

Merger of LHV Persian Gulf Fund into SEF - LHV Persian Gulf Fund

On February 18, 2015, the Estonian Financial Supervision Authority (the “**EFSA**”) authorized the merger of LHV Persian Gulf Fund (the “**Merging Fund**”) into SEF - LHV Persian Gulf Fund (the “**Receiving Fund**”).

The merger will take place on April 13, 2015, on which date the Merging Fund will be dissolved and its assets and liabilities will be transferred to the Receiving Fund without a liquidation procedure (the “**Merger**”). The Merger will take place at the unit value to be calculated on April 9, 2015. The approval of the Merger and acceptance of fund shares as a merger compensation does not require any action by the unit-holders. For more information about the merger procedure and timetable see Section 4 below.

This document provides information on the Merger to the unit-holders of the Merging Fund in order for them to make an informed judgment of the impact of the Merger on their investment and to exercise their redemption right, if desired. Therefore, this document is important and requires your immediate attention!

1. Reasons for the merger

The Merging Fund is a public open-ended contractual investment fund registered by the EFSA and managed by Aktsiaselts LHV Varahaldus (the “**Management Company**”). The Merging Fund is in compliance with the provisions laid out in Directive 2009/65/EC of the European Parliament and of the Council (the “**UCITS Directive**”) and the legislation of the Republic of Estonia regarding UCITS (Undertakings for Collective Investment in Transferable Securities).

Considering the Merging Fund’s unit-holders structure, the Merging Fund has been highly popular among foreign investors with 85% of the fund size being attributable to the aggregate holding of foreign residents. In order to further develop the Merging Fund’s distribution opportunities and to obtain additional tax efficiency, the Management Company has resolved to re-domicile the Merging Fund to the Grand Duchy of Luxembourg. Luxembourg has developed into one of the leading domiciles for investment funds with a modern legal and regulatory framework and well developed tax environment for investment funds known to institutions and investors all around the world. Familiarity and attractiveness of the jurisdiction as well as additional access to international trading platforms provides new opportunities for distributing the Merging Fund.

For re-domiciling the Merging Fund to Luxembourg, the Management Company has opted for the platform offered by Swedbank Group as the most optimal alternative to execute the migration. The Receiving Fund is a sub-fund of SEF which is a SICAV, registered with the Commission de Surveillance du Secteur Financier (the “**CSSF**”) qualifying as an Undertaking for Collective Investment in Transferable Securities (UCITS) under Part I of the law of December 17, 2010 on undertakings for collective investment, as amended from time to time. The Receiving Fund has been set-up for the sole purpose of facilitating the re-domiciliation of the Merging Fund through a cross-border merger in accordance with the UCITS Directive, and prior to the completion of the merger has no assets or liabilities nor any shareholders. The Receiving Fund has appointed Swedbank Management Company S.A. as its management company, an entity part of the Swedbank Group. After completion of the Merger, the Management Company will continue to perform the investment management and marketing functions also with regard to the Receiving Fund on the basis of a delegation from Swedbank Management Company S.A.

2. Consequences of the merger

2.1. Differences in the investment policy and strategy

The Merger does not have any material impact on the investment policy or strategy of the Merging Fund. The rules and the investment policy will remain substantially the same in the Receiving Fund. The Management Company will remain responsible for the investment management of the portfolio and there is no change in the expected outcome of the portfolio management function as the investment policy and strategy will remain the same. The differences in the Receiving Fund's investment rules are mainly due to the structure of the Receiving Fund, it being a sub-fund of a general UCITS umbrella SEF. A general comparison of investment policies is provided as Annex 2 to this document.

As there is no material change in the investment policy and strategy, there is also no material differences expected in the synthetic risk and reward indicator of the Receiving Fund. The risk category of the Receiving Fund will remain the same as the one assigned to the Merging Fund.

As the purpose of the Merger is to facilitate the re-domiciliation of the Merging Fund with materially the same investment policy and strategy, the portfolio (assets and liabilities) of the Merging Fund will be transferred to the Receiving Fund in full without a liquidation procedure at the moment it is dissolved and there are no transactions intended for rebalancing the portfolio before the Merger takes effect.

