



# Full Prospectus

Mertzig Equity Fund Sweden

2019-02-13

## Introduction

According to the Alternative Investment Fund Managers Act (2013:561) and Finansinspektionen's regulations regarding alternative investment fund managers (FFFS 2013:10), each special fund must have an updated prospectus about the fund and its business. This document constitutes the prospectus for the special fund Mertzig Equity Fund Sweden (the "Fund")

Each individual who is interested in investing in the Fund is responsible for ensuring that the investment is made in accordance with applicable laws and other regulations. Foreign law may entail that an investment can't be made by investors outside of Sweden. The AIF manager, Mertzig Asset Management AB, doesn't have any responsibility to control if an investment from abroad is made in accordance with the laws of such country. Disputes or claims concerning the Fund shall be settled in accordance with Swedish law and shall be settled exclusively by Swedish court.

There are no guarantees that an investment in the Fund doesn't result in loss. This also applies to an otherwise positive development in the financial markets. Historical returns are not a guarantee for future returns. The funds placed in the Fund can both increase and decrease in value, and it is not certain that the investor will receive the entire invested capital back.

This prospectus does not constitute a solicitation to buy units in the Fund. Investors wishing to buy units in the Fund must make their own assessment of an investment in the Fund and the risks connected thereto.

The Fund's Key Investor Information Document (KIID), the fund rules and the prospectus are available at the AIF managers website, [www.mertzig-am.com](http://www.mertzig-am.com). The AIF manager prepares the annual report and half year report for the Fund, which are available at the AIF manager and is sent to unit holders requesting it. In addition, a report is sent to the unit holders each month regarding the Funds value development.

## **Brief information about Mertzig Equity Fund Sweden**

### **Objective**

The Fund seeks a well-diversified investment portfolio, and the aim of the management of the Fund is to achieve good long term increase in value through good risk diversification.

### **Risk**

The AIF manager uses the risk measurement tracking error measuring the Fund's risk against a benchmark. The AIF manager aims at having the Fund's average risk level to amount to between 0.5 and 10 per cent, measured as a trailing 12 months tracking error in relation to the Fund's benchmark the SIX Portfolio Return Index.

Tracking error (the active risk) is within financial economy a risk measurement which describes how the price movements of an equity fund follows the development of its benchmark. Active risk is calculated as the standard deviation for the variations with the active return, e.g. the difference between the fund's return and its benchmark. Standard deviation is a statistical measurement on how much the different values deviates from the average value. If the different values are collected close to the average value the standard deviation is low, whilst values that are spread far above and under the average value constitute a high standard deviation.

### **Fees and costs**

Deposit fee (present):	SEK 0
Redemption fee (present):	SEK 0
Annual management fee:	2 %
Performance-based management fee:	No

### **Subscription/redemption of units**

Monthly

### **Minimum investment**

The minimum initial investment is SEK ten million (MSEK 10) and thereafter a minimum of SEK five million (MSEK 5) per investment per subscription.

## Additional information

<b>AIF manager:</b>	Mertzig Asset Management AB (the "Company")
<b>Corporate registration number of the AIF manager:</b>	556786-3435
<b>Domicile of the AIF manager:</b>	Stockholm
<b>The AIF manager/the Company was formed:</b>	2009-08-14
<b>Share capital:</b>	SEK 1,500,000
<b>Does the AIF manager conduct discretionary management of investment portfolios?:</b>	No
<b>Fund:</b>	Mertzig Equity Fund Sweden (the "Fund")
<b>Date of formation of the Fund:</b>	2010-03-18
<b>Fund managers:</b>	Hans Mertzig and Magnus Mertzig are the managers of the Fund.
<b>Complaints officer:</b>	Anna Ramel, Kjellander & Ramel AB
<b>Accountant:</b>	Grant Thornton, Box 7623, SE-103 94 Stockholm, Nilla Rocknö (authorised public accountant)
<b>Depository:</b>	Skandinaviska Enskilda Banken AB (publ), SE-106 40 Stockholm
<b>Registered office of the Company:</b>	Stockholm.
<b>Main objectives:</b>	Banking and financial operations and operations naturally connected to these.
<b>Supervisory authority of the fund and the AIF manager:</b>	The Swedish Financial Supervisory Authority ( <i>Sw. Finansinspektionen</i> )
<b>Contact:</b>	Further information regarding the Fund and the AIF manager is provided by the AIF manager during office hours.
	Mertzig Asset Management AB Birger Jarlsgatan 64 A, SE-114 29 Stockholm Telephone: 08- 588 091 80 E-mail: info@mertzig-am.com Website: www.mertzig-am.com

This prospectus refers to the special fund Mertzig Equity Fund Sweden, an equity fund registered in Sweden. The prospectus consists of the following parts:

1. Introduction
2. Delegation
3. Remuneration policy
4. Aim and investment objectives
5. Fees
6. Subscription and redemption of fund units
7. Valuation of the assets of the Fund
8. Information on risk
9. Liability
10. Cessation and transfer of the management of the Fund
11. Changes to the fund rules
12. Sustainability
13. Tax rules

Mertzig Equity Fund Sweden's fund rules are to be found at the end of this prospectus.

