investments include the nature and realizable value of any collateral, the portfolio company's earnings and its ability to make payments on its indebtedness, the markets in which the portfolio company operates, comparison to selected publicly-traded companies, discounted cash flow and other relevant factors. The factors and methodologies used for the valuation of such securities are not necessarily an indication of the risks associated with investing in those securities, nor can it be assured that the Investment Fund can realize the fair value assigned to a security if it were to sell the security. Because such valuations, and particularly valuations of private securities and private companies, are inherently uncertain, they often reflect only periodic information received by the Asset Manager Company about such companies' financial condition and/or business operations, which may be on a lagged basis and therefore fluctuate over time and can be based on estimates. Determinations of fair value may differ materially from the values that would have been used if an exchange-traded market for these securities existed.

Investments in private companies are typically governed by privately negotiated credit agreements and covenants, and reporting requirements contained in the agreements may result in a delay in reporting their financial position to lenders, which in turn may result in the Investment Fund's investments being valued on the basis of this reported information. Furthermore, the Investment Fund is offered on a daily basis and calculates a daily NAV per Share. The Asset Manager Company seeks to evaluate on a daily basis material information about the Investment Fund's portfolio companies; however, for the reasons noted herein, the Asset Manager Company may not be able to acquire and/or evaluate properly such information on a daily basis. Due to these various factors, the Investment Fund's fair value determinations can cause the Investment Fund's NAV on a given day to materially understate or overstate the value of its investments. As a result, investors who purchase units may receive more or less units and investors who tender their units may receive more or less cash proceeds than they otherwise would receive.

- ***Investment Fund's activities are subject to cybersecurity risks, which it may not be able to insure due to lack of resources and high reliance on third party providers.***

Cybersecurity incidents and cyber-attacks have been occurring globally at a more frequent and severe level and will likely continue to increase in frequency in future. The Asset Manager Company faces various security threats on a regular basis, including ongoing cyber security threats to and attacks on its information technology infrastructure that are intended to gain access to its proprietary information, destroy data or disable, degrade or sabotage its systems. These security threats could originate from a wide variety of sources, including unknown third parties outside of the Asset Manager Company. Although the Asset Manager Company is not currently aware that it has been subject to cyber-attacks or other cyber incidents which, individually or in the aggregate, have materially affected its operations or financial condition, there can be no assurance that the various procedures and controls utilized to mitigate these threats will be sufficient to prevent disruptions to its systems.

The Asset Manager Company's and the Issuer's information and technology systems may be vulnerable to damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes.

In addition, the Investment Fund will heavily rely on the Asset Manager Company's and third parties' financial, accounting, information and other data processing systems. Any failure or interruption of those systems, including as a result of the termination of an agreement with any third- party service providers, could cause delays or other problems in its activities. Unless any of these systems operate properly or are disabled for any reason or if there is any unauthorized disclosure of data, whether as a result of tampering, a breach of its network security systems, a cyber-incident or attack or otherwise, the Investment Fund and/or the Asset Manager Company could suffer substantial financial loss, increased costs, a disruption of its businesses, liability to its investors, regulatory intervention or reputational damage. In addition, the Asset Manager Company operates in a business that is highly dependent on information systems and technology. The information systems and technology that the Asset Manager Company relies on may not continue to be able to accommodate its growth, and the cost of maintaining such systems may increase from its current level. Such a failure to accommodate growth, or an increase in costs related to such information systems, could have a material adverse effect on the Investment Fund and/or the Asset Manager Company.

A cybersecurity incident could have numerous material adverse effects, including on the operations, liquidity and financial condition of the Investment Fund. Cyber threats and/or incidents could cause financial costs from the theft of Investment Fund assets (including proprietary information and intellectual property) as well as numerous unforeseen costs including, but not limited to: litigation costs, preventative and protective costs, remediation costs and costs associated with reputational damage, any one of which, could be materially adverse to the Investment Fund. There can be no guarantee that the Investment Fund will be able to prevent or mitigate such incidents. If systems and measures to manage risks relating to these types of events, are compromised, become inoperable for extended periods of time or cease to function properly, the Asset Manager Company, the Investment Fund and/or an issuer may have to make a significant investment to fix or replace them. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in the Asset Manager Company's, the Investment Fund's and/or an issuer's operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to investors (and the beneficial owners of investors).

In addition, the Investment Fund or the Asset Manager Company may not be in a position to verify the risks or reliability of third parties with which the Investment Fund's and the Asset Manager Company's operations interface with and/or depend on third parties, including the Investment Fund's administrator and other service providers. The Investment Fund may suffer adverse consequences from actions, errors or failure to act by such third parties, and will have obligations, including indemnity obligations, and limited recourse against them.

- ***The Investment Fund's and/or Asset Manager Company's risk management policies and procedures may not effectively mitigate credit risk.***

Losses relating to credit risk may arise if the risk management policies, procedures and assessment methods implemented by the Investment Fund or Asset Manager Company to mitigate credit risk and to protect against credit losses prove less effective than expected. The Asset Manager Company employs qualitative tools and metrics for managing risk that are based on observed historical market behaviour. These tools and metrics may fail to predict future risk exposures, especially in periods of increased volatility or falling valuations, or in periods in which there is a rapid expansion of the Investment Fund portfolio.

Even though the Investment Fund requires regular financial disclosure from its investments, financial statements may not always present a complete and accurate picture of each customer's financial condition. Some investments may not have extensive or externally-verified credit histories or their accounts may not be audited by a reputable external auditor. Therefore, notwithstanding the Investment Fund's credit risk evaluation procedures and risk management procedures, it may be unable to evaluate effectively the current financial condition of each prospective customer and to evaluate effectively the ability of such customer to repay its loans when due. Any failure to measure or manage these risks could, in turn, have a material adverse effect on the Investment Fund's business, financial condition and results of operations.

- ***The Investment Fund is subject to operational risk given the financial transactions carried out by it and its reliance on third parties for certain functions***

The Investment Fund carries out transactions on a regular basis, resulting in it being exposed to the risk of incurring losses due to failures of internal processes or human error, processing delays and/or system failures, any of which can lead to financial losses, and regulatory penalties. The Investment Fund also relies on third parties for certain key activities.

Any failure of the Investment Fund's risk management system to address the risk of failures of internal processes or human error or failure in the performance by third parties of key outsourced activities, could have a material adverse effect on the Investment Fund's business, financial condition and results of operations.

Investment Risk Appetites and Limits

For the management of the investment risk of the **Investment Fund**, the **Asset Management Company** determines the levels of risk appetite, as specified below. Determination of the risk appetite refers to determining the general risk level developed in advance in relation to the material risks in the **Investment Fund**, which the **Investment Fund** has the means and desire to take, taking into account the existing risk management and control environment

To facilitate and ensure the adherence to the levels of risk appetite by the **Asset Management Company**, the supervisory board of the **Asset Management Company** may set/fix the investment risk limits (the structure of limits) for the **Asset Management Company**. If set, the risk limits will be determined at a relatively high level compared to the risk appetite in order to create a type of a protective layer towards the risk appetite. The supervisory board of the **Asset Management Company**, taking into consideration the existing conditions on the market, as it deems appropriate and at its sole discretion, may at any time change the structure of limits (including, tighten or relax it (including, without limitations, to a level defined by the risk appetite)), but, in any case, such a structure of limits shall not be lighter than the levels defined by the risk appetite.

In accordance with the subjective economic views of the supervisory board of the **Asset Management Company**, at its sole discretion, it may alter/add/cancel the risk limits, taking into account the investment objectives of the **Fund** and the requirements of the regulations, and without the consent of the **Unitholders** and/or the **NBG**.

Even if determined/set, the structure of limits is not mandatory towards the **Unitholders** to be pursued and only has a recommendatory nature. The **Asset Management Company** and its governing bodies are only accountable for being in compliance with the structure of limits towards the supervisory board.

For the avoidance of any doubt, the **Unitholder** confirms that it is aware that the risk limits, even if and to the extent they exist, may not be maintained throughout the entire period of holding the Unit, which shall not be deemed a breach of the terms of this Memorandum.

In the event that the recommendations concerning the requirements of the limit structure are not followed, the Supervisory Board shall determine, at its sole discretion, the appropriate course of action in respect of such deviation.

