



Caspian Investmens Ltd.

# FUND PROSPECT

(Fund Overview)



## INTRODUCTION

Thank you for choosing Caspian Investments and welcome to our Investment Community. Caspian Investments provides broad range of investment products, from Variable Income to Fixed Return products (annuities).

Caspian Investments main investment objective is to maximize current income, to the extent consistent with the preservation of capital, by investing in dollar and euro denominated securities. Management of the Fund serves as Fund's investment Advisor. The Fund Advisors attempt to meet its investment objectives by investing in real market sector and securities.

The Advisor is responsible for making investment decisions for Caspian Investments. Managing of each program is subject to the supervision of the Board of Trustees, or their representatives. The Advisor provides investment advisory services to a number of other investors and investment companies.

## FUND OBJECTIVES

Caspian Investments offers programs that provide customized asset allocation to prove best among those of other mutual funds. A Fund will normally hold portfolio instruments to maturity, but may dispose of them prior to maturity if the board of Advisors find it advantageous or necessary.

Investing in short-term investment projects will result in high portfolio turnover. Since the cost of these transactions is small, high turnover is not expected to adversely affect a Fund's price or yield.

## FUND PROGRAMS

Fund has different Income Programs including Fixed Return Programs and Variable Income Programs. Variable Income Programs are aimed at delivering higher than average returns by investing according to Fund Objectives and are subject to rise or fall. Loss Protection Program is applied to all of our Programs that have least exposure to volatility caused by market, market sector, political and other factors.

Fixed Return Programs provide fixed income that investor receives at maturity. All Fixed Return Programs have guaranteed rate of return during all investment period. To deliver guaranteed fixed return Caspian Investments follows Fund objectives by investing in fixed income securities and long-term investment projects.

## INVESTMENT REQUIREMENTS

The minimum Initial and Subsequent Investments. Most of the programs require a minimum initial investment of \$1000, with the exception Fixed Return accounts, for which the minimum initial investment is ranged \$2000-10000\$. Subsequent investments can be at least \$1000.

Large Transaction Notification. To allow the Advisor to manage the Fund most effectively, investors are strongly urged to initiate all trades (investments, exchanges or redemptions of shares) as early in the day as possible and to notify the Transfer Agent at least one day in advance of transactions in excess of \$1 million.



## ADMINISTRATION

Caspian Investments is the successor of Caspian Trading Ltd. established in 1988.

Chief Executive officer from the beginning till present time: Matthew Stokes.

Fund is managed by board of Advisors. The Board of Trustees of Caspian Investments considers the renewal of the investment advisory agreement annually.

## FEES AND EXPENSES OF THE FUND

a) Variable income program Fees ( Except Stock Day Trading ) Performance fee – 1% on the amount gained annually, is not applicable if annual performance is lower than LIBOR or negative, zero performance Management Fee. Distribution and Service Fees 0%. Total Annual Fund Operating Expenses 0%

b) Fees are not applied in Fixed Return Programs (Annuities). Investor receives the amount stipulated in an offer.

\* According to “Terms&Conditions” of the program each trader has to put 30% of his own fund as an insurance part. Read below our Drawdown protection program.

## FINANCIAL INTERMEDIARIES

Brokers, dealers, financial intermediaries, record keepers and other service providers (collectively, “Qualifying Dealers”) may be entitled to receive certain payments from the Caspian Trading bearing additional fees. All additional fees that are to be paid by Caspian Investments and are not subject to be charged from Investor’s accounts.

## RISKS

All risks are applicable to variable income programs only.

### *Understanding Investment Risk*

We all take risks in the hope of gaining something—buying a home, changing careers or going back to school. Investing, like many other things in life, involves risk in order to achieve return. While it's normal to be concerned about the security of your money, a narrow perception of risk can be limiting. In fact, by understanding investment risk and how it relates to potential returns, investors can help strengthen their portfolios and improve their chances for greater wealth.

### *Defining risk*

Many investors view risk as the possibility of losing money, but it's really much more complex. Because of its multifaceted nature, risk can affect your investment in a number of ways. Below, we've identified the most common forms of risk, along with their potential effects on your mutual fund investment.



### *Market/downside risk*

Economic factors, such as recession, inflation or changing interest rates, can all influence the overall movement of the markets, thus affecting the value of your investment. Also, stock values may fluctuate in response to the activities and financial prospects of an individual company. Because the financial markets are so dynamic, it's normal for your investment value to change on a daily basis.

The degree to which your investment value can fluctuate determines how volatile it is. Some individuals — even those with long-term investment horizons — dislike volatility because they are uncomfortable with short-term swings in value. As a general rule, the greater the volatility of an investment, the greater its potential for higher returns.

The most significant downside risk to your mutual fund investment is not short term price changes, but that its value will decline at the point you need to sell. So, as you approach your investment goal, it may make sense to shift your portfolio to investments that seek to conserve principal, rather than to grow principal. This can lessen your downside risk in the short run.

