

## SCHEDULE E: "1.3 COUPON REVENUE (RUB)" STRATEGY

<b>Risk-level:</b>	Moderate-conservative
<b>Base Currency:</b>	RUB
<b>Minimum Initial Investment:</b>	RUB 1 000 000
<b>Minimum Additional Investment:</b>	RUB 300 000
<b>Minimum NAV:</b>	RUB 1 000 000
<b>Management Fee Rate:</b>	1% per annum including VAT
<b>Success Fee Rate:</b>	10% including VAT
<b>Income Hurdle Rate:</b>	0% per annum

### 1. Investment Objective

The Strategy's investment objective is achieving capital growth by investments in Debt Instruments and Fixed Income ETFs specified in clause 3 "*Portfolio Structure*". Under this Strategy we shall transfer out, on a quarterly basis, all coupon and dividend payments actually received by the Portfolio to your bank account as specified in clause 6 "*Transfer of Coupon Payments*". The Strategy does not provide for capital protection and/or guaranteed yield.

### 2. Recommended Term of Investment

The Strategy may be terminated at any time, but it is advisable for Clients to remain with the said Strategy for a period of at least 12 months in order to reasonably expect to achieve the investment objective.

### 3. Portfolio Structure

- 3.1.** The Strategy involves taking long positions in the following classes of Financial Instruments:
- (a) non-complex debt instruments, such as corporate, municipal, sovereign bonds and loan participation notes (LPNs) and complex debt instruments limited to indexed bonds/notes, inflation-indexed bonds/notes, callable or puttable bonds/notes, credit-linked notes (CLNs), convertible bonds/notes, *Sukuk* and subordinated bonds/notes of any maturity (**Debt Instruments**);
  - (b) Exchange-traded funds investing exclusively on bond markets (**Fixed Income ETFs**);
  - (c) Notes issued by BrokerCreditService Structured Products plc under its EUR 10,000,000,000 Euro Medium Term Note Programme dated 11 January 2017 (as amended, supplemented and restated from time to time) (**BCS Notes**);
- 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. Allocation will be made dynamically using a systematic approach.
- 3.3.** The Strategy may invest in or use derivative instruments, other than commodity derivatives, for hedging or investment purposes consistent with the investment objective. For example, we may use derivatives with the intention of offsetting or reducing risks associated with losses from interest rate changes and market risks. No assurance can be given that your Portfolio will be hedged from any particular risk from time to time.

**3.4.** The Strategy may involve leverage through the use of repurchase, reverse repurchase, buy/sell back or sell/buy back Transactions in respect of the Debt Instruments in your Portfolio. You understand and agree that where we enter into any repurchase, reverse repurchase, buy/sell- back or sell/buy back transactions on your behalf in respect of your Debt Instruments, title to the sold Debt Instruments (as the case may be) will be transferred to the buyer, and the securities returned to your Portfolio will be equivalent but not identical to the loaned or originally sold Debt Instruments. Any such transactions entered into on your behalf shall be documented on market standard documentation. You understand and agree that we do not accept liability for the default of any third party buyer.

**3.5.** 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.

**3.6.** We may liquidate securities and hold only cash in the Portfolio either as part of the 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 other terms of the 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 cash shall not exceed 150%;
- the percentage of Debt Instruments issued by U.S. Treasury shall not exceed 150%;
- the percentage of Debt Instruments issued by the Ministry of Finance of the Russian Federation shall not exceed 150%;
- the percentage of Debt Instruments of other single investment-grade\* rated issuers/borrowers shall not exceed 35%;
- the percentage of Debt Instruments of a single issuer/borrower rated BB+ (Ba1), BB(Ba2) or BB-(Ba3) shall not exceed 15%;
- the percentage of Debt Instruments of a single issuer/borrower rated B+(B1) or B(B2) shall not exceed 10%;
- the percentage of BCS Notes shall not exceed 15%
- the overall percentage of Debt Instruments of investment-grade rated issuers/borrowers shall not exceed 150%;
- the overall percentage of Debt Instruments of issuers/borrowers rated BB+ (Ba1), BB(Ba2), BB-(Ba3), B+(B1) and B(B2) shall not exceed 100%;
- the overall percentage of Debt Instruments of issuers/borrowers rated B+(B1) and B(B2) shall not exceed 60%;

- the overall percentage of Debt Instruments of issuers/borrowers rated B-(B3) or lower shall be 0%;
- the percentage of Fixed Income ETFs shall not exceed 30%;
- the percentage of short positions in USD/RUB Futures shall not exceed 100%;
- the percentage of leverage obtained in the form of repurchase and sell/buy back transactions shall not exceed 150%.

