

RULES
OF THE NON-PUBLIC, CONTRACTUAL,
INTERVAL INVESTMENT FUND
'LIMITLESS'

2018

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This document comprises the rules of the Limitless investment fund (hereinafter “the Fund”) and the contract concluded between the Fund’s participants (hereinafter “the Participants”) and the entity managing the Fund (hereinafter “the Rules”), as approved by the sole participant in the limited liability company Limitless Returns, which shall manage the Fund.

1. General Provisions

- 1.1. Limitless is a non-public, contractual, interval investment fund that does not have legal entity status.
- 1.2. The Fund’s full name in Armenian is “«Լիմիթլես» ոչ հրապարակային, պայմանագրային, միջակայքային ներդրումային ֆոնդ.” The Fund’s full name in English is “Limitless” non-public, contractual, interval investment fund. The Fund’s full name in Russian is “«Лимитлес» непубличный, паевой, интервальный инвестиционный фонд.”
- 1.3. The Fund shall be managed by Limitless Returns LLC, which is registered in the Republic of Armenia under the legislation of the Republic of Armenia (hereinafter “the Manager”). The Manager’s address is Apt. 5, building 7, A. Shahinyan Street, City of Gyumri, Shirak Marz, Republic of Armenia, telephone +37494948948.
- 1.4. The Fund shall be deemed created from the moment of registration by the Central Bank of the Republic of Armenia under the procedure stipulated by the legislation.
- 1.5. The Fund’s activities shall not be time-bound.
- 1.6. No level of return of the Fund shall be guaranteed.

2. Investment Goals and Strategy of the Fund

- 2.1. The Fund’s investment goal is maximization of risk-adjusted returns.
- 2.2. The Fund’s assets may be invested in liquid securities listed on global regulated exchanges. The overwhelming majority of fund’s assets will be invested in securities listed on the New York Stock Exchange and NASDAQ.
- 2.3. Investments of the Fund’s assets shall not be subject to significant limitations in terms of instruments, strategies, markets, or countries, but the primary criterion is the liquidity of the acquired security.
- 2.4. The Fund’s investment policy shall involve volatility trading, under which the Fund shall mostly utilize exchange instruments based on the volatility indices (mostly the Chicago Options Exchange Volatility Index—VIX), including Exchange Traded Funds (ETF), Exchange Traded Notes (ETN), and other similar products such as index derivatives and futures.
- 2.5. To achieve its investment goal, the Fund may utilize leverage and derivative instruments. The Fund’s resources may be used to enter into repo and reverse repo transactions.
- 2.6. Derivatives shall be used both for receiving additional income and for leverage. Derivatives use for income generation shall be based mostly on the strategy of selling put and/or call options.
- 2.7. The Fund’s investments shall be primarily made in US dollars.

3. Investment-related Risks in the Fund

- 3.1. An investment in the Fund's shares involves a number of risks that may affect the Fund's returns and value of shares, including:
- (a) **Market risk:** the risk of a higher or lower market price of securities or other assets affecting the value of the Fund's assets. For repo, reverse repo, and securities borrowing transactions, market price fluctuation may have multiple impacts on the value of the Fund's assets.
 - (b) **Credit risk:** the risk of complete or partial default by the issuer of securities included in the Fund's assets or by a counterparty in any transaction carried out with the Fund's resources.
 - (c) **Settlement risk:** the risk of a transaction not being executed in a timely or complete manner in the settlement system for securities or assets, due to the counterparty in the transaction not honoring its obligations in a timely or complete manner;
 - (d) **Liquidity risk:** the risk of impossibility of selling the Fund's assets in a timely manner and at a set fair price or of honoring obligations in a timely and proper manner;
 - (e) **Foreign exchange risk:** the risk of unfavorable changes in the investment value due to changes in the foreign currency exchange rate. This risk emerges when the Fund's assets are invested in instruments denominated in currencies other than the US dollar, or when an investor assesses income from the Fund in Armenian drams (for example, the investor converts Armenian drams to US dollars for the purpose of making the investment, and then converts the US dollars received from the redemption of shares to Armenian drams).
 - (f) **Issuer risk/securities price risk:** the risk of the price of a particular security changing unfavorably due to the emergence of unfavorable circumstances related to the issuer (for example, governance errors).
 - (g) **Inflation risk:** the risk of the real value of investments declining due to inflation.
 - (h) **Political risk:** the risk of emergence of developments or events having a potentially unfavorable impact on the value of the investments, in countries in which the Fund's assets are invested (for example, changes in the legal environment);
 - (i) **Legal risk:** the risk of legislative changes in the field of the Fund's activities, including changes in the tax legislation or the securities market legislation.
 - (j) **Operational risk:** the risk of possible losses in the Fund's management process due to inadequate internal processes, failure of software and hardware, the human factor, or external influences.
- 3.2. To reduce the aforementioned risks, sufficient information will be obtained on the assets in which the Funds' assets have been or are being invested, the Fund's investments will be diversified, derivatives will be used for hedging, preference will be given to low credit risk partners, and transactions will be mostly carried out in regulated markets where the principle of "delivery versus payment" works properly.