The information about the non-compliance with the structure of limits will directly be notified to the investment committee of the **Asset Management Company**.

In order to keep the structure of limits (if set) and the risk appetite within the permitted range, the **Asset Management Company** will accumulate liquid resources which will be used for the purposes of rebalancing as well.

In the event that, at any time, corporate bank loans are not syndicated so as to maintain the applicable Level ratios (as specified in the Limit Structure and/or the Risk Appetite) as a result of a change in the Level assigned to a particular credit exposure, the **Asset Management Company** shall take such measures as it deems appropriate to maintain the Levels prescribed by the risk appetite and the risk limits. However, for the avoidance of doubt, the **Asset Management Company** does not guarantee that such Levels will be maintained throughout the life of the **Fund** or restored in the event that such Levels are breached.

The risk appetite management process includes the following actions:

- Formation of risk taxonomy and description of risks related to the **Investment Fund** management process;
- Establishing risk assessment methodology;
- Assessment of the maximum level of risk (risk tolerance);
- Assessment of risk appetite (the maximum risk level determined to achieve the goals of the **Investment Fund**, which is less than the risk tolerance and creates a certain protective band);
- Establishing risk limits in order to maintain the risk profile of the **Investment Fund** within the strategically defined risk appetite;
- Assessment and reporting of the current level of risk;
- Writing an action plan in case of violation of risk limits.

Management of the Investment Risk

This chapter describes the necessary steps that the **Asset Manager Company** should take for the purposes of measuring, evaluating, and controlling and reporting the risks associated with a portfolio of **Corporate Bank Credits**. This will provide the **Asset Manager Company** with the **Fund's** risk appetite and will be able to manage the **Fund's** portfolio to achieve the **Fund's** objectives with an appropriate risk appetite.

This process consists of the following primary steps:

- Determination of the risk appetite and defining appropriate variables to measure appetite.
- Introduction of limit structure to protect risk appetite if necessary.
- Risk-based investment decision-making process:
  - Prior to syndication, an internal credit rating shall be assigned to the relevant corporate bank loan in accordance with the internal rating system.
  - Prior to syndication, compliance with the minimum DSCR threshold applicable to the relevant corporate bank loan shall be verified.
  - Prior to syndication, compliance with the applicable sectoral Debt/EBITDA limits for the relevant corporate bank loan shall be verified.
  - Prior to syndication, compliance with the probability of default limits applicable to both the relevant corporate bank loan and the portfolio as a whole shall be verified.
  - Prior to syndication, compliance with the portfolio-level credit rating limits shall be verified.
  - If the relevant corporate bank loan falls within the Fund's risk appetite and does not breach the applicable limits, the corporate bank loan shall, prior to syndication, be assessed for the purposes of the Fund's liquidity management. The expected cash flows from the corporate bank loan must be consistent with the Fund's liquidity needs, including with respect to fees, other expenses, and the annual minimum redemption requirements. Where the corporate bank loan is consistent with, or at least does not adversely affect, the Fund's liquidity profile and expected cash inflows, its profitability shall be assessed and an investment decision shall be made (i.e., the syndication shall be executed).
  - In the case of capital market instruments (including sovereign bonds of Georgia, local bank deposits and certificates of deposit, and money market instruments), prior to making an investment, compliance of the proposed investment with the risk appetite established under this document shall be verified, as well as:
    - the Fund's liquidity metrics and applicable liquidity limits (if any);

- the Fund’s concentration limits (if any).

- If the relevant capital market instrument falls within the Fund’s risk appetite and does not breach any limits established by the Asset Management Company (if any), its profitability shall be assessed and an investment decision shall be made (i.e., the relevant capital market instrument shall be acquired).
- In the case of sovereign and quasi-sovereign bonds of emerging markets, as well as publicly and privately issued fixed-income securities in the domestic market, prior to making an investment, compliance of the proposed investment with the risk appetite established under this document shall be verified, as well as:
  - the Fund’s liquidity metrics and applicable liquidity limits (if any);
  - the Fund’s concentration limits (if any);
  - the Fund’s credit rating limits (if any);
  - If the relevant financial instrument falls within the Fund’s risk appetite and does not breach any limits established by the Asset Management Company (if any), an assessment of profitability, the issuer's financial condition, and market expectations shall be conducted, following which an investment decision shall be made (i.e., the relevant financial instrument shall be acquired).

- Portfolio monitoring:
  - Evaluation of the **Fund’s NAV**;
  - Quarterly assessment of the profitability and risk of the portfolio assets;
  - Quarterly assessment of the relevant limits.
- Portfolio risk and return reporting with relevant **Unitholders**.

Risk Appetite

The risk appetite that is acceptable to achieve the **Fund's** investment objectives and the relevant variables by which the appetite is measured/controlled are determined by the **Fund's Memorandum** which makes it possible to predetermine the **Fund’s** risk profie.

- The minimum DSCR appetite for a specific corporate banking loan shall be 1.0 prior to Syndication.
- The maximum probability of default appetite for a specific corporate banking loan shall be 5% prior to Syndication.
- After Syndication, the minimum portfolio proportion allocated to Level-1[2] Syndicated loans shall be at least 10%.
- After Syndication, the maximum portfolio proportion allocated to Level-2 Syndicated loans shall not exceed 70%.
- After Syndication, the maximum portfolio proportion allocated to Level-3 Syndicated loans shall not exceed 30%.
- The maximum Syndication limit for any specific corporate banking loan shall not exceed 45% of the total amount of such corporate banking loan.
- The concentration limit of the Investment Fund in any particular economic sector shall not exceed 40% of the investment portfolio. This limit does not apply to the following instruments: sovereign bonds issued by Georgia, bank deposits, certificates of deposit, and other money market instruments.

[2] Risk categorization is performed through the internal credit rating system, whereby a Level-1 exposure represents a low-risk loan corresponding to a probability of default of up to 0.8%. Each subsequent category represents progressively higher-risk exposures. For example, Level-2 exposures comprise loans with a probability of default ranging from 0.8% to 4.0% (inclusive), while Level-3 exposures comprise loans with a probability of default exceeding 4.0%. These thresholds may be reviewed and adjusted from time to time based on updated data and portfolio performance; however, they are generally expected to remain broadly aligned with the foregoing ranges.

- The maximum concentration limit with respect to a borrower group shall not exceed 35%. This limit does not apply to the following instruments: sovereign bonds issued by Georgia, bank deposits, certificates of deposit, and other money market instruments.
- The maximum weighted duration[3] of the Fund shall be 5.0. Compliance with this appetite shall be measured prior to each investment decision and/or upon submission of quarterly reports. If this appetite threshold is breached, the Asset Manager shall rebalance the portfolio at least once every six months. Information regarding this indicator (regardless of whether it has been breached) shall be disclosed to Fund investors through quarterly reporting. Maintaining this indicator above 5.0 shall only be permissible for the purpose of satisfying investor redemption requests. In such case, compliance with the target appetite level shall be restored upon receipt of new investments into the Fund.
- The residual maturity of any individual financial instrument shall not exceed 10 years. Compliance with this appetite shall be assessed prior to each investment decision.
- The minimum concentration of the portfolio in liquid assets, including capital market instruments, treasury securities, bank deposits, certificates of deposit, and money market instruments, shall be at least 30% as of the end of each quarter. Maintaining a concentration below 30% shall only be permissible for the purpose of satisfying investor redemption requests. In such case, compliance with the target appetite level shall be restored upon receipt of new investments into the Fund. Compliance with this appetite shall be measured prior to each investment decision and/or upon submission of quarterly reports.
- At the time of acquiring any financial instrument permitted under the Fund Memorandum, at least 20% of the Fund's assets shall be invested in instruments with a maturity of less than two years. A decrease below the 20% threshold shall only be permissible for the purpose of satisfying investor redemption requests. In such case, compliance with the target appetite level shall be restored upon receipt of new investments into the Fund. Compliance with this appetite shall be measured prior to each investment decision and/or upon submission of quarterly reports.
- Investments in sovereign and quasi-sovereign bonds of emerging markets, as well as foreign public corporate bonds, shall be permitted only where the relevant instrument has a credit rating within the range of BB- to AAA (inclusive) at the time of acquisition. This requirement shall not apply to locally issued corporate bonds or bonds issued by Georgia. Compliance with this appetite shall be measured prior to each investment decision and/or upon submission of quarterly reports.
- Fund units shall be denominated in Georgian Lari (GEL), and any and all payments relating to such units shall be made in GEL. However, up to 20% (inclusive) of the Fund's assets in which the Asset Management Company invests may be denominated in any other currency or currencies.