\*All ratings are determined by the highest among S&P, Moody's and Fitch Credit Rating Agencies.

**Investment-grade** means rated not less than BBB- or Baa3 and above.

**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 within three months after such discrepancy has been or should have been identified.

**4.4.** Any discrepancy between the Portfolio structure set out herein and the actual Portfolio structure caused by an event of default in relation to any Debt Instrument in the Portfolio shall be eliminated as soon as practically possible.

**4.5.** 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.

**4.6.** As an additional risk-management measure we shall also perform regular monitoring and control of Portfolio value at risk (VaR) and drawdown value as well as perform regular stress tests on pre-defined risk scenarios which occurred in the past.

## 5. Investment Performance Benchmark

The Investment Performance Benchmark shall be comprised of the following components:

### **MICEX CBITR Index - 100%**

MICEX CBITR Index (Moscow Stock Exchange Corporate Bond Total Return Index) is the main benchmark of Russian corporate debt market. It includes the most liquid bonds of Russian borrowers that are admitted to trading on MICEX and have more than one-year duration. The index is calculated in real time using the methods of total return and clean price.

## 6. Transfer of Coupon Payments

We shall within 10 (ten) Business Days following the relevant Calculation Date transfer out:

- (a) all coupon payments actually received from the issuers of Portfolio Debt Instruments during the relevant Calculation Period;
- (b) all dividend amounts actually received in respect of Financial Instruments in the Portfolio during the relevant Calculation Period; and
- (c) the positive difference between the price of the USD/RUB exchange rate futures contract at the purchase/sale date of this contract and the value of the corresponding underlying asset on the same date

to your bank account (based on the latest banking details received from the you).

**Calculation Date:** March 31, June 30, September 30 and December 31 of each year.

**Calculation Period:** A period of time from and excluding each Calculation Date till and including the consequent Calculation Date. The first Calculation Period shall start from and excluding the date of initial placement/reallocation of Client's assets under the Strategy. The last Calculation Period shall end on the last Calculation Date preceding the date of the termination of the Strategy.

Notwithstanding the above, we are entitled to transfer all the relevant amounts received by the Portfolio during the first Calculation Period to your bank account within 10 (ten) Business Days following the end of second Calculation Period.

## 7. Specific Risk Considerations

**7.1.** 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.

**7.2.** Debt Instruments are subject to varying degrees of credit risk, which are often reflected in credit ratings. We cannot guarantee the financial security of the issuers of/borrowers under the Debt Instruments in which it invests. The Portfolio is, therefore, exposed to loss in circumstances where the issuer of/ borrower under a Debt Instrument defaults on its obligations in respect of that security.

**7.3.** The value of a Debt instrument held in the Portfolio may decline in response to adverse developments with respect to the issuer/borrower. In addition, the Portfolio could be reduced in value if the issuer/borrower or guarantor of a Debt Instrument is unable or unwilling to make timely principal and interest payments or to otherwise honor its obligations.

**7.4.** The income generated by Debt Instruments held in the Portfolio will be affected by variable interest rates. In addition, as interest rates rise, the values of fixed income securities held in the portfolio are likely to decrease. Securities with longer durations tend to be more sensitive to changes in interest rates, usually making them more volatile than securities with shorter durations. Falling interest rates may cause an issuer to redeem or call a security before its stated maturity, which may result in having to reinvest the proceeds in lower yielding securities.

**7.5.** The Strategy purports to investments in ETFs. The main risks associated with investing in ETFs are:

- (a) The prices of the underlying investments of the ETFs will vary according to the markets on which these are listed or traded.
- (b) Neither dividend payout nor dividend growth is guaranteed, nor are ETFs in which the Strategy invests obliged to pay dividends.
- (c) Underlying assets of ETFs may decline in value.

**7.6.** Although it is our overall policy to diversify the Portfolio, at certain times we 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.

**7.7.** The Portfolio NAV will be calculated in USD. Consequently, the Portfolio is subject to the risk of exchange rate fluctuations between the value of the US dollar and the original currency of investment (if such original currency is other than US dollar).

**7.8.** We may be using leverage and consequently, the Portfolio will be exposed to greater risk, regardless of whether or not the transaction was intended to be profitable from a pricing prospective.

**7.9.** We may obtain leverage by entering into repurchase, reverse repurchase, buy/sell back or sell/buy back Transactions. Such Transactions entail the following risks:

(a) the market value of the securities sold/bought may decline below/rise above the price at which we are obligated to repurchase/sell the securities.

(b) the counterparty under repurchase, reverse repurchase, buy/sell back or sell/buy back Transactions may default - in such case the Portfolio may suffer significant loss.

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

## **8. 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.