

**SCHEDULE J: “3.7 FINANCIAL STRATEGY” STRATEGY**

<b>Risk-level:</b>	Moderate-aggressive
<b>Base Currency:</b>	USD
<b>Minimum Initial Investment:</b>	RUB 1 500 000
<b>Minimum Additional Investment:</b>	RUB 300 000
<b>Minimum NAV:</b>	RUB 1 500 000
<b>Management Fee Rate:</b>	3% per annum including VAT
<b>Success Fee Rate:</b>	Not Applicable
<b>Income Hurdle Rate:</b>	Not Applicable

**1. Investment Objective**

The Strategy’s investment objective is to archive capital appreciation with some constrains or specific objectives imposed by clients. The Strategy invests into US, Europe and Asian equities listed on the major stock exchanges, Depositary Receipts and Exchange-Traded Funds (**ETFs**) specified in clause 3 “*Portfolio Structure*”. The Strategy does not provide for capital protection and/or guaranteed yield.

**2. Recommended Term of Investment**

- 2.1.** The Strategy may be terminated at any time, but it is advisable to remain in the Strategy for a period not less than 24 months in order to reasonably expect to achieve Investment Objectives.
- 2.2.** Withdrawal of assets from the Strategy will be effected by us in 10 business days after Management Period Termination Date.

**3. Portfolio Structure**

- 3.1.** The Strategy involves taking long positions in the following classes of Financial Instruments:
- (a) Equities listed on the major exchanges;
  - (b) DRs;
  - (c) ETFs.
- 3.2.** In forming the Portfolio we aim to decrease risks by diversification between issuers and by careful monitoring of risk limits specified in clause 4 “*Risk Management*” below.
- 3.3.** We aim to select assets with the highest expected total return given the Strategy risk level. For the purposes of selecting investments BCS uses investment research, proprietary financial models and market factors.
- 3.4.** BCS generally uses the principles of value investing to analyze and select Financial Instruments for your investment Portfolio. As part of this process, we review such measures as the issuer’s capitalization and free cash flow, debt-to-equity ratio, earnings before interest, taxes, depreciation and amortization (“*EBITDA*”)-to-interest ratio, debt-to-EBITDA ratio, or any other credit metrics in evaluating the securities of a particular issuer. We also consider different macro-economic scenarios and its impact on our portfolios.
- 3.5.** We use fundamental analysis to develop an estimate of intrinsic value, and we look at, among other factors, a company’s earnings, book value, cash flow, capital structure, and management record,

as well as its industry and position within that industry. This analysis includes a review of company reports, filings with regulators, computer databases, industry publications, general and business publications, research reports and other information sources.

**3.6.** We invest in Financial Instruments that can be purchased at prices or yield premiums which we believe to be attractive based on our assessment of each security's intrinsic value. The assessment of intrinsic value is based upon the security's liquidity, an analysis of present day pricing information, quantitative cash flow valuation techniques, financial statement, actual and projected ratings in determining if a given security is attractively priced.

**3.7.** The value principles used focus on Financial Instruments which in our opinion offer the potential for price gains as the market price adjusts to a level more consistent with our expectations. In a number of cases, the issuers of such instruments may be experiencing financial distress varying from mild to quite severe, the extent of which we expect will lessen over time. Such Financial Instruments may exhibit higher price volatility until the issues related to the issuer's financial distress are better understood by the market or are ultimately resolved.

**3.8.** We shall sell a Financial Instrument when we determined that the security has reached its intrinsic value, our research process identifies a significantly better investment opportunity, or our assessment of the security's intrinsic value declines. We may also dispose of certain Financial Instruments from time to time in order to adjust the average yield of the Portfolio.

**3.9.** You understand and agree that in spite of our use of particular indices as Investment Performance Benchmark for the Strategy, sector, industry, and issuer/borrower weightings in Portfolio can vary materially from them from time to time.

**3.10.** The Strategy shall invest in a diversified portfolio (at least 5 positions) of Financial Instruments. These include shares, DRs and ETFs admitted to trading on AMEX, NYSE, NASDAQ and other major trading venues ("Financial Instruments").

**3.11.** We may liquidate securities and hold in the Client's Accounts Monetary Funds as part of our overall investment Strategy or for temporary defensive purposes in response to adverse market, economic, political or other conditions even if such liquidation is inconsistent with the terms of a particular Strategy. As a result of taking such temporary defensive positions, the Strategy may not achieve its investment objectives.