To protect investors' interests, the Asset Management Company is allowed only to tighten the risk appetite by setting stricter limits. Reducing the appetite's threshold limits is possible only with the investors' approval, in accordance with the procedure defined in this document. The defined risk appetite indicators may not always be maintained by the Asset Management Company at all times.

Furthermore, if at any time the portfolio allocation across the relevant credit Levels ceases to comply with the applicable thresholds as a result of changes in the credit Level classification of the underlying exposures, the Asset Management Company shall take such measures as it deems appropriate to maintain the relevant Level allocations contemplated under the Fund's risk appetite and risk limit, as set forth in this document. However, for the avoidance of any doubt, the Asset Management Company does not guarantee that such

[3] The Fund's weighted duration is calculated by weighting the duration of each instrument included in the portfolio by its proportional concentration within the portfolio. The duration of each asset is measured using the Macaulay Duration methodology in accordance with prevailing market best practices. For a detailed discussion of the methodology, see Fabozzi, Frank J. (2007), *Fixed Income Analysis*, 2nd Edition, CFA Institute Investment Series, John Wiley & Sons.

Level allocations will be maintained throughout the entire existance of the Fund or, where a breach has occurred, that the relevant allocations will be restored within any specific timeframe or at all.

Limit Structure

For the purpose of protecting investors' interests and maintaining the risk appetite defined in this document, the Supervisory Board of the asset management company may impose additional risk limits. If such limits are established, they will be implemented to ensure adherence to the Fund's defined risk appetite and to maintain the portfolio's risk profile within the appropriate range. For the avoidance of doubt, any limits set by the Supervisory Board must be stricter/more conservative than the defined risk appetite.

In the event that the Supervisory Board imposes such limits, compliance with these recommendatory limits is not mandatory for the Asset Management Company. Furthermore, for the avoidance of doubt, decisions regarding the establishment or removal of risk limits, as well as the determination of such limits, fall entirely within the discretion of the Supervisory Board and do not require approval from or notification to the NBG and/or the Unitholders.

For the avoidance of doubt, the Unitholder acknowledges and confirms awareness that risk limits - if and when they exist - may not be maintained throughout the entire period of holding the Unit, and such non-compliance shall not be considered a breach of the terms of this Memorandum.

Tactical Allocation of the Portfolio

The **Investment Fund's** portfolio may consist of the following instruments:

- **Investment Funds (target allocation 10%, maximum allocation up to (including) 30%);**
- Sovereign and quasi-sovereign bonds of emerging markets, local public and private corporate bonds, foreign public corporate bonds (target allocation 20%; maximum allocation up to (including) 100%; target outstanding maturity period 1-5 years);
- Money market instruments (target allocation 60%; maximum allocation up to (including) 100%; target outstanding maturity 1-2 years):
    - Georgian Treasury bonds;
    - Bank deposits;
    - Certificates of Deposits;
    - Other money market instruments.
- Exchange-Traded Funds (ETF) (maximum allocation up to (including) 20%) – exchange-traded funds composed of bonds.

- **Corporate Bank Loans:** The Fund intends to invest in secured corporate bank loans (including loans secured solely by guarantees), bearing either fixed or floating interest rates (target allocation: 10%; maximum allocation: 20% (inclusive)). As a result of anticipated cash inflows and outflows of the Investment Fund, the planned asset allocation proportions may fluctuate from time to time. However, the Asset Management Company shall, at such intervals as it determines and as deemed necessary, rebalance the portfolio in order to maintain the intended risk and liquidity profile of the portfolio.

Fund units shall be denominated in Georgian Lari (GEL), and any and all payments relating to such units shall be made in GEL. However, up to 20% (inclusive) of the Fund's assets in which the Asset Management Company invests may be denominated in any other currency or currencies.

An Investment Fund may obtain banking credit products (including bank loans) from a commercial bank licensed in Georgia, provided that the aggregate amount of such credit products does not exceed 30% of the Investment Fund's NAV as of the date on which the relevant bank loan is obtained. In addition, to secure such credit products, the Investment Fund shall be entitled to create a pledge over deposit products (certificates of deposit (CDs) and deposits). Alternatively, in order to maintain sufficient liquidity to satisfy put option exercise requests submitted by the Unitholders, the Investment Fund reserves the right, as an alternative mechanism to obtaining a bank loan from a commercial bank, to terminate and/or break, prior to maturity, the agreement(s) relating to certificates of deposit in an amount necessary to satisfy the requests of the Unitholders exercising the put option.

Annex:

Risk Appetite Schedule:

Schedule 1:

Name	Risk Appetite	Unit of Measurement	Purpose
Minimum DSCR	1.0	DSCR	Credit Risk
Maximum Probability of Default for each Corporate Loan	5%	Probability of Default per annum	Credit Risk
Minimum Concentration in Level-1 Loans	10%	Portfolio Proportion	Concentration Risk
Maximum Concentration in Level-2 Loans	70%	Portfolio Proportion	Concentration Risk
Maximum Concentration in Level-3 Loans	30%	Portfolio Proportion	Concentration Risk
Maximum Syndication	45%	Fund's proportion in the credit	Credit Risk
Maximum Concentration for each Sector	40%	Portfolio Proportion	Concentration Risk
Maximum Concentration on a Group Level	35%	Portfolio Proportion	Concentration Risk
Debt/EBITDA	Debt to EBITDA limits for each sector will be overviewed from time to time by the supervisory board		Credit Risk
Maximum Duration Appetite	5.0	Portfolio Proportion Weighted Macaulay Duration	Interest Rate Risk
Maximum Outstanding Maturity of the Asset	10 years	Oustanding Maturity at the time of measuring	Liquiditiy Risk
Minimum Liquid Assets for each Quarter[4]	30%	Portfolio Proportion	Liquiditiy Risk

[4] Money market instruments, sovereign/quasi-sovereign bonds, and exchange-traded funds (ETFs), as defined in this document, may be considered liquid assets.

Minimum Proportion of the assets with outstanding maturity of less than 2 years	20%	Portfolio Proportion	Liquiditiy Risk
Credit Rating Limits for the bonds of foreign countries	(from „BB-„ to “AAA” (included))	International Rating Organizations (Standard & Poors, Moody’s, Fitch, Scope Ratings)[5]	Credit Risk
Maximum Limit of the Assets Denominated in Foreign Currencies	Up to 20%	Portfolio Proportion	Currency Risk
A loan or credit line obtained to mitigate redemptions in excess of 30% of the NAV or to avoid the premature liquidation of a certificate of deposit (CD)[6]	Up to (including) 30%	NAV Portfolio Proportion	Liquiditiy Risk
Individual Put Option Limit	Investor’s request shall not exceed 5% of the NAV for any rolling 3-month period	NAV Portfolio Proprtion	Liquiditiy Risk
Maximum Quarterly Limit for Put Option	Total requests (the requests of all investors) shall not exceed 25% of the NAV for any rolling 3-month period	NAV Portfolio Proprtion	Liquiditiy Risk
Maximum Annual Limit for Put Option	Total requests (the requests of all investors) shall not exceed 50% of the NAV for any rolling 12-month period	NAV Portfolio Proprtion	Liquiditiy Risk

[5] Where an instrument has been assigned ratings by more than one credit rating agency, the asset management company shall rely on the higher rating.

[6] Such loan may be obtained exclusively for the purpose of ensuring sufficient liquidity to meet investors’ redemption requests and shall not be used, directly or indirectly, for investment purposes.

Strategic Aim of the Fund

The main objective of the investment activity of the **Investment Fund** is to generate **Profit** for the benefit of the **Unitholders**, in accordance with the predetermined investment risk appetite and through diversified investments, following the principles of transparent and sound investment, with keeping the adequate levels of liquidity over the course of short-term periods.

In order to achieve the main goal of investment activity, the following strategic aims are established by the **Asset Management Company** for the **Investment Fund** managed:

- When planning the investment process, the profitability of the **Investment Fund** should be maximized through optimal risk taking;
- The investment portfolio should be managed in compliance with the "principle of sound investment", which means investing the assets of **Unitholders** wisely and with due care;
- The **Asset Management Company** will try to maintain adequate liquidity and fulfil cash flow obligations during the investment process.