## 1. Introduction

### The Fund's name and legal status

The name of the Fund is Mertzig Equity Fund Sweden. The Fund is an equity fund registered in Sweden, and a special fund pursuant to the Alternative Investment Fund Managers Act (SFS 2013:561) (*Sw. Lagen (2013:561) om förvaltare av alternativa investeringsfonder*). The Fund is not a legal person, and therefore it may not acquire rights or assume obligations. The Fund is however a separate tax entity.

The net fund assets are owned by the Fund unit holders jointly, i.e. those who have made deposits in the Fund. Each fund unit represents an equal amount and entitles to an equal share of the assets included in the Fund. The equal treatment of the unit holders is ensured through well-educated personnel, necessary technical systems and through controls by independent control bodies,

Investors in a fund acquire fund units to a value equivalent to the invested amount

and hence become unit holders. A unit holder is entitled to redeem their fund units according to the conditions set out in the fund rules for the Fund. Redemption is made by money being disbursed by an amount equivalent to the actual value of the fund units that are being redeemed.

The Fund is owned by the unit holders jointly, but is being managed by the AIF manager, meaning i.e. that the AIF manager represents the unit holders in all questions relating to the Fund. When managing the Fund shall the AIF manager act exclusively in the common interest of the unit holders.

The Fund is subject to fund rules which are approved by the Swedish Financial Supervisory Authority (*Sw. Finansinspektionen*). The fund rules contain more detailed information regarding the terms and conditions of fund investment, and can be found at the end of this prospectus.

The assets of the Fund are deposited with Skandinaviska Enskilda Banken AB (publ).

### Liability and third party indemnity insurance

AIF managers are obligated pursuant to Chapter 7 Section 5 of the Alternative Investment Fund Managers Act to either hold a third party indemnity insurance, or to reserve additional own funds. Accordingly, the Company may choose whichever of these two options that best suits the Company. The purpose of having a third party indemnity insurance, or alternatively reserve additional own funds, is for the Company to always be able to cover (operational) risks for liability due to either fault or negligence of the fund management. The Company has decided to reserve sufficient assets in its own funds, equivalent to at least 0.01 per cent of the value of the Fund. Calculation of reserved additional own funds shall be made at the end of the fiscal year and also continuously if the value increases substantially during the year.

## The Fund managers

Hans Mertzig and Magnus Mertzig are the managers of the fund.

### AIF manager

Mertzig Asset Management AB is the AIF manager that manages the Fund. On March 18, 2010, the Company was granted authorisation to conduct fund activities from the Swedish Financial Supervisory Authority. Authorisation to manage alternative investment funds was granted on 3 October 2014. The AIF manager is supervised by the Swedish Financial Supervisory Authority and is a company independent from banks and companies licensed under the MiFID directive. Furthermore, the AIF manager has as its only main activity the managing of the Fund.

Mertzig Asset Management AB is owned by Hans Mertzig (36.5 per cent), Magnus Mertzig (36.5 per cent), Christian Mertzig (26 per cent) and Christina Börjesson (1 per cent).

The board of directors of Mertzig Asset Management AB constitutes of four directors without any deputies. The four directors are Jack Junel (Chairman), Bengt Braun, Caroline Sundewall and Hans Mertzig. The company's Chief Executive Officer (CEO) is Magnus Mertzig. The Company's Administrative Officer, Christina Börjesson is the deputy CEO.

## 2. Delegation

The AIF manager has entered into a delegation agreement with ISEC Services AB ("ISEC"), according to which the AIF manager has assigned the back office and fund administration functions of the AIF manager to ISEC. ISEC's duties also include all risk management and risk control in relation to the management of the Fund. ISEC is one of the markets most well-reputed and retained provider of these services. Pursuant to the delegation agreement, ISEC undertakes to maintain the AIF manager's unit holder register,

based on the requests for subscription and redemption furnished to ISEC by the AIF manager.

The AIF-manager has delegated the function of independent valuation to SEB Risk & Valuation Services ("SEB"). This is to ensure that ISEC uses a correct valuation when calculating portfolio NAV.

