

*N.B. This is an unauthorized English translation of the Swedish version. In the event of any discrepancy between the English and Swedish version, the Swedish version shall prevail.*

## **FUND RULES FOR THE VALBAY ALLOCATION FUND**

### **1 The fund's legal position**

The name of the investment fund is Valbay Allocation Fund, hereinafter called the Fund. The Fund is a so-called special fund in accordance with the Act (2004:46) on investment funds (LIF).

The Fund is aimed at physical and legal persons and the Fund capital is owned jointly by the Fund unit holders. Each Fund unit conveys an equal right to the property included in the Fund. The Fund cannot acquire rights or take on obligations. Neither can the Fund file a suit before a court or any other authority. The Fund Company mentioned in section 2 represents the Fund unit owners in all matters that affect the Fund, decides on the property that is included in the Fund and exercises the rights that arise from the property.

The Fund is managed in accordance with these rules, the articles of association of the fund company, LIF and other applicable statutes.

### **2 The Fund administrators**

The Fund is managed by Valbay Kapitalförvaltning AB, organisation number 556750-2660, hereinafter called the Fund Company.

### **3 The custodial institute and its duties**

The Funds assets are held by Skandinaviska Enskilda Banken AB (publ), org.nr 502032-9081, as custodial institute, hereinafter called the Custodial Institute. The duties of the Custodial Institute include implementing the Fund Company's decisions regarding the Fund and receiving and holding the Fund's assets. The Custodial Institute shall verify that the decisions regarding the Fund taken by the Fund Company, as well as valuation, redemption and sale of Fund units, are in accordance with applicable statutes and fund rules.

### **4 The nature of the fund**

The Fund is an actively managed fund characterised by active allocation of investments between share related financial instruments (minimum 20 per cent and maximum 80 per cent of the fund's capital) and interest bearing financial instruments (minimum 20 per cent and maximum 80 per cent).

The Fund invests chiefly in negotiable securities offered for trade on the regulated Swedish market. In order to generate returns, the Fund has a more concentrated portfolio, i.e. larger individual holdings, than a traditional securities fund.

The aim of the Fund is to give the unit holders a good, long term capital growth through active asset allocation and active selection of individual securities.

### **5 The Fund's investment approach**

The Fund's assets shall be invested in financial instruments, which is to say negotiable securities, fund units, money market instruments and to a certain degree held as cash holdings. To aid the effectiveness of fund management and with the intention of reducing costs and risks in fund management, the Fund's assets may also be invested in derivative instruments where the underlying asset is a stock.

20 to 80 per cent of the Fund's assets shall be directly invested in share related financial instruments that are offered for trade on a regulated market, traded on a trading platform/MTF or are subject to

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regulated trading on some other market that is regulated and open to the public. From this it follows that 20 to 80 per cent may be directly invested in interest rate related financial instruments. The Fund Company decides, taking into consideration the prevailing market conditions, which allocations the Fund shall have.

Up to a maximum 80 per cent of the Fund's assets may be invested in interest bearing, negotiable debt securities and money market instruments, namely government bonds, mortgage-backed bonds, commercial paper, treasury bills as well as cash holdings. Cash holdings may amount up to 20 per cent of the total fund assets.

No more than 20 per cent of the Fund's value may be invested in units of other mutual funds.

The Fund differs from what applies to securities funds as follows:

o The Fund has been given exemption from chapter 5 section 5, subsection 1 of LIF and may invest in negotiable securities and money market instruments corresponding to a holding of maximum 10 per cent of the fund's value. Holdings of interest bearing negotiable securities and money market instruments may, in accordance with chapter 5 section 5, subsection 1 of LIF, represent up to 40 per cent of the Fund's value.

o The Fund has been given exemption from chapter 5 section 6, subsection 1 and subsection 2 point 3 of LIF and may invest in negotiable securities and money market instruments by the same issuer up to a maximum of 20 per cent of the Fund's value. The Fund may however only have two such holdings of 20 per cent. The Fund will always consist of holdings from at least ten from different issuers.

o The Fund has been given exemption from chapter 5 section 6 subsection 2 point 1 of LIF and may invest in bonds and other promissory notes that are issued and/or guaranteed by the Swedish state up to a maximum of 80 per cent of the fund capital, although not exceeding 40 per cent of an individual issued series. The fund thus has the opportunity to have a more concentrated portfolio, i.e. larger individual holdings, than a traditional securities fund.

o The Fund has been given exemption from chapter 5 section 20 of LIF and the Fund's holdings may not exceed 40 percent of the capital or votes of all the shares from one issuer, series of convertible promissory notes and promissory notes with adhering options. In calculation, series of convertible promissory notes and promissory notes with adhering options in the same underlying shares shall be calculated as if the convertible promissory notes had been converted and the options entered into. The total share holdings in the Fund Company's funds may be up to a maximum of 40 per cent of the issuer's votes.

The Fund does not intend to make use of shortselling and securities loans.