Promoting responsible investment and consideration of environmental, social and governance (ESG) factors and, in order to achieve the said goal, the **Asset Management Company**, if available, will select investment assets according to ESG factors when forming the investment portfolio.

Investment strategy

The Fund intends to invest up to 30% of its assets in units of other investment funds; up to 100% in emerging market sovereign and quasi-sovereign bonds, as well as local public and private corporate bonds and foreign corporate bonds; up to 100% in capital market instruments, including Georgian sovereign bonds, bank deposits, certificates of deposit, and money market instruments; up to 20% (inclusive) in syndicated corporate bank loans; and up to 20% (inclusive) in bond exchange-traded funds (ETFs).

The **Fund** tries to diversify investments in different sectors of the Georgian economy:

- Real estate development;
- Hospitality;
- Energy;
- Production;
- Service provision;
- Healthcare;
- Telecommunication;
- Other.

The **Fund** will not invest in sectors related to environmental and social impacts or high risks of money laundering, such as:

- Production of dangerous materials;
- Arms trade;
- Production or sale of tobacco;
- Gambling.

To build and manage the portfolio, the **Fund** plans to use a bottom-up approach that focuses on fundamental analysis of major investment assets. As a rule, the geographical coverage of the **Fund** is limited to Georgia, emerging markets and US treasury market.

The Unit will be denominated in GEL and each and every payment in relation with the Unit will be made in GEL. However, assets in which Asset Management Company will invest may be denominated in GEL as well as in any other currency/currencies.

The **Fund** intends to invest in various credit sectors and plans to use a number of strategies. The **Fund** is not required to continuously invest in each investment sector and its investment in each investment sector may vary over time.

Investment in Local Corporate Bonds, Emerging Market Sovereign and Quasi-Sovereign Bonds, and Georgian Sovereign Bonds

Investment in the above financial instruments shall be made through an appointed brokerage company. The Asset Management Company shall ensure the submission of the relevant purchase order to the partner brokerage company. Upon successful execution of such order, custody and safekeeping services in respect of the relevant financial instrument shall be provided by the partner brokerage company.

Cash flows generated from the relevant financial instruments shall be accumulated in the Fund's brokerage account maintained with the brokerage company. Interest income shall be distributed at the intervals prescribed by this document (until such time as such amounts may be used for investment purposes), while principal amounts shall be used either to satisfy redemption requests in accordance with this document or for investment purposes.

Investment in Bank Deposits and Certificates of Deposit

Investment in the above financial instruments shall be made by entering into the agreement with the respective bank. The Asset Management Company shall ensure the selection of competitive pricing offered by the relevant banks and shall execute deposit and/or certificate of deposit agreements on behalf of the Fund.

Cash flows generated from such financial instruments shall be accumulated in the relevant bank account of the Fund. Interest income shall be distributed at the intervals prescribed by this document (until such time as such amounts may be used for investment purposes), while principal amounts shall be used either to satisfy redemption requests in accordance with this document or for investment purposes.

Investment in Corporate Bank Loans

The Fund shall invest in corporate bank loans pursuant to a fiduciary ownership arrangement entered into with the relevant commercial bank. In particular, the Fund and a commercial bank incorporated and licensed in Georgia have entered into, or may enter into, an agreement pursuant to which the Fund transfers monetary resources (the "Transferred Amount") to the commercial bank for the purpose of generating returns through participation in a corporate bank loan granted or to be granted by the commercial bank to a borrower. Under such agreement and subject to its terms, the commercial bank shall receive and manage the Transferred Amount as fiduciary property, acting in its own name and at its own discretion, but at the Fund's risk and expense (syndication).

Pursuant to the syndication arrangement, the commercial bank shall allocate to the Fund the proceeds and/or returns generated by the Transferred Amount, including interest accrued on the relevant corporate bank loan and/or any other payments receivable under such corporate bank loan, as agreed between the Fund and the commercial bank under the relevant agreement.

Upon receipt by the commercial bank of any principal repayment under the relevant corporate bank loan, the commercial bank shall return to the Fund the corresponding proportion of the Transferred Amount in accordance with the terms, proportions and payment schedule agreed between the Fund and the commercial bank.

Upon receipt by the commercial bank of any interest payment and/or any other payment due under the relevant corporate bank loan, the commercial bank shall distribute to the Fund the corresponding proceeds and/or returns generated by the Transferred Amount in accordance with the terms, proportions and payment schedule agreed between the Fund and the commercial bank.

In the event of a default under the relevant corporate bank loan, the commercial bank shall undertake recovery and enforcement actions in respect of such loan and shall distribute any recovered amounts (if any) to the Fund on a pro rata basis in accordance with the terms of the agreement entered into between the Fund and the commercial bank.

Under the syndication arrangement, any payment by the commercial bank to the Fund (including, without limitation, any portion of the Transferred Amount and/or any proceeds or returns generated therefrom) shall be made only to the extent that the relevant amount (whether principal, interest or any other payment) has actually been received by the commercial bank under the relevant corporate bank loan. The Fund shall have no additional claim against the commercial bank or its assets in respect thereof.

No syndication shall be undertaken with respect to any corporate bank loan where the borrower constitutes a person related to the bank, as defined under Order No. 26/04 of the President of the National Bank of Georgia.

The subject of syndication will not be a loan/bank credit for which the borrower is solely a natural person. A natural person may be a debtor under a loan/bank credit only when/if, within the framework of the relevant corporate bank credit, the natural person is a co-borrower of that corporate bank credit and/or is otherwise a jointly and severally liable person.

Valuation of Investments

The value of the investment fund will be calculated based on the value of the financial instruments included in the Fund's investment portfolio.

In accordance with applicable law, the Fund's financial statements must be prepared in compliance with the fair value principle, the International Financial Reporting Standards (IFRS), as well as the portfolio valuation principles and Global Investment Performance Standards (GIPS) established by the CFA Institute. The corresponding portfolio valuation procedures are set forth in the asset manager's internal policies.

Valuation of Loans Included in the Portfolio will be carried out as follows:

Loans and other financial assets included in the portfolio shall be classified in accordance with IFRS 9, taking into account the Fund's business model and the characteristics of the contractual cash flows (SSPI).

A financial asset shall be measured at amortized cost if both of the following conditions are met:

(a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

(b) the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the outstanding principal amount.

A financial asset shall be measured at fair value through other comprehensive income if both of the following conditions are met:

(a) the financial asset is held within a business model whose objective is achieved both by collecting contractual cash flows and by selling financial assets; and

(b) the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the outstanding principal amount.

A financial asset shall be measured at fair value through profit or loss unless it is measured at amortized cost or at fair value through other comprehensive income.

However, upon initial recognition, the Fund may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that would otherwise be measured at fair value through profit or loss, as provided for under International Financial Reporting Standard 9 (IFRS 9).

The Net Asset Value (NAV) shall be determined and disclosed on each day of issuance or redemption of Units, but no less frequently than once every two weeks. The issuance of a Unit or the redemption of a Unit by the Fund from investors is done based on the Net Asset Value.

Information regarding the value of a Unit, as determined by the NAV Valuation Officer hired by the Asset Management Company, will be provided to Unitholders within 5 (five) calendar days of the valuation's completion. For the avoidance of any doubt, information about the NAV will be provided to Unitholders by updating the information on their accounts opened with the respective brokerage company.

The assessed value of the Investment Fund will be recorded in the unit register and on the respective broker's investment accounts.

In the event that the Asset Management Company decides to issue new unit(s) of the Investment Fund, then such issuance will be possible on any Business Day of the month, according to the value of the Unit on the day of issuance.