The AIF manager has also entered into a delegation agreement with Kjellander & Ramel AB, according to which Kjellander & Ramel AB shall serve as the AIF manager's compliance function. The delegation also includes that Anna Ramel shall serve as complaints officer. The legal advisors of Kjellander & Ramel (Åsa Kjellander and Anna Ramel) have great experience of issues relating to compliance and supervision.

The AIF manager's internal audit function is assigned to PricewaterhouseCoopers AB.

The AIF manager has also entered into a delegation agreement with Admera AB, concerning financial, accounting and wage administrative services. Admera has many years of experience in relation to accounting and reporting in the financial sector. The employees of Admera have many years of experience working with financial companies in the field of financial services.

## 3. Remuneration policy

The Board of Directors of the AIF manager has adopted a remuneration policy which is consistent with and promotes a sound and effective risk management. The remuneration policy is designed to counteract risk-taking that is incompatible with the Fund's risk profile. The remuneration policy shall counteract excessive risk-taking and stimulate employees to deliver sustainable performance at any given time, as well as constitute a sound and effective risk management for the unit holders, the AIF manager and the Fund.

For more information about the AIF manager's remuneration policy, please visit [www.mertzig-am.com](http://www.mertzig-am.com).

#### 4. Aim and investment objectives

The Fund is a long-only, fundamentally based equity fund, which mainly has SIX Portfolio Return Index as its benchmark. The objective of the management of the Fund is to achieve good long term increase in value through good risk diversification.

The Fund is an equity fund investing in equity and equity-related transferable securities issued by Swedish limited companies or admitted to trading on a regulated market in Sweden.

The Fund is also a special fund, which e.g. means that the Fund is entitled to concentrate its holdings to fewer companies than a normal equity fund may. Individual holdings may not exceed twenty (20) per cent of the value of the Fund. The Fund may as a minimum have eight (8) different holdings, which can be compared to a normal UCITS fund which is obligated, as a minimum, to have sixteen (16) different holdings.

The assets of the Fund can be invested in the following classes of assets:

- *Transferable securities* in the form of equity and equity related transferable securities, issued by Swedish limited companies or admitted to trading on a regulated market in Sweden,
- *Money market instruments* which are issued or guaranteed by a state, by a municipality or a governmental or municipal authority in a country within the EEA, with a remaining maturity of maximum 180 days, provided however that a maximum of 30 per cent of the Fund's net asset value may be invested in money market instruments,
- *Fund units* in the form of Exchange Traded Funds (ETF), provided however that a maximum of 10 per

cent of the net fund assets may be invested in fund units, and

- *Deposits at credit institutions.* At least 90 per cent of the Fund's net asset value shall be invested in equities and other transferable securities issued by Swedish limited companies or admitted to trading on a regulated market in Sweden, deposited at Swedish credit institutions or invested in money market instruments which are issued by an issuer domiciled in Sweden.

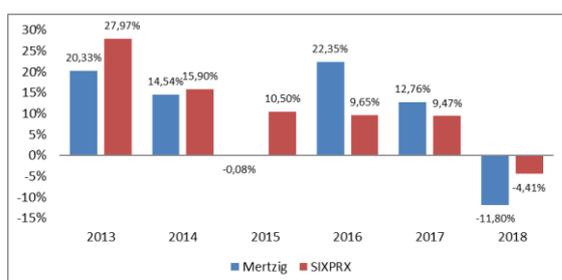
The Fund has been granted exceptions from the rules regarding UCITS funds in paragraph one and paragraph two item three Chapter 5 Section 6 of the Swedish UCITS Act, whereby the net fund assets may be invested in transferable securities issued by a single issuer as follows (meaning that the Fund always shall have at least eight (8) different holdings of transferable securities):

- in a maximum of eight (8) cases, the net fund assets may be invested in transferable securities issued by a single issuer, equivalent to a maximum of twelve and a half (12.5) per cent of the net fund assets, alternatively
- in a maximum of one (1) case, the net fund assets may be invested in transferable securities issued by a single issuer, equivalent to a maximum of twenty (20) per cent of the net fund assets, next to one or more cases of such investments that corresponds to a maximum of 11.4 per cent of the net fund assets.

The fund is an actively managed fund. However, the core of the Fund's portfolio consists of its largest positions, which will be managed on a long-term basis. This means that the Fund's management model in large entails a low turnover of the assets of the Fund.

## Historical returns

The Fund's results (returns) are calculated after deduction of an annual fee. The value for all the years is calculated in Swedish kronor (SEK) and with the dividends re-invested in the Fund. Previous returns are no guarantee of future returns. The Fund was formed on 3 May 2010.