### *Interest rate risk*

Bond funds are generally perceived to be "safer" than stock funds because they have historically experienced less price volatility. However, individual bonds are issued with a fixed rate of interest, so their values fluctuate in response to changes in current interest rates.

When interest rates increase, the value of an existing bond goes down, because it is paying a lower rate than what investors could earn elsewhere. When interest rates decrease, bonds increase in value because they are earning a higher rate than what investors could earn from newly issued bonds. Generally, the longer the maturity of a bond, the greater its degree of interest rate risk.

### *Credit risk*

If the company that issues a bond experiences financial difficulty or fails, bondholders may not be paid the promised interest or the full amount of their principal. This is referred to as credit risk. To help investors understand the extent of credit risk associated with different bonds, third-party organizations such as Moody's Investors Services evaluate and rate bonds.

The higher the rating, the higher the quality of the bond. In exchange for greater safety though, higher quality bonds have less return potential. Likewise, lower quality bonds generally pay a higher interest rate to compensate investors for greater credit risk.

### *Inflation risk*

Some investors choose investments with fixed or guaranteed interest rates, such as bonds or certificates of deposit, because they desire security of principal. But inflation poses a risk to these investors, because there is a chance that the fixed rate may not keep pace with the rising cost of goods and services over time.

### *International risk*

There are a variety of risks involved with international investing. Foreign markets may be less mature and less regulated than US financial markets; the issuer of an international security may be subject to greater political or economic uncertainty, and foreign securities can gain or lose value when converted from one currency to another.

However, international investing gives investors the opportunity to participate in a broader range of companies and economies. In many cases, these companies may offer greater potential than US-only investments. Also, a fund that is invested in several different countries can reduce risk through greater diversification.



## *Managing risk*

While awareness of risk can lead an investor to make prudent decisions, it is possible to be overly cautious. "Safe," low-interest cash investments, like money market funds, for example, are excellent choices for preserving assets once you approach or achieve your goal. But over the long-term, they generally cannot provide the capital appreciation needed to meet a significant investment goal. All investments involve risk—but there are strategies that you can follow to manage these risks and pursue your financial goals with more confidence.

## **LOSS PROTECTION PROGRAM**

In 2001 our fund introduced new system of investor's protection against possible drawdown for Variable Income Programs. Each of traders operating under Stock Day Trading program must invest at least 30% of all capital under management as an insurance deposit. All losses are subject to be covered from trader's part.

For investors in Fixed Return Programs Fund offers different insurance instruments from Banking institutions. Bank Guarantee charges vary from 2% to 4% annually from the amount insured

## **WITHDRAWAL AND DEPOSITING**

Each program starts on the following business day once investor account is funded. A business day is one on which the New York Stock Exchange is open for Variable Income Programs and business day in Sweden for Fixed Income Programs. All purchases must be made by Wire Transfer.

Purchase must be made by investor having account with us already. If an order or payment is received on a non-business day or after the close of the New York Stock Exchange, the order will be effective on the next business day.

## **REDEMPTION OF FUNDS**

Funds under variable income products change their value weekly and may be redeemed on any business day at the net asset value next determined after the receipt of a redemption request. Proceeds of redemption requests ordinarily will be sent on the same business day, except as otherwise noted below.

You can select an automatic redeem plan that would allow you to receive your money back at stipulated time. Redemption Proceeds by wire upon request, redemption proceeds will be wire transferred to your account at any bank of the world. Funds are transferred on the same or next business day upon receiving request from investor.

## **Redemption Requests in Writing**

In certain circumstances, a shareholder will need to make a request to withdraw money in writing. Shareholder is to provide table code number along with one of the secret words.

After that he would receive a phone call on the number stated in his application form.

1. Your address of record has changed within the past 60 days;
2. You are redeeming more than \$50,000 worth of shares;
3. You are requesting that a payment be sent to an address other than the address of record; or
4. You are requesting that a payment be made payable to persons other than the registered owner(s).



## DISTRIBUTION OPTION

In both variable and fixed income programs you can choose automatic reinvestment program or automatic withdrawal program. Reinvestment Option is a default option. — Dividends and capital gain distributions will be automatically reinvested. If you do not indicate a choice on the application, this option will be automatically assigned.

- Income Earned Option — Capital gain distributions will be sent for each gain distribution. Automatic withdrawal can be ordered through User management panel on-line. In this case all interest gained is subject to be wired to your account.
- Direct Income Option — Dividends and capital gain distributions will be automatically invested in another program chosen by investor.

## FINANCIAL HIGHLIGHTS

The financial highlights table is intended to help you understand a Fund's financial performance for the past 2 years. The total returns in the table represent the rate that an investor would have earned on an investment in our programs. The Funds' Prospectus, annual reports are available, free of charge and are issued at the end of the year.