Despite the resources mobilized by the Asset Management Company, the policies/procedures, risk mitigation mechanisms, and the efforts of various parties involved in the valuation, there is a risk of incorrect valuation of the fund's unit, which could lead to losses or excess returns for certain investors. To manage these incidents, the following risk response steps are defined:

1) Upon the identification of an incorrect valuation of the Unit, the relevant employee of the Asset Management Company escalates the issue to the Asset Management Company's Supervisory Board.
2) The Asset Management Company gathers information on the severity of the Unit valuation error and the reason for the incorrect calculation.
3) The severity of the Unit valuation is determined based on several factors, including the duration of the use of the erroneously published price and the volume of the error recorded in transactions as a result of the respective mistake, after which the Unit price is corrected for existing investors and the error in accrued benefits is rectified by adjusting subsequent benefit payments.
4) If the cumulative volume of transactions exceeds 2% of the Fund's total value, the Asset Management Company is obligated to notify the Fund's Unitholders of the respective error, after which the Asset Management Company's Supervisory Board will define an action plan to resolve the respective incident with minimal damage, which must be done in compliance with the principles of fairness and with consideration for the interests of the investors.

Assets Held by the Fund and Their Valuation and Accounting Methodologies[7]:

Assets are initially recognized at fair value. Interest income shall be recognized periodically based on the effective yield of the relevant instrument. Expected Credit Losses (ECL) and foreign exchange gains or losses shall be recognized through profit or loss.

In parallel, the fair value of each asset class is calculated at the frequency defined by the memorandum, in accordance with the IFRS 13 standard. Where available, observable market prices or a relevant model developed according to the standard are used. The difference between the carrying value and the fair value of the respective asset is recognized in Other Comprehensive Income (OCI) or through Profit or Loss (P&L) [8]. The respective approaches by asset class are provided in the table "Summary of Asset Valuation and Financial Accounting". The distribution of accrued interest income, adjusted for respective commissions/expenses and other profit/loss items, is carried out at the frequency specified in the memorandum (Distribution of Investment Fund Returns).

The fair value of securities may be determined using different valuation approaches and information obtained from various sources. In determining the hierarchy of pricing sources, the Asset Management Company shall consider the accuracy, reliability, consistency, and comprehensiveness of the available data. The hierarchy of inputs is as follows, in descending order of priority. The highest-ranking available input shall be used in determining the fair value of an investment.

Level 1: Quoted prices in active markets for identical assets.

Level 2: Other observable market inputs, other than quoted prices included within Level 1.

Level 3: Unobservable inputs.

If securities are not actively traded, the valuation of the security should be based on other observable market data, in accordance with International Financial Reporting Standards (IFRS), where observable market data includes, but is not limited to: interest rates, credit spreads, prices of comparable investments that are actively traded in markets, and others. For this level of valuations, risk-based valuation methods will be developed to ensure the proper and fair valuation of investments. For this type of investment, the fair value of the investment asset may be obtained from an alternative source, which can be of two types:

(a) **Internal Pricing Methodology** – a valuation methodology developed by the Asset Management Company in accordance with IFRS 13; or

(b) **Third-Party Pricing Source** – a pricing source obtained from an independent third party, including brokers, counterparties, or independent valuation experts.

The fair value of all assets will be updated with a frequency dictated by practical feasibility, taking into account limitations related to data availability and any other impeding factors. The minimum valuation frequency for the main investment categories is given in the table below (note that regardless of the valuation frequency, any instance of a significant change in the fair value of an investment will be investigated immediately):

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[7] The valuation methodology may be changed in accordance with IFRS standards and due to changes in the availability of information on the respective asset classes.

[8] Except in exceptional cases where an asset is recorded at amortized cost.

Fair Value Hierarchy	Minimum Valuation Frequency
Level 1	Weekly
Level 2	Monthly
Level 3	Quarterly

In accordance with IFRS 13, three principal valuation approaches may be used to determine fair value: **Market Approach** – based on observable market prices and transactions involving comparable assets; **Income Approach** – based on discounting expected future cash flows using prevailing market interest rates, adjusted, where appropriate, for credit risk and liquidity premiums; **Cost Approach** – applied only in limited circumstances where appropriate.

The selection of the appropriate valuation methodology shall depend on the nature of the asset, the extent of market activity, and the reliability of available information. Where an asset is actively traded in a liquid market, directly observable market prices shall be used. Where market prices are unavailable or insufficiently reliable, fair value shall be determined using a valuation model, including the discounting of expected future cash flows using prevailing market rates adjusted by an appropriate credit spread and liquidity premium. For instruments in respect of which a counterparty is contractually obligated to redeem the instrument at par value, fair value shall be deemed to equal the nominal value in accordance with IFRS 13. Where neither observable market prices nor standard valuation models are available, fair value may be determined based on valuations provided by an independent valuation expert or broker quotations.

The valuation methodologies applied and the key assumptions underlying such methodologies shall be reviewed and, where necessary, updated at the end of each reporting period to ensure that they appropriately reflect prevailing market conditions. Fair Value Assessment by Asset Class:

1. Investment Fund Units - Where available, observable market prices obtained from the relevant trading platform or another reliable source shall be used. Alternatively, prices published by the relevant investment fund may be used.

2. Emerging Market Sovereign and Quasi-Sovereign Bonds - Where available, observable market prices obtained from the relevant trading platform or another reliable source shall be used. For less liquid bonds, particularly locally issued bonds, fair value may be determined using either the market approach or the income approach, based on available market prices and/or relevant interest rates.

3. Local and Foreign Public Corporate Bonds - Where available, observable market prices obtained from the relevant trading platform or another reliable source shall be used. For less liquid bonds, particularly locally issued bonds, fair value may be determined using either the market approach or the income approach.

4. Local Private Corporate Bonds - Where available, observable market prices obtained from the relevant trading platform or another reliable source shall be used. For less liquid bonds, particularly locally issued bonds, fair value may be determined using either the market approach or the income approach.

5. Bank Deposits and Certificates of Deposit - As the source of liquidity for bank deposits and certificates of deposit is the issuing bank and the contractual terms are predetermined, valuation shall be based on such

contractual terms. Fair value shall be determined using the income approach and shall generally equal the nominal amount plus accrued interest.

6. Exchange-Traded Funds (ETFs) - Where available, observable market prices obtained from the relevant trading platform or another reliable source shall be used. Alternatively, prices published by the relevant ETF may be used.

7. Corporate Bank Loans - Corporate bank loans are generally illiquid instruments. In accordance with IFRS 13, observable Level 2 inputs shall be used where available, and fair value shall be determined using the income approach. Where Level 2 inputs are unavailable or do not appropriately reflect fair value, valuation shall be based on the current repayment schedule and the applicable effective interest rate of the relevant loan.

8. Bank Loan (Liability Incurred to Satisfy Redemption Requests) - Fair value shall be determined using the income approach, taking into account prevailing market interest rates.

Table: Summary of Asset Valuation and Financial Accounting

Asset Class	Valuation Approach	Fair Value Hierarchy	Accounting Treatment
Investment Fund Units	Market Approach	Level 1	FVOCI
Emerging Market Sovereign and Quasi-Sovereign Bonds	Market or Income Approach	Level 1 or Level 2	FVOCI
Domestic and Foreign Public Corporate Bonds	Market or Income Approach	Level 1 or Level 2	FVOCI
Domestic Private Corporate Bonds	Market or Income Approach	Level 1, 2 or 3	FVOCI
Bank Deposits and Certificates of Deposit	NA	NA	Amortized Cost
Exchange-Traded Funds (ETFs)	Market Approach	Level 1	FVOCI
Corporate Bank Loans	Income Approach	Level 2 or Level 3	FVOCI
Bank Loans (Liabilities)	NA	NA	Amortized Cost

Reporting

Reporting framework:

Report/information	Minimum information	Responsible person	Frequency and addressees
Investment risk report	Current risk profile in relation to investment risk appetite	Chief Risk Officer	Quarterly / supervisory board, director
Operational Risk Report	Current risk profile in relation to investment risk appetite	Chief Risk Officer	Quarterly / supervisory board, director
Portfolio results report		Chief Investment Officer/Investment Officer	Quarterly / supervisory board, director / **Unitholder of the Fund**
Activity summary report	• Overview of investment activities; • Overview of the company's activities; • Evaluation of the function of risks.	Director	Annually / supervisory board

Distribution of the Profits of the Investment Fund

The **Asset Management Company** will distribute the **Profits** generated by the **Investment Fund**, minus the management fee, to the **Unitholders** of the **Investment Fund**.

The **Fund** will distribute the **Profits** (if any) at least once a year, although the **Fund's** goal is to distribute the **Profits** on a quarterly basis. For the avoidance of any doubt, the **Investment Fund** may, in its sole discretion, distribute the **Profits** more frequently.