## 5. Fees

### Deposit and redemption fee

Deposits in and withdrawal from the Fund are currently not associated with any fees.

### Management fee

The management fee is currently two (2) per cent of the Fund's average value per year. This constitutes the highest fixed fee that may be taken from the Fund.

### Performance-based management fee

No performance-based management fees are charged for the management of the Fund.

### Reporting of Analysis Costs

Stock trading for a fund has traditionally been done by the manager, providing a stock order to a third party (a bank or a securities company) for execution at the best possible price based on the instructions given by the manager. Renumeration for the executed order has been paid through brokerage fees. The brokerage fee has included both transaction costs and costs for investment analysis.

To highlight transaction costs and costs for investment analysis, brokerage fees must be replaced by a separate

transaction cost item and a separate investment analysis cost item. With help from these separate reports, the unit holders will get a complete picture of these costs. The unit holders are only charged, through the fund, for transaction costs and the Company carries the investment analysis costs.

When trading on the fixed income market, brokerage fees are not payable, as trading takes place with a spread (the difference between bid and ask prices). A separation of costs in accordance with the above can therefor not take place. Read more about inducements at [www.mertzig-am.com](http://www.mertzig-am.com).

## 6. Subscription and redemption of fund units

### Subscription

Minimum amount at the initial subscription is ten million Swedish kronor (MSEK 10), and thereafter a minimum of five million Swedish kronor (MSEK 5) per subscription.

Subscription of fund units can take place by the last of respective calendar month (the subscription date), provided however that the subscriber has made a complete subscription application to the Company no later than five (5) days prior to the last day of the month. Application shall be made on a specific form provided by the AIF manager upon request via telephone or e-mail. The subscriber is responsible for ensuring that the form is duly signed, that a correct bank account number has been stated and that other documents which the AIF manager at every given time require have been communicated to the AIF manager or to the one the AIF manager assigns.

### Redemption

Redemption of fund units can take place by the last day of each calendar month (the redemption date). Request for redemption of fund units shall be the AIF manager, or the one who the AIF manager assigns, at hand no later than ten (10) bank days prior to the redemption date.

Such request may only be rescinded if the AIF manager admits to it. Request for redemption cannot be limited. Request for redemption shall be made on a special form provided by the AIF manager upon request via telephone or e-mail. The fund unit holder is responsible to ensure that such form is duly signed, that a correct bank account number has been stated and that other documents which the AIF manager at every given time require have been communicated to the AIF manager or the one who the AIF manager assigns.

Fund unit shall be redeemed on the redemption date if means are available in the Fund. If that is not the case, means shall be procured through sale of the Fund's assets and redemption shall be executed as soon as possible. In the event that such a sale would significantly prejudice the interests of other fund unit holders, the AIF manager may, following notification to the Swedish Financial Supervisory Authority, delay such sale.

#### **Subscription and redemption price**

Subscription and redemption price for a fund unit is the net asset value per unit, calculated on the subscription, or redemption date respectively. Subscription and redemption are made at a net asset value unknown at the time a request for subscription/redemption is submitted.

It is not possible to limit a subscription and redemption order.

#### **Temporary closure of the Fund**

The fund rules state that if trade in a financial instrument in which the Fund's assets are invested is halted due to the fact that exceptional conditions prevail on the market or extraordinary events, and the AIF manager for such reason is unable to determine the net asset value per unit even on objective grounds and such a determination could cause damage to the fund unit holders the AIF manager is, after notification to the Swedish Financial Supervisory Authority, entitled to

postpone the date for calculation and publishing of the net asset value per unit, postpone the subscription date and redemption date respectively and the calculation of the subscription price and redemption price respectively, until trade has recommenced, if the total value of the holding in such financial instruments make up five (5) per cent or more of the Fund's total financial exposure.

#### **7. Valuation of the assets of the Fund**

The Fund's value consists of the Fund's assets after deduction of the Fund's liabilities.

The financial instruments included in the Fund are valued on basis of the current market value, which means the most recent ask price. If such prices are missing, or if the price is misleading according to the Company's assessment, the Company may determine the value on objective grounds.

Cash and cash equivalents and short-term receivables, in the form of assets on bank accounts and short-term investments in the money market and cash and cash equivalents for sold securities, are recorded at the amount at which they are expected to influence.

The value of a fund unit is the Fund's value as expressed above, divided by the number of outstanding fund units. The Swedish Financial Supervisory Authority has granted an exception from the provision in the 4<sup>th</sup> chapter, 10<sup>th</sup> section, fifth paragraph in the Swedish Alternative Investment Fund Manager Act. This means that the fund unit value is determined at each month-end as of the last banking day of the month.