## ***Ethical approach.***

Within the framework for the investment approach, the Fund shall in its investments promote companies with a responsible agenda and avoid investing in those companies whose core business or main activity or main turnover are associated with weapons, tobacco and pornography, among others.

## ***Risk level***

The Fund's total risk (standard deviation), measured over a rolling twelve month period, aims to lie within the range of 10-20 per cent. The total risk shows how much the Fund's returns vary around the average return. It should be noted that the desired risk level may be exceeded in either direction in unusual market conditions or extraordinary events.

Standard deviation is a statistical measurement that describes the spread within a given data set. It shows how much the fund unit has fluctuated (or can be expected to fluctuate) around the average return over the course of time. A high standard deviation means greater variations and therefore higher risk; a low standard deviation means smaller variations and lower risk.

The Fund strives to have a diversified investment portfolio with a good diversification of risk.

## **6 Markets**

The Fund's assets are invested in regulated markets in Sweden. Trading may also occur on a trading platform/MTF or other markets that are regulated and open to the public in Sweden.

## **7 Specific investment approach**

The Fund's assets are invested in such negotiable securities and money market instruments as are referred to in chapter 5 section 5, subsection 1 of LIF, corresponding to holdings of a maximum of 10 per cent of the Fund's value. Holdings of interest bearing negotiable securities and money market instruments may, in accordance with chapter 5 section 5, subsection 1 of LIF, represent up to 40 per cent of the Fund's value.

The Fund may make use of derivative instruments to aid the effectiveness of fund management and with the intention of reducing costs and risks in fund management. The Fund's investments in derivative instruments are limited to the writing of call options on underlying negotiable securities that are held in the Fund's portfolio (so-called covered calls). The writing of covered call options may not amount to more than 20 per cent of the Fund's capital. The Fund cannot invest in so-called OTC derivatives.

The Fund's asset may be invested to a certain specified degree in units of other funds.

## **8 Valuation**

The value of the Fund is calculated by subtracting from the Fund's assets (financial instruments, liquid assets and other assets including accrued returns) the obligations that refer to the Fund, including accrued costs and tax.

The value of a Fund unit is the Fund's value divided by the number of Fund units in circulation. The value of the Fund unit shall be calculated on each banking day by the Fund Company and published on the Fund Company's website.

Financial instruments that are included in the Fund are valued at market value. This refers to the last selling price or, if this does not exist, the last purchase price. If such prices are not available or if in the Fund Company's estimation they are misleading, the Fund Company will establish the value on objective grounds.

The market value of negotiable securities and money market instruments that are referred to in chapter 5 section 5 of LIF is determined on objective grounds as a special valuation based on last price information or an indicative purchase price from a market maker, if such is designated for the issuer. If such information does not exist or is deemed unreliable by the Fund Company, the market value is determined on the basis of information from independent brokers or other independent external sources.

## **9 Sale (subscription) and redemption of units in the Fund**

Fund units are issued by the Fund Company. New Fund units are sold (unit holder's purchase) and redeemed (unit holder's sale) each banking day. The Fund is however not open for sale and redemption on banking days where the valuation of the Fund's assets cannot be made in a way that ensures unit holders' equal rights. This could occur if one or more market places where the Fund is traded are wholly or partly closed. In such case, the Fund is open for selling and redemption on the next banking day, provided such hindrance no longer exists.

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## **Subscription**

Registration of subscription shall occur on a special form that is provided by the Fund Company. The unit holder is responsible for ensuring that the form is properly signed, that the correct bank account number has been stated and that other documents that the Fund Company may require at any given time have been provided to the Fund Company or the person nominated by the Fund Company. Liquid funds for the purchase of units shall be received by the Fund Company no later than 14.00 on whole banking days (11.00 on half banking days) in order for the purchase of units to occur on the same day. The minimum amount for the initial subscription is ten thousand (10,000) Swedish kronor; thereafter there is no minimum subscription amount. In accordance with section 10, the Fund Company shall be entitled to postpone the day of subscription.

## **Subscription price**

The subscription price is the Fund unit's value as per section 8 on the day of subscription. The subscription price is not known when the request for subscription is submitted to the Fund Company. In accordance with section 10, the Fund Company shall be entitled to postpone the calculation of subscription price.

## **Redemption**

Request for redemption shall occur on a special form that is provided by the Fund Company. The unit holder is responsible for ensuring that the form is properly signed, that the correct bank account number has been stated and that other documents that the Fund Company may require at any given time have been provided to the Fund Company or the person nominated by the Fund Company. The request for redemption shall be received by the Fund Company no later than 14.00 (11.00 on half banking days) in order for the redemption to occur on the same day. The Fund unit shall be redeemed on the day of redemption if liquid funds are available in the Fund. If this is not the case, liquid funds shall be obtained by sale of the Fund's property and the redemption completed as quickly as possible. If such a sale could be significantly unfavourable to the interests of other unit holders, the Fund Company may delay the sale, after notifying the Swedish Financial Supervisory Authority. In accordance with section 10, the Fund Company shall be entitled to postpone the day of redemption. A request for redemption may only be recalled with the consent of the Fund Company.