The **Unitholder** and/or the nominal holder of the **Unit** will be notified in advance on the distribution of the **Profits** through the relevant brokerage firm. The settlement will be made through the relevant brokerage company.

Redemption Right (Put Option) and Fund Redemption Right (Call Option)

A Unitholder shall be entitled, in accordance with the terms and conditions set out in the Founding Documents, to request the Fund to redeem up to 100% of the Units held by such Unitholder at any time following the expiry of one (1) week from the date of acquisition of the relevant Units, subject to the requirements set out below (the "**Put Option**"). Where a Unitholder wishes to exercise the Put Option, the Unitholder shall submit the relevant redemption request to the applicable brokerage company. The brokerage company shall notify the Asset Management Company immediately upon registration of the redemption request and, in any event, no later than two (2) Business Days following such registration. The exercise of the Put Option shall be subject to the following limitations:

- **Individual Put Option Limit (5%) -** Each Unitholder has the right to exercise a put option within any 3-month period for up to 5% of the NAV (hereinafter - the Individual Put Option Limit). To calculate the Individual Put Option Limit, the Fund's NAV that was recorded 3 months prior to the Fund's receipt of the notification to exercise the put option shall be used (in the event that, for any reason, the NAV calculated for the exact date 3 months prior is not available, then the NAV determined for the last Business Day prior to such date shall be used). Provided that other limits established for the put option are not breached, the Investment Fund will satisfy the put option within the Individual Put Option Limit. In the event that 3 (three) months have not passed since the first issuance of the Investment Fund's Units, for the purpose of calculating the Individual Put Option Limit during the first three months, the total nominal value of the issuances already made at the moment of receiving the notification from the Unitholder to exercise the put option will be used instead of the NAV. Provided that other limits established for the put option are not breached, the Investment Fund will satisfy the put option within the Individual Put Option Limit.
- **Maximum Quarterly Put Option Limit (25%) -** The total volume of put options exercised by Unitholders (the sum of all investor requests) in any 3-month period shall not exceed 25% of the NAV (hereinafter - the Maximum Quarterly Put Option Limit). To calculate the Maximum Quarterly Put Option Limit, the Fund's NAV that was recorded 3 months prior to the Fund's receipt of the notification to exercise the put option shall be used (in the event that, for any reason, the NAV calculated for the exact date 3 months prior is not available, then the NAV determined for the date of the last Business Day prior to such date shall be used). In the event that 3 (three) months have not elapsed since the first issuance of the Investment Fund's Units, for the purpose of calculating the Maximum Quarterly Put Option Limit during the first three months, the total nominal value of the issuances already made at the moment of receiving the notification from the Unitholder to exercise the put option will be used instead of the NAV.
- **Maximum Annual Put Option Limit (50%) -** The total volume of put options exercised by Unitholders (the sum of all investor requests) in any 12-month period shall not exceed 50% of the NAV (hereinafter - the Maximum Annual Put Option Limit). To calculate the Maximum Annual Put Option Limit, the Fund's NAV that was recorded 12 months prior to the Fund's receipt of the notification to exercise the put option shall be used (in the event that, for any reason, the NAV calculated for the exact date 12 months prior is not available, then the NAV determined for the date of the last Business Day prior to such date shall be used). In the event that 12 (twelve) months have not passed since the first issuance of the Investment Fund's Units, for the purpose of calculating the Maximum Annual Put Option Limit during the first twelve months, the total nominal value of the

issuances already made at the moment of receiving the notification from the Unitholder to exercise the put option will be used instead of the NAV.

For the avoidance of doubt, any exercise of the Put Option must simultaneously comply with the Individual Put Option Limit, the Maximum Quarterly Put Option Limit, and the Maximum Annual Put Option Limit.

Redemption requests submitted by Unitholders within the applicable limits shall be satisfied by the Asset Management Company within three 3 (three) Business Days following receipt of the relevant redemption request. For the avoidance of doubt, payment of the redemption proceeds shall be made within 2 (two) Business Days following the determination of the applicable NAV.

The order in which redemption requests are satisfied shall be determined based on the time at which the relevant redemption request was registered with the brokerage company. Redemption requests shall be processed on a "first come, first served" basis.

The Fund may obtain banking credit products, including bank loans, from commercial banks licensed in Georgia, provided that the aggregate amount of such credit products does not exceed 30% of the Fund's NAV as of the date on which the relevant financing is obtained. To secure such credit products, the Fund may create security interests over its deposit products, including certificates of deposit (CDs) and bank deposits. Alternatively, in order to create sufficient liquidity to satisfy redemption requests submitted by Unitholders exercising the Put Option, and as an alternative to obtaining bank financing, the Fund reserves the right to terminate or break, prior to maturity, certificates of deposit in an amount necessary to satisfy such redemption requests.

The Unitholders may exercise the Put Option at any time following the expiry of 1 (one) week from the acquisition of the relevant Units. For the avoidance of doubt, neither the Asset Management Company nor the Fund shall be obligated to make redemption offers to Unitholders for purposes of facilitating the exercise of the Put Option.

At any time, the Fund shall have the right, in accordance with the Founding Documents, to redeem the Units of any Unitholder who does not qualify as an informed investor under applicable Georgian law and/or the procedures adopted by the Asset Management Company (the "**Call Option**").

From the commencement of its investment activities, and in the circumstances provided for in the Founding Documents, the Fund may redeem up to 100% of the issued Units during any calendar year.

The Asset Management Company may exercise the Call Option at its sole and absolute discretion and without limitation, subject to the Founding Documents.

The Fund may suspend the redemption of Units, including the exercise of the Put Option, in the circumstances and in accordance with the procedures set out in the Founding Documents.

The detailed terms and conditions governing the Put Option and the Call Option are set out in the Founding Documents. This section has been prepared on the basis of, and in accordance with, the Fund's Founding Documents. The provisions contained herein are subject to amendment and shall be deemed amended upon any amendment to the Founding Documents. In the event of any conflict, inconsistency, or discrepancy between the terms of this Memorandum and the Founding Documents, the provisions of the Founding Documents shall prevail. Accordingly, each investor shall carefully review the Founding Documents and all provisions contained therein.

The Commission of the Asset Management Company

The **Investment Fund** will pay 3 types of fees to the **Asset Management Company**:

1. The fee for the issuance of **Units** (the Placement Fee);
2. The Management Fee;
3. The fee for successful generation of the **Profits** (the Performance Fee);
4. Redemption Fee.

The Asset Management Company is authorized to use any and all of the fees mentioned above to cover the Fund's operational and other expenses.

The Asset Management Company will deduct/transfer the above-mentioned fees from the Fund's account to its own account at least once per quarter and at most once per month, on the last Business Day of the respective quarter or month.

The fee for the issuance of Units (the Placement Fee);

The **Investment Fund** will pay a placement fee to the **Asset Management Company** in return for the issuance of the **Unit**.

The issuance fee shall not exceed 0.07% of the amount paid by an investor for the acquisition of Units. Within this limit, the exact amount of the Unit issuance fee applicable to each issuance shall be determined at the sole and absolute discretion of the Asset Management Company, and investors shall be notified thereof. In determining such fee, the Asset Management Company shall take into account the costs associated with the issuance of the relevant Units.

Management Fee

The **Investment Fund** will pay a management fee to the **Asset Management Company** in return for managing the investment assets.

Management fee = A*1.3%-B, from which

- A is the sum of the daily **Net Asset Value** (NAV) during the **Reporting Period** divided by the number of days in the **Reporting Period**;
- B is the expenses of the **Investment Fund** paid during the **Reporting Period**.

The **Reporting Period** is the period from the previous management fee payment to the current Management Fee payment date.

The Asset Management Company reserves the right, at any time and at its discretion, to unilaterally amend the calculation formula and/or the amount of the Management Fee for the specific period, provided that any such change by the Asset Management Company results in a reduction of the fee. This right of the Asset Management Company entails that changes to the calculation formula and/or amount of the Management Fee do not require the consent of the Unitholders or the National Bank of Georgia; the Asset Management Company will notify the Unitholders of any changes (reductions) to the calculation formula and/or amount of the Management Fee through the relevant placement agent. For the avoidance of doubt, changes made by the Asset Management Company to the calculation formula and/or amount of the Management Fee for the specific period will apply only to that period (to deductions made during that period) and do not constitute a permanent change.