4. Participation in the Fund; Shares in the Fund and the Procedure of Acquiring Them

- 4.1. Any individual or legal entity may become a Participant (shareholder) in a Fund, unless such person or entity (including the current members of governing bodies of a legal entity) that had any relationship to money laundering, legalization of criminal proceeds, or terrorism financing.
- 4.2. At any point in time, the number of the Fund's Participants may not exceed 49. The Manager may reject acquisition of a share by a new person if it will result in the number of the Fund's Participants exceeding 49. If a Participant sells his share to other persons, which results in the number of the Fund's Participants exceeding 49, then the Manager may, at his discretion, redeem the shares owned by such person/-s by paying their redemption cost.
- 4.3. A share of the Fund is a nominal paper security. When placing a share, the Manager shall give the Fund Participant a share certificate that confirms the holder's ownership right in one or several shares of the Fund.
- 4.4. Shares shall be issued and placed by the Manager. Shares shall be placed through a non-public offering.
- 4.5. Following the initial placement, shares of the Fund shall be placed annually on 1 November of each year. If payment for a share is made prior to 1 November, such payment shall be deemed received on 1 November of the current year. If payment is made after 1 November, it shall be deemed received on 1 November of the following year.
- 4.6. A share of the Fund shall have a face value at the time of the initial issuance. The face value of a share of the Fund shall be US \$500 (five hundred). After completing the initial share placement, the value of a share shall be determined as per the daily settlement value.
- 4.7. The settlement value of a share shall be determined by dividing the Fund's net assets value (as per the last daily settlement) by the number of Fund shares placed and not redeemed.
- 4.8. A share shall be divisible. Share fractions shall be rounded to the nearest fourth.
- 4.9. The Fund shall issue only one class of shares.
- 4.10. The minimum amount of an initial investment in the Fund shall be US \$50,000 (fifty thousand).
- 4.11. A Participant may purchase additional shares once a year, provided that the total value of additional shares purchased by each Participant may not be less than US \$25,000 (twenty-five thousand).
- 4.12. At the initial placement, shares shall be placed at the share face value. In all other cases, share placement shall be based upon the estimated value of settled shares on the working day preceding the date of placement.
- 4.13. The Fund may issue an unlimited number of shares. The volume and number of issued shares shall not be fixed.
- 4.14. The number of issued shares shall be determined by dividing the paid-up investment amount by the value of one share.
- 4.15. There shall be no share placement fee.
- 4.16. To become a Participant (to purchase shares in the Fund for the first time), a person

shall submit a written application to the Manager. An existing Participant shall not submit an application for purchasing additional shares.

- 4.17. The application shall contain, among other information, the amount that the person wishes to invest in the Fund.
- 4.18. By submitting the application, the person assures that he has become familiar with and accepts the Rules.
- 4.19. Attached to the application, the person shall present a statement that he has never had any relationship to money laundering, legalization of criminal proceeds, or terrorism financing.
- 4.20. If a person has submitted the application and the attached documents under the procedure stipulated by the Rules, the Manager shall, within 5 (five) working days of receiving the application:
 - a) Decide upon approving or rejecting the applicant's participation; and
 - b) Inform the applicant in writing thereof.
- 4.21. If the participation application is approved, the applicant shall make the payment within 10 (ten) working days.
- 4.22. Payment for a Fund share shall be made by making a transfer to a bank account published by the Manager.
- 4.23. Enabling to submit a participation application stipulated by this Chapter is not a public offering aimed at an indefinite number of investors. Enabling to submit a participation application is aimed only at prescribing the share acquisition procedure and ensuring the Participants' compliance with the Rules.

5. Share Buyback (Redemption) and the Return of Funds

- 5.1. To redeem his Fund shares, a Participant shall apply to the Manager in writing at least 10 (ten) working days prior to the intended date of share redemption, specifying the number of shares to be redeemed and the bank account information.
- 5.2. A share buyback (redemption) fee shall not be charged, except for the cases stipulated by Paragraphs 5.3 and 5.4 hereof.
- 5.3. If less than 12 months have passed since the investment (share acquisition) date, a 10 (ten) percent redemption fee shall be charged in case of redeeming the share, which shall be calculated against the estimated share value and paid to the Fund.
- 5.4. In exceptional cases, when there are no investment avenues for investing the Fund's resources, the Manager may redeem the Participants' shares proportionately in the respective amount, giving the Fund's Participants advance notice thereof under the procedure stipulated by Paragraph 8.2 hereof.
- 5.5. Share redemption shall be based upon the estimated share value as of the working day preceding the share redemption date.
- 5.6. The cash received from share redemption shall be transferred to the investor's bank account within 5 working days of redeeming the shares.
- 5.7. On the date of share redemption, the share shall be discharged from the register, and the rights and obligations associated with the share shall cease.
- 5.8. The Manager may suspend share buyback (redemption) temporarily (for a maximum of 3 months), by giving notice thereof to the Fund's Participants, if any of the following grounds is present:

- a) Termination of the normal operation of regulated markets (exchanges) or market failures (including limitations on transactions), which makes it impossible to determine the exact value of the Fund's assets or to sell the Fund's assets;
- b) Operational problems or technical failures that can temporarily obstruct the performance of operations in financial markets and thereby affect the market value of the Fund's assets;
- c) Liquidity problems, when the cash available in the Fund is insufficient for buying back (redeeming) the shares, and the Fund's assets may be sold with significant losses; or
- d) The emergence of natural disasters or other factors that make it impossible to determine the Fund's net asset value, to value or manage the Fund's assets, and/or to receive income for them.

6. Rights and Obligations of Participants

- 6.1. Participants shall have the following rights arising out of share ownership:
 - (a) To sell a share to another person or to put a share for buyback under the procedure stipulated by the Rules;
 - (b) To bequeath a share;
 - (c) In case of termination of the Fund, to receive a part of the balance of assets, which shall be equal to the monetized value of his shares;
 - (d) To demand a share certificate confirming his ownership right of the acquired share;
 - (e) Within 10 working days of submitting the relevant demand, to receive information on the exercise of rights associated with securities included in the Fund by the Manager;
 - (f) To receive information stipulated by the Rules on the Fund and the shares in the Fund; and
 - (g) To perform other actions stipulated by the Rules.
- 6.2. The rights and obligations confirmed by shares shall enter into effect for a Participant from the time of share issuance and shall cease when the shares are redeemed. A share shall be deemed issued from the moment of registration in the participants' register and shall be redeemed from the moment of being discharged from the Participants' register. The right of share ownership shall arise from the moment of registration in the register.
- 6.3. A Participant shall exercise rights associated with the share in good faith and in accordance with the legislation and the Rules.
- 6.4. A Participant shall not be personally liable for the obligations assumed by the Manager on behalf of the Fund, or for obligations the performance of which the Manager may demand from the Fund in accordance with the Rules. A Participant's liability shall be limited to the value of his share in the Fund's assets.
- 6.5. The Manager may not assume obligations on behalf of a Participant.
- 6.6. An assembly of the Fund shall not be convened, i.e. the Fund's Participants shall not participate in the Fund's management through assemblies, including in decision making on transactions performed with the Fund's assets.
- 6.7. A Participant may not demand separating his share from the Fund's assets.

7. Rights and Obligations of the Manager

- 7.1. The bases of the Manager's activity shall be prescribed by the Manager's bylaws, the Rules, and the legislation.
- 7.2. The Manager may, subject to the Rules and the legislation, and at his discretion, manage the Fund's assets and carry out administrative and other actions necessary for managing the Fund.
- 7.3. To carry out his functions effectively, the Manager may enter into contracts with other persons and delegate some of his functions to other persons. In case of delegating functions to other persons, the Manager shall continue bearing liability for the proper and good-faith performance of the delegated functions.
- 7.4. The Manager may delegate the following functions to other persons:
 - (a) Investments involving the Fund's assets;
 - (b) Compiling the Participants' register;
 - (c) Valuation of the Fund's assets and calculation of the net asset value and the estimated value of a share;
 - (d) The Fund's accounting; and
 - (e) Other management functions.
- 7.5. The Manager shall carry out transactions on his behalf and with the Fund's resources (including investments with the Fund's assets), specifying that he is acting as the Fund's Manager.
- 7.6. The Manager shall invest the Fund's assets in accordance with the investment policy set out in the Rules.
- 7.7. The Manager shall manage the Fund's assets separately from his own assets and other fund assets and asset pools managed by the Manager. The Fund's assets shall not be included in the Manager's liquidation pool and may not be used to satisfy claims of the Manager's creditors.
- 7.8. The Manager may acquire shares in the Fund.
- 7.9. The Manager shall, in the course of performing his obligations of managing the Fund, act in the interests of the Fund's participants, exercise his rights, and perform his obligations in good faith and a reasonable and duly professional manner.
- 7.10. The Manager's compliance with obligations stipulated by the Rules may be affected by market failures, including unforeseen closure of regulated markets (exchanges), unplanned interruptions of work, and failures (including technical) in the normal functioning of the regulated markets, exchanges, the banking system, and the payment and settlement system, as well as cases arising due to force majeure. When such cases arise, the Manager shall not be liable for breaches caused by such events.