## 4. Risk Management

**4.1.** For the purpose of management of risks the following limits shall be set forth on the Portfolio structure in respect of the Net Asset Value (including any leverage in the form of repurchase and sell/buy back transactions):

- the percentage of Financial Instruments shall not exceed 100%;
- the number of open positions in Financial Instruments shall be at least 5;
- the maximal exposure to one Financial Instrument shall not exceed 15%;
- the portion of Financial Instruments issued by the same issuer shall not exceed 15%;
- the portion of Financial Instruments related to one industry sector shall not exceed 50%;
- the percentage of Debt Instruments of a single issuer/borrower rated B+(B1) or B(B2) shall not exceed 10%;

4.2. Any discrepancy between the Portfolio structure set out herein and the actual Portfolio structure that has occurred as a result of our actions shall be eliminated within one month after such discrepancy has been or should have been identified.

4.3. Any discrepancy between the Portfolio structure set out herein and the actual Portfolio structure that has occurred as a result of any circumstances other than our actions shall be eliminated as soon as reasonably possible.

4.4. Any discrepancy between the Portfolio structure set out herein and the actual Client's Portfolio structure shall be eliminated in a manner, in a way and by means that take into account the best interests of the Client.

## 5. Investment Performance Benchmark

The Investment Performance Benchmark for assessment of Starategy's level of risk and efficiency shall be the **S&P 500 Index**.

The S&P 500 Index (Standard and Poor's 500 Index) is a capitalization-weighted index of 500 stocks. The index is designed to measure performance of the American economy through changes in the aggregate market value of 500 stocks representing all major industries.

## 6. Specific Risk Considerations

6.1. The specific risk description provided below may not be treated as a complete and exhaustive description of risks associated with or related to the Strategy. You should carefully read the Risk Disclosures placed on our website.

6.2. The value of an issuer's securities held in the Portfolio may decline in response to adverse developments with respect to the issuer.

6.3. Although it is our overall policy to diversify the Portfolio, at certain times BCS may hold relatively few positions. The Portfolio could suffer significant losses if we hold a large position in a particular investment that declines in value.

6.4. The Portfolio valuation will be calculated in its base currency for all purposes. Consequently, the Portfolio is subject to the risk of exchange rate fluctuations between the value of the US dollar and their original currency of investment, if such original currency is other than US Dollars.

6.5. We will invest in "undervalued securities" which are characterized by a high level of anticipated returns, but at the same time by higher risks. In a number of cases, the issuers of such "undervalued securities" may be experiencing financial distress varying from mild to quite severe, the extent of which as we expect will lessen over time. Such "undervalued securities" may exhibit higher price volatility until the issues related to the issuer's financial distress are better understood by the market or are ultimately resolved.

6.6. Undervalued securities are considered speculative investments and have significantly higher risk than investment-grade securities and tend to be less marketable (i.e., less liquid) than higher rated securities. The prices of undervalued securities, which may be more volatile than higher rated securities, may be more vulnerable to adverse market, economic, social or political conditions.

**6.7.** The prices of equity securities fluctuate from time to time based on changes in a company's financial condition or overall market and economic conditions, which could be enhanced especially when the Strategy invests in undervalued securities. As a result, the value of those equity securities may fluctuate drastically from day to day.

**6.8.** We will continuously evaluate your Portfolio, purchase and sale Financial Instruments with a view to achieving the Strategy's investment objectives. However, the achievement of the stated investment objective cannot be guaranteed over short- or long-term market cycles. Our judgments about the markets, the economy, or companies may not reflect actual market movements, economic conditions or company performance and may affect the return on your investment. The risks associated with an investment in the Strategy can increase/enhance during times of significant market volatility.

**6.9.** The success of the Strategy depends, among other factors, upon its future correspondence to the market conditions. The past performance of the Strategies is not necessarily indicative of its future profitability. No assurance can be given that the Strategy will be successful under all market conditions.

## 7. No Guarantee

There is no guarantee that the Strategy will be able to achieve its investment objective. There is no guarantee that the Strategy will earn any return. No guarantee can be given as to the performance of the Strategy in future years. No guarantee can be given that the NAV will appreciate. There is the possibility that the NAV of the Strategy will decline considerably.