Performance Fee

The **Investment Fund** will pay to the **Asset Management Company** a fee for the successful generation of the **Profits** (if any). The Performance Fee will be calculated for each **Unit** separately and individually, according to the following formula:

The Performance Fee = **Surplus Profit** multiplied by 30%, but not more than **Minimum Amount**

Surplus Profit = **Actual Profit - Base Profit**

Actual profit = A+B-C, from which:

- A – the **Ending Value of the Unit**;
- B – the **Paid Profits**;
- C – the **Initial Value of the Unit**.

Basic profit = D×E, from which:

- D – the **Base Rate**;
- E – the **Initial Value of the Unit**.

For the purpose of calculating the Performance Fee, the terms have the following meanings:

Ending Value of the Unit - On the last day of the relevant **Calculation Period** the net value of the relevant **Unit** (being the **Net Asset Value** (NAV) on that date divided by the number of **Units** of the **Fund**), before/without taking into account the Performance Fee payable by the **Investment Fund** to the **Asset Management Company**.

Initial Value of the Unit -

- If the relevant **Unit** is not issued in the last **Calculation Period -** the net value of the relevant **Unit** (which is the **Net Asset Value** (NAV) as of this date divided by the number **Units** of the **Fund**) as of the first day of the relevant **Calculation Period**,
- In case the relevant **Unit** is issued in the relevant **Calculation Period -** the net value of the relevant **Unit** (which is the **Net Asset Value** (NAV) as of that date divided by the number of **Units** of the **Fund**) as of the date of the placement of the relevant **Unit**, before/without taking into account the Performance Fee payable by the **Investment Fund** to the **Asset Management Company**.

Paid Profits - Profits actually paid by the **Investment Fund** for a specific **Unit** during the relevant **Calculation Period**.

Base Rate - (1) the monetary policy rate established by the National Bank of Georgia as of the first day of the relevant calculation period, plus 2.5% (two and five-tenths percent), multiplied by (2) the **Adjustment Rate**.

Calculation Period -

- If the relevant **Unit** is not issued in the calendar month of the calculation of the Performance Fee of the corresponding **Unit** - the period from the 1st day of the calendar month to the last calendar day of such month of the calculation of the Performance Fee;
- If the relevant **Unit** is issued in the calendar month of the calculation of the Performance Fee of the corresponding **Unit** - the period from the issuance of the relevant **Unit** through the last calendar day of the calendar month of calculation of the Performance Fee.

Adjustment Rate - the days of existence of the relevant **Unit** during the relevant **Calculation Period** divided by the number of days of the **Calculation Period**.

Purchase Price of the Unit - the amount paid by the **Unitholder** for the purchase of the corresponding **Unit**.

Minimum Amount - (**Ending Value of the Unit** + **Paid Profits** - **Purchase Price of the Unit**) multiplied by 30%.

Each **Unitholder** is required to pay the Performance Fee (if any) charged to all relevant **Units** owned.

The Performance Fee shall not be less than 0.

Redemption Fee

If an investor exercises the **Put Option** and requests the redemption of units, the investor shall be required to pay a redemption fee to the Fund, which shall be calculated as follows:

The redemption fee per Unit shall not exceed 0.07% of the amount payable to the relevant Unitholder in consideration for the redemption of one Unit (which amount shall be equal to the NAV per Unit).

The calculation period is the period starting from the date of the previous management fee payment up to and including the date of the current management fee payment.

Within the above limit, the exact amount of the redemption fee applicable in each case shall be determined at the sole and absolute discretion of the Asset Management Company, and the relevant Unitholders shall be notified thereof. In determining such fee, the Asset Management Company shall take into account the costs and expenses associated with the redemption of the relevant Units.

Expenses

Investment Fund is responsible for the any and every expense related to asset management process. The indicated expenses may be financed/paid/covered by the Investment Fund from any fees payable to the Asset Management Company.

Taxes

This chapter is a brief and general summary of the regulation related to the **Investment Fund** provided by the Tax Code of Georgia. This summary is not exhaustive and is for informational purposes only. **Investors** should not rely on the information provided in this chapter and the said information should not be considered as tax advice or as a guide to the tax consequences provided by **Legislation**. The information contained in this subsection is also subject to change in accordance with changes in **Legislation**, which, in some cases, may have a retroactive effect.

Since the purpose of the **Investment Fund** is to carry out the activities stipulated by the **Legislation** for the investment company, Article 23^1 of the Tax Code of Georgia will apply to it.

Distribution of the Profits/dividend by the Investment Fund, if the recipient of the Profits/dividend is a non-resident of Georgia or an individual:

- will be taxed at a rate of 5%, if an Investment Fund invests exclusively in bank deposits and/or financial instruments, except in cases where the Profits distributed includes income derived from a resident enterprise. If the distributable Profit of the Investment Fund also includes profit received from a resident enterprise, such Profit is taxed at a rate of 15%. However, the rules for distinguishing or prioritizing taxable profits at 5% and at 15% during Profit distribution are not explicitly defined.
- will be taxed at a rate of 15% in all other cases.

Additionally, the distribution of the Profits by an investment company to an individual or a non-resident is exempt from profit tax if the income from which the dividend is distributed/paid: (1) does not originate from a Georgian source; or (2) qualifies as income of a resident legal entity derived from the issuance of debt or equity securities through a public offering in Georgia, admitted to trading on an organized market recognized by the NBG; or (3) qualifies as capital gains from the sale of debt securities issued by the Georgian government or an international financial institution, or as income derived from interest accrued on such debt securities or on deposits placed in commercial banks.

The Profits/dividend paid by the Investment Fund to an individual or a non-resident enterprise are not taxed at source and should not be included in the recipient's gross income.

Surplus income received by a non-resident (refers to an individual and a legal entity) or an individual (refers to a resident and a non-resident) from the delivery or redemption of the **Investment Fund's Unit** is taxed:

- at a rate of 5%, if the **Investment Fund** invests only in bank deposits and/or financial instruments, except for the case of the **Investment Fund's** investment in shares/shares of a resident enterprise (share/share ownership);
- at a rate of 15% in other cases.

The following income is exempt from income and profit taxes:

- Generated by selling an **Investment Fund's Unit,** issued in Georgia through a public offering and admitted to trading on an organized market recognized by the **NBG**;

- by selling a **Unit** or redeeming a **Unit** of the **Investment Fund**, if the **Investment Fund** invests only in deposits placed in Georgian banking institutions, in securities issued by the Government of Georgia and/or international financial institutions and/or in debt securities issued by a resident legal entity in Georgia through a public offering and admitted to trading on an organized market recognized by the **NBG**.

Representations and Warranties

The **Unitholder** represents and warrants that:

- It has and during the period of ownership of the **Unit** will have the full opportunity and right to purchase and own the **Units** and to exercise the rights arising from the ownership of the **Unit**;
- knows the **Founding Document** in detail;
- If the **Unitholder** is a company or any other corporate body, it has obtained/has any and all necessary consents/decisions related to the purchase, supply and implementation of the **Unit**;
- The **Unitholder's** ownership of the **Unit** does not in any way violate the laws, regulations, requirements, rules of any jurisdiction and/or any requirements/rules specified in the **Memorandum**;
- The **Unitholder** and any actions/decisions thereof are in full compliance with any and all requirements of the laws, regulations and/or rules of any jurisdiction and/or any requirements/rules specified in the **Memorandum**;
- The **Unitholder** has received all advice (including advice from persons other than the **Asset Management Company**) deemed necessary or acceptable before purchasing the **Unit**; and
- All clauses, articles and conditions of the **Memorandum** are consistent with the will of the **Unitholder** and are fair, reasonable, objective and rational.

Without limiting the general nature and applicability of the representations and/or warranties made by the **Unitholder** under the **Memorandum**, each representation and/or warranty made by the **Unitholder** in the **Memorandum** will be repeated with respect to any transaction related to the **Units** in its ownership and/or to the general meeting of all **Unitholder**.