2.2. Differences in the rights of investors

As a result of the Merger, the rights of the unit-holders of the Merging Fund will not materially change once they become shareholders of the Receiving Fund. All reporting and disclosure standards of the Receiving Fund are the same as for the Merging Fund, in both cases as provided in the UCITS Directive. Due to the legal form of the Receiving Fund, being a public limited company, the shareholders have the opportunity to participate at the shareholders' general meeting in accordance with applicable laws and regulations. Contrary to the fund rules of the Merging Fund, the shareholders of the Receiving Fund have the right, subject to the provisions in the relevant appendix of the prospectus applicable to a particular sub-fund, to request the conversion of the Receiving Fund's shares for the shares of another sub-fund. Given the character of any difference in the rights of investors, we consider such changes not to be detrimental to the Merging Fund's unit-holders interests.

2.3. Costs

The fee structures of the Merging Fund and the Receiving Fund differ, as shown in the comparison table below. There will be no costs associated with the preparation and completion of the Merger charged to either the Merging Fund or the Receiving Fund or to any of their unit- or shareholders.

Fee	Merging Fund	Receiving Fund
Management Fee	1.75%	1.75%
Entry Charge	0%	0%
Exit Charge	1%*	0%
Fund Administration, custody, external fees (incl CSSF, audit, tax), legal fees, transfer agency	0.54%	0.62%**
Ongoing Charge	2.29%	2.37%**

* No fee through Intermediaries Nordnet Bank AB, Avanza Bank AB, Pensionsmyndigheten, MFEX Mutual Funds Exchange AB, Elite Asset Management Ltd, NASDAQ OMX BROKER SERVICES AB.

** Fee includes fixed costs and therefore the fee in percentage terms depends on the fund size; fee estimate is given assuming fund size 40 000 000 euros.

2.4. Tax treatment

The Merger does not bring any tax consequences pursuant to the Estonian tax laws and regulations (the “**Tax Laws**”). The Merger does not involve a disposal of units of the Merging Fund for capital gains tax purposes, independent of the size of the holding. Shares of the Receiving Fund issued as a result of the Merger should have the same acquisition cost and acquisition date for capital gains tax purposes as existing units of the Merging Fund.

However, as a result of the Merger investor may become subject to Luxembourg tax laws and investors' tax treatment may change following the Merger. The tax system applicable to a particular investor depends on the investor's residency, legal form and other similar circumstances. Each unit-holder is itself responsible for and is advised to consult professional tax advisors as to the tax consequences of the Merger applicable to its particular circumstances.

3. Unit-holders' rights

The Merger does not require any action by the unit-holders. The unit-holders of the Merging Fund will become shareholders in the Receiving Fund on the Effective Date of the Merger, if they have not redeemed their fund units as instructed below. The accrued income of the Merging Fund, for instance accounts receivables, accrued interest, and other investment related receivables, will be transferred to the Receiving Fund as part of the assets and liabilities of the Merging Fund. There will be no payment of accrued income to unit-holders before the Merger. See Section 4 below regarding merger procedure and timetable.

The Management Company, the Receiving SICAV and Swedbank Management Company S.A have agreed to appoint the depositary of the Merging Fund to perform the independent third party control of the Merger and issue a statement on the Merger. The unit-holders have the right to be provided free of charge with a copy of the statement issued on the Merger. The statement can be requested from the Management Company via e-mail UCITS@lhv.ee. The statement will be available also at the location of the Management Company (Tartu rd. 2, Tallinn, Estonia) and on the website of the Management Company <http://www.persianguulfund.com> as well as via authorized distributors of the Merging Fund. For obtaining additional information about the Merger, see also Section 5 below.

The unit-holders of the Merging Fund that do not wish to participate in the Merger have the possibility to redeem their fund units before completion of the Merger in accordance with the Merging Fund's rules and prospectus. The right to redeem units of the Merging Fund without the redemption fee is effective as from dispatch of the merger information to the Merging Fund's unit-holders and ceases to exist five working days before the Valuation Date (as provided below).

In order to facilitate the Merger, the subscription and redemption of the units of the Merging Fund is suspended from the Cut-Off Time until the Effective Date of the Merger. **All orders for transactions with the units of the Merging Fund received after the Cut-Off Time will be deemed void and will not be cleared and settled by the Merging Fund or the Management Company.** All orders for transactions with the shares of the Receiving Fund received on or before the Effective Date will be carried over until the next valuation point of the Receiving Fund following the Effective Date. Transactions with the shares of the Receiving Fund issued in relation with the Merger may be effected from the next business day after the Effective Date, on which the Receiving Fund issues or redeems shares.