8. Provision of Information to the Fund's Participants

- 8.1. Electronic mail shall be the preferred method of communication between the Fund's Manager and Participants.

- 8.2. Changes in the Rules and information that shall be provided to the Participants under the Rules shall be presented to the Participants at the e-mail address provided by them.
- 8.3. The Manager shall inform the Participants of the settlement value of the Fund's shares by means of publishing such information on his website. The settlement value of the Fund's shares on each working day shall be published prior to the end of the next working day.

9. Net Asset Value

- 9.1. The Fund's net asset value shall be calculated at least as of the last working day of October each year.
- 9.2. The Fund's net asset value shall be determined on the basis of the market value of the Fund's assets, minus the liabilities undertaken by the Fund (claims on the Fund). In particular, the following liabilities (claims) shall be deducted from the market value of the Fund's assets:
 - (a) Amounts payable to the Participants by the Fund for submitted buyback (redemption) claims;
 - (b) Loans (borrowings) contracted at the expense of the Fund; and
 - (c) Costs and fees stipulated by Paragraph 11.1 of the Rules.
- 9.3. The Fund's net asset value shall be calculated on the basis of the prices provided by Interactive Brokers. Interactive Brokers is a US-registered brokerage company through which transactions with the Fund's assets are performed.

10. Fund Income Distribution Policy

- 10.1. The Fund's income shall not be distributed between the Participants and shall be reinvested. The Fund's profit (loss) shall be reflected in a change of the share settlement value.

11. Expenses and Fees Incurred by the Fund

- 11.1. The following expenses and fees may be incurred at the Fund's expense:
 - (a) The management fee;
 - (b) Expenses and fees related to maintaining the Fund's accounts;
 - (c) Expenses and fees directly related to transactions with the Fund's assets, including transaction-related fees, commissions, bank transfer fees, and investment research acquisition expenses;
 - (d) Interest payable on the loans and borrowings contracted by the Fund, and interest payable on repo and reverse repo transactions; and
 - (e) The Fund's profit tax amount (profit tax expense).
- 11.2. Expenses or fees that are not contemplated by Paragraph 11.1 of the Rules shall be born by the Manager.
- 11.3. Starting from November 1st, 2018, fixed management fee will be ZERO. An annual success fee in the amount of 50 (fifty) percent of the amount exceeding the threshold level of 12 percent annual return shall be calculated on the basis of the

12-month return preceding 1 November of each year. Success fee shall be paid to the Manager annually prior to 30 November of each year.

- 11.4. The maximum amount of expenses and fees incurred by the Fund under the Rules (excluding the management fees) may not exceed 5 (five) percent of the Fund's average annual net asset value.

12. Termination (Liquidation) of the Fund

- 12.1. The Fund may be terminated by the Manager's decision.
- 12.2. The Fund's termination shall be carried out by the Manager in accordance with the procedure Republic of Armenia Law on Investment Funds and normative legal acts adopted on its basis.
- 12.3. If a decision is taken to terminate the Fund, the announcement on termination of the Fund and the timeframe and procedure of filing claims of the Fund's creditors (which may not be shorter than two months), as well as the interim termination balance sheet prepared by the liquidator after the end of the timeframe for filing creditor claims shall be published by the Manager in a press outlet with a nationwide print run of at least 3,000.
- 12.4. Upon termination of the Fund, the Manager may only perform acts and enter into transactions, which are aimed at honoring the obligations undertaken by the Fund, at selling the resources, and at distributing the Fund's assets.
- 12.5. After satisfying the claims of the Fund's creditors, and when, at the time of approving the interim termination balance sheet, the Fund does not have liabilities to creditors, the Fund's assets shall be distributed among the Fund's Participants pro rata to the size of their participation in the Fund. Payment to the Fund's Participants for their shares shall be made only in cash.
- 12.6. The Fund shall be deemed terminated from the moment the Central Bank makes a relevant record about the Fund's termination.

13. Changes to the Fund's Rules

- 13.1. Changes to the Rules may be made by the Manager.
- 13.2. Changing the Rules shall require the consent of at least the majority of the Fund's Participants, for the obtainment of which the Manager shall send the changes to the Rules to the Fund's Participants in advance. The Fund's Participants shall be obliged, within a month of receiving the changes to the Rules, to express their opinion (for or against) thereon.
- 13.3. A Participant who does not give his consent to changes to the Rules, which entail limitation of his rights or contain other significant changes, may within a reasonable period file a claim to buy back his shares. In such case, a redemption fee shall not be charged when buying back the shares.