Terms Related to Sanctions

In case (i) any sanction imposed by the **Sanctions Authority** and/or any restriction and/or prohibition envisaged and/or required by any sanction applies to the **Unitholder**; and/or (ii) the **Unitholder** and/or the **Person in Control of the Unitholder**, and/or a country/territory a resident of which is the **Unitholder** or in which the **Unitholder** is established/registered or located or operates, is included in any list of sanctioned countries/territories and/or persons issued/maintained by the **Sanctions Authority**, (taking into consideration changes introduced thereto from time to time), without limitation of the rights granted to the **Investment Fund** and/or the **Asset Management Company,** the **Investment Fund** and/or the **Asset Management Company** shall have the right to:

- Act in accordance with the relevant sanction imposed by the **Sanctions Authority** and carry out any and all actions provided for and/or required by the **Sanctions Authority** and/or the relevant sanction; and/or
- Immediately terminate, suspend and/or refuse the payment of any and all payables (including the cost of the redemption of the **Units** and/or the **Profits**) to the **Unitholder**.

Notwithstanding any other conditions, the **Investment Fund** and/or the **Asset Management Company** shall have the right, in any case, to act in accordance with the relevant sanction imposed by the **Sanctions Authority** and carry out any and all actions provided for and/or required by the **Sanctions Authority** and/or the relevant sanction and the **Investment Fund's** and/or the **Asset Management Company's** action in accordance with the relevant sanction imposed by the **Sanctions Authority** and/or any action provided for and/or required by the **Sanctions Authority** and/or the relevant sanction and/or the non-payment of any and all payables (including the cost of the redemption of the **Units** and/or the **Profits**) to the **Unitholder**, shall not be deemed to be a breach of any obligations existing/assumed by the **Investment Fund** and/or the **Asset Management Company** towards the **Unitholder** and the **Investment Fund** and/or the **Asset Management Company** shall not be liable for any action taken in accordance with the relevant sanction imposed by the **Sanctions Authority** and/or implementation of any action envisaged and/or required by the **Sanctions Authority** and/or the relevant sanction and/or the non-payment of any and all payables (including the cost of the redemption of the **Units** and/or the **Profits**) to the **Unitholder**.

Confidentiality

Unless otherwise decided by the **Asset Management Company**, the **Unitholders** shall not use, publish, distribute or disclose to any person, other than those officers or employees of the **Asset Management Company** within their competence, any confidential information about the **Investment Fund's** activities, expenses, financial or of contractual transactions or other agreements, transactions or business relationships that may become known to them. They shall take all reasonable steps to prevent the publication or dissemination of any confidential information.

The above-mentioned confidentiality requirement does not apply to information that:

- According to the relevant legislation, is considered public information and is subject to disclosure;
- Has been made publicly available from other sources.

Any important information provided to a **Unitholder**, which, in the opinion of the **Asset Management Company**, may influence the investment decisions of the **Unitholders**, must be communicated to the same extent to the other **Unitholders**.

Protection of Personal Data

The **Investment Fund** and the **Asset Management Company** carry out their activities in full compliance with the Law of Georgia on Personal Data Protection.

The processing of the personal data of **Investors** by the **Investment Fund** and the **Asset Management Company** will be carried out only for specific, clearly defined and legitimate purposes, to provide services to the **Investor**, to fulfil legal obligations and/or on another ground provided by law and only to the extent necessary to achieve the legitimate purpose.

The **Unitholder** agrees for the **Investment Fund** and/or the **Asset Management Company** to:

- share personal data of **Unitholders** with those third parties (e.g. the intermediary companies) whose involvement and possession of this information is necessary to provide services to the **Unitholders**;
- at any time, without additional consent from the **Investor**, request from the relevant brokerage company (which is the nominal owner of the unit) personal data and information related to the **Unitholder**;
- In order to provide services and/or to comply with legal requirements, at any time, without the additional consent of the **Investor**, share the information they have about the **Investor** with the relevant brokerage company, the **NBG**, another state body and/or a specific broker;
- If necessary for adhering to the requirements within the scope/for the purposes of the **Legislation, within the scope/for the purposes of obtaining audit, consultation, evaluation, research or other similar services from the third parties** and/or for the due performance and fulfilment of obligations assumed by the **Investment Fund** towards the third parties (including for monitoring the fulfilment of obligations and the purposes of financial reporting), transfer information about the **Unitholder** (including personal data and/or information containing bank secrecy and/or any agreement concluded with the client) to the third parties (including international financial institutions, outsourced auditors, consultants, advisors, research organizations or any other third parties having similar functions), furthermore**,** the confidentiality of such information/agreement will be protected by the **third parties** receiving such information/agreement;

The terms of processing the **Unitholder's** personal data for direct marketing:

- The **Unitholder** declares his consent that the **Investment Fund** is authorized to process (including through an authorized person) the personal data of the **Unitholder** for the purposes of carrying out direct marketing;
- The **Unitholder** has the possibility at any time to request the termination of the processing of the **Unitholder's** personal data for direct marketing purposes in the same manner in which direct marketing is carried out. In such a case, the **Investment Fund** will stop processing the **Unitholder's** personal data for direct marketing purposes no later than 7 (seven) **Working Days** after receiving the request, and the **Unitholder** will no longer receive customized offers.

Definitions

1. **Profits** - Interest and all other fees (if any) earned by the **Investment Fund** during the relevant period as a result of the management of the investment assets divided by the number of **Units** less the Management Fee and the Performance Fee (if any).
2. **Asset Management Company** - BOG Asset Management LLC (I/N: 404696389), a legal entity managing the **Investment Fund**, licensed by the **NBG** in accordance with the law of Georgia on Investment Funds and the order of the President of the National Bank of Georgia No. 167/04 of September 22, 2020, "On approval of the rules for licensing, registration, recognition and regulation of the asset management company".
3. **Transferred Amount** - has the meaning assigned to it under the "Investment in Corporate Bank Loans" chapter of the Memorandum.
4. **Unitholder** - a person who owns a **Unit** in the **Investment Fund**.
5. **Person in Control of the Unitholder** - a person who directly or indirectly controls or owns the **Unitholder** (if any).
6. **Legislation** - effective legislative and subordinate normative acts of Georgia and international agreements and treaties falling within the system of the normative acts of Georgia, including, without limitation, any request, instruction, directive, order or decision of any court, arbitration, governmental authority, regulatory authority (including, without limitation, the National Bank of Georgia) or other comparable authority.
7. **Corporate Bank Loan** - a secured and/or unsecured loan issued under a bank loan agreement entered into between a commercial bank (as lender) and its corporate client (in accordance with the internal policy established at the commercial bank) (as borrower), the repayment obligation of which loan is not subordinated to any other obligation of the client.
8. **Memorandum** - this document, which defines the terms and conditions of offering the **Units** of the **Fund**.
9. **Debtor** - the debtor under the **Corporate Bank Loan.**
10. **Founding Document** - the charter of the **Investment Fund**, taking into account the amendments made to it from time to time.
11. **Start Date of the Investment Activity** - the next **Working Day** after the **Investment Fund** receives the investment fund license provided by the **Legislation**.
12. **Investment Fund/Fund** - JSC Short Term GEL Fund (I/N: 404794102).
13. **Investment Fund Unit/Unit** - a financial instrument that is a share in the **Investment Fund**.
14. **Investment Fund Investor/Investor** - a natural or legal person or an entity without legal status, which is the existing or potential owner of the **Unit** (units) provided for by the **Legislation**.
15. **Working Day** or **Business Day** - a calendar day, except for Saturdays, Sundays and holidays under the **Legislation**.
16. **Sanctions Authority** - the Foreign, Commonwealth & Development Office of United Kingdom (whose sanctions are administered by the Office of Financial Sanctions Implementation), United States Office of Foreign Assets Control, the European Union and/or the United Nations Security Council and/or any of their successors.
17. **Bank of Georgia** - JSC Bank of Georgia (a commercial bank established under the laws of Georgia, I/N: 204378869).
18. **Bank of Georgia Group** - **Bank of Georgia** and its consolidated subsidiaries together.

19. **NBG -** National Bank of Georgia.
20. **Syndication -** has the meaning assigned to it under the "Investment in Corporate Bank Loans" chapter of the **Memorandum.**
21. **Syndicated Loan -** the **Corporate Bank Loan** in respect of which **Syndication** has been carried out.
22. **Net Asset Value (NAV) -** as of the relevant date, the total value of the assets of the **Investment Fund** less any and all accrued (both due and not yet due) liabilities.