Please note that redemptions will be treated as a disposal of units for tax purposes and you may be liable to capital gains tax on any gains arising from the redemption.

4. Procedure and expected timetable

The Merger does not require any approval by the unit-holders. On the Effective Date of the Merger, the Merging Fund will be dissolved and its assets and liabilities will be transferred to the Receiving Fund without a liquidation procedure. **The unit-holders of the Merging Fund who have not duly exercised their redemption right will be considered as participating in the Merger and will receive the shares of the Receiving Fund in exchange for the transfer of the assets of the Merging Fund to the Receiving Fund.**

The unit-holders of the Merging Fund participating in the Merger are not entitled to any cash payment in relation with the Merger.

The assets of the Merging Fund shall be valued on the Valuation Date pursuant to the principles laid down in the fund documentation and the published procedure for determining the net asset value of the fund and the units of the Merging Fund.

The Merging Fund has two unit classes: Class A units (ISIN code: EE3600095287) and Class B units (ISIN code: EE3600095295). The Receiving Fund has one share class. On the Effective Date, each participating unit-holder will receive shares of the Receiving Fund on the basis of the following exchange rate determined at the Valuation Date:

- each Class A unit of the Merging Fund is exchanged for one share of the Receiving Fund; a fraction of the Class A unit is exchanged for the same fraction of the share of the Receiving Fund;
- each Class B unit of the Merging Fund is exchanged for a fraction of the share of the Receiving Fund based on the formula: number of shares of the Receiving Fund = number of Class B units x Class B unit net asset value / Class A unit net asset value.

As from completion of the Merger, the unit-holders of the Merging Fund will receive shares of the Receiving Fund in value that corresponds to their holdings in the Merging Fund. The number of the shares of the Receiving Fund to be issued to each participating unit-holder will (if necessary) be rounded up to three decimal points. The following rules are applied for rounding: numbers NN.NNN0 until NN.NNN4 are rounded to NN.NNN and numbers NN.NNN5 to NN.NNN9 are rounded to NN.NN(N+1). Shareholders' rights with regard to the Receiving Fund will take effect as from entry into the Receiving Fund's shareholders register maintained by Swedbank AB (publ) Luxembourg Branch. As from the Effective Date of the Merger, all portfolio transaction shall be made on behalf of the Receiving Fund.

The below table provides an indicative timetable regarding essential dates in relation with completion of the Merger:

Date	Action
October 17, 2014	Conclusion of the Merger Agreement
February 18, 2015	EFSA authorization of the Merger
February 26, 2015	Merger Notice
February 26, 2015	Delivery of Merger information to unit-holders
February 26, 2015 until April 1, 2015	Redemption of the Merging Fund's units free of charge
April 1, 2015 at 16:00 *	Cut-Off Time
April 1, 2015 at 16:00 *	Suspension of unit transactions of the Merging Fund
April 9, 2015	Valuation Date (date for calculating the exchange ratio)
April 13, 2015	Effective Date of the Merger
April 14, 2015	Open for dealing in shares of the Receiving Fund

* time in Tallinn, Estonia

5. Additional information

In order to evaluate the effects of the Merger and to make an informed decision on whether to participate in the Merger or not, we advise the unit holders of the Merging Fund to familiarize themselves with the Key Investor Information Document (the "KIID") of the Receiving Fund. The KIID is a two-page document that contains essential information on the Receiving Fund, including the investment objective and expenses associated with an investment in the Receiving Fund. The KIID should enable you to assess whether or not the Receiving Fund meets your investment needs and in conjunction with this document allows you to decide whether to participate in the Merger or to exercise your redemption right to exit the Merging Fund free of

charge. The KIID of the Receiving Fund is attached to this document as Annex 1. **Please make sure that you read this document!**

Additional information regarding the Receiving Fund, including the prospectus and other relevant documentation, is available at the website <http://www.persianguulfund.com>. Such information can also be requested from the Management Company via e-mail UCITS@lhv.ee as well as via authorized distributors as listed at the website <http://www.persianguulfund.com>.

Yours faithfully,

Mihkel Oja
Member of Management Board
Aktsiaselts LHV Varahaldus

Annexes:

1. KIID of the Receiving Fund;
2. Comparison of investment policies.