## **Redemption price**

The redemption price for the Fund units shall be the Fund unit value on the day of redemption, calculated in accordance with section 8. The redemption price is not known when the request for redemption is submitted. When fund units are redeemed, settlement is made no later than five banking days after the redemption has been carried out. In accordance with section 10, the Fund Company shall be entitled to postpone the calculation of the redemption price.

The request for redemption may not be subject to limit orders. The request for redemption may only be recalled if the Fund Company permits this.

The Fund unit value is published on the Fund Company's website.

## **10 Extraordinary circumstances**

In the case of large movements in the market or other extraordinary events, the price calculation may be redone so as to take into account the changed circumstances. The Fund may be closed for sales and redemption if such extraordinary circumstances occur and the valuation of the Fund's assets cannot be carried out in such a way, that equal rights of unit holders are ensured.

## **11 Charges and compensation**

Compensation is paid from the Fund's assets for custody, fund management, analysis, administration, bookkeeping and registration, supervision and auditing of the Fund.

The Fund's highest possible fixed charge is 1.60 per cent, of which fixed compensation to the Fund Company may be no more than 1.55 per cent and compensation to the Custodial Institute no more than 0.05 per cent of the Fund's value per year. The charge is calculated and taken from the Fund daily.

Brokerage and other expenses relating to the Fund's buying and selling of financial instruments, as well as tax are paid directly out of the Fund.

The Fund's information brochure states the highest fixed charge and highest performance based charge that may be taken for management of the funds or by fund companies in whose funds the Fund's assets are invested.

## **12 Dividend**

The Fund shall give a dividend to the extent that is required so that an unrestricted unit holder who is liable for tax shall not pay double tax on the Fund's profits.

Dividend distributions from the Fund to unit holders occur in April of the year after the accounting year the returns have been realised. Dividends are paid to unit holders who are registered for Fund units on the day the dividend is determined by the Fund Company.

The amount payable is calculated as follows:

Remaining payable amount from previous years

(+/-) the Fund's profit or loss in accordance with the income statement

(-) non taxable realised and unrealised gains on shares, share related assets and interest related receivables during the year of account

(+) non deductible realised and unrealised losses on shares, share related assets and interest related receivables during the year of account

(-) non taxable income

(+) non deductible expenses

(+) an amount corresponding to standardised taxable income

(-) remaining deficit from previous years of account

(-) utilisation of settlement of foreign tax;

= amount available for distribution

The sum of the above is increased by the accrued dividend that has been received by selling units and reduced by the accrued dividend that has been paid on redeeming units.

The Fund Company shall make a deduction for the tax that according to the law shall be retained from the dividend to unit holders. For the remaining amount, the Fund Company shall acquire new fund units at the unit holders' expense. Unit holders shall then hold the additional number of units that corresponds to the amount that is due to them. On the unit holder's request, the dividend – after deduction of tax – shall instead be paid in cash to the unit holder's bank account.

## **13 The Fund's accounting year**

The Fund's accounting year is the calendar year.

## **14 Half year reports and annual reports, amendment of the fund rules**

The Fund Company shall prepare half year and annual reports for the Fund within two months and four months after the end of the respective accounting period. The annual and half year reports shall

be available at the Fund Company and the Custodial Institute and also given to the unit holders on request.

If the board of the Fund Company should decide to make any amendments to the Fund rules, those amendments shall be submitted to the Swedish Financial Supervisory Authority for approval. If approved, the amendments shall be published by making them available at the Fund Company and the Custodial Institute and as directed by the Swedish Financial Supervisory Authority.

#### **15 Pledging as security and transfer**

Pledging fund units as security is not permitted.

Fund unit holders may transfer their Fund units.

The Fund Company is entitled to compensation of maximum SEK 1,000 from the unit holder for processing the transfer.

#### **16 Limitation of liability**

The Fund Company and the Custodial Institute are not liable for damage or loss that is due to Swedish or foreign enactment, the actions of Swedish or foreign authorities, war, strikes, blockades, boycotts, lockouts or other similar circumstances. The Fund company's right are not affected even if the Fund Company or the Custodial Institute themselves are subject to or take part in industrial action.

Damage or loss occurring in circumstances other than those referred to in the first paragraph shall not be compensated for by the Fund Company or Custodial Institute if they have exercised normal prudence. The Fund Company and Custodial Institute shall not be liable for indirect damage or loss, nor for damage or loss caused by deposit banks or other contractors that have been engaged by the Fund Company or the Custodial Institute with appropriate care, nor for damage or loss that may arise in the event of any restriction of disposition that may be applied to the Fund Company or Custodial Institute.

If the Fund Company or Custodial Institute is prevented from taking acting due to circumstances stated in the first paragraph above, the enacting of the necessary measures may be postponed until the obstacles no longer exists.

Otherwise, the Fund Company's and Custodial Institute's liability for damages is in accordance with chapter 2 section 21 of LIF.