## 8. Information on risk

### General information on risks related to investment in funds

Investing in funds is always associated with a certain level of risk. The value of the capital that has been invested may both increase and decrease in value, and a person investing in the Fund may not get back all of the capital that has been invested. The risks are generally higher for investments in equity funds and lower for balanced and fixed income funds.

Different types of risks are connected to fund management, e.g.:

*Market risk:* the risk that the price or market value for the financial instruments that the Fund is invested in decreases (most importantly risks relating to interest rates, currency, and stock markets).

*Exchange/currency risk:* that the value of an investment can be influenced by changed exchange rates.

*Political risk:* the risk of political instability.

*Credit risk:* that an issuer or counterparty will suspend payments.

*Interest risk:* is calculated for fixed income funds and shows how many per cent the value of a fixed income fund decreases if market interest rates increase/decrease with one per cent.

*Liquidity risk:* the risk that the assets in the Fund cannot be liquidated in time or at a reasonable price.

*Operational risk:* risk associated with the Fund's operational activities, e.g. IT systems, personnel, administration etc.

The AIF manager has classified the Fund in accordance with the EU standard for risk classification.

The Fund is classified pursuant to a seven-point scale, a so called indicator for risk/reward, where 1 refers to the lowest

risk and 7 refers to the highest risk. Please note however that class 1 is not entirely risk free. The classification appears from the Fund's information sheet.

### Risk profile of the Fund

The AIF manager measures risk through the risk measurement tracking error, which measures the Fund's risk against a benchmark. The Fund aims at having a trailing 12 month tracking error of between 0.5 and 10 per cent against its benchmark, the SIX Portfolio Return Index. The desired average level of risk may be exceeded or undercut during unusual market conditions or in case of extraordinary events.

As mentioned above the Fund is an equity fund, and investments in equity are always associated with a risk of share price fluctuations (market/stock market risk). The Fund's intended concentration of shares admitted to trading on a few market places involves a risk, and large price fluctuations may occur. The Fund will normally have a fewer number of holdings than a traditional Swedish equity fund, implying that the Fund periodically will have a higher risk profile than such Swedish equity funds. The risk of the Fund is however reduced since investments in transferable securities and money market instruments referred to in Chapter 5, Section 5 in the Swedish UCITS Act is prohibited by the fund rules.

The liquidity risk, i.e. that securities may not be converted at the planned time without major price reduction or at major costs, is however reduced through provisions in the fund rules stating that redemption must be notified no later than ten (10) bank days prior to redemption date.

The Fund's assets are invested in securities admitted to trading in Swedish kronor (SEK), why the currency risk is limited.

## Management of liquidity risk

Disbursement to the unit holder of redemption proceeds may be delayed due to liquidity risk.

In order to achieve consensus between investment strategy, liquidity profile and methods for redemption the unit holder shall be able to redeem his/her units according to the principle of fair treatment of unit holders and in accordance with the conditions and methods for redemption which is applicable to the Fund. The Fund managed by the Company shall have a liquidity profile corresponding to the Fund's underlying obligations. The Company assesses whether there is consensus between the investment strategy, liquidity profile and methods for redemption. The Company shall consider the effect redemption may have on the Fund's assets.

In order to ensure that the risk measurements and the limits are adequate and sufficient stress tests are performed on a regular basis. Stress tests shall identify and measure the liquidity risk in the Fund during a number of different scenarios, in order to ensure that the Fund's liquidity profile also under conditions that deviate from the normal conditions, correspond to the Fund's underlying obligations.

If risk measurements or limits indicate that the liquidity risk in the Fund is significantly higher than what follows from the Fund's risk profile, the AIF manager shall develop a plan of action for management of liquidity risk.

### For whom is the fund suitable?

The fund is open to the public. The fund is suitable for investors seeking long term commitment in the Swedish market, with a minimum investment capital of SEK 10 million. Any investment in the Fund

should be considered as a long term investment, and for equity fund's EFAMA<sup>1</sup> recommends a minimum commitment period of five years. Investors unwilling to accept large fluctuations in prices should not invest in the fund.

## 9. Liability

The AIF manager shall compensate any damages imposed on the Fund by the AIF manager or a contractor by violation of the Alternative Investment Fund Managers Act or other regulations regulating the AIF manager's operations, fund rules, articles of association or internal rules based on regulations for AIF managers operations.

## 10. Cessation and transfer of the management of the Fund

If the AIF manager wishes to terminate management of the Fund, management shall be assumed by the depositary of the Fund at the time at which the operations cease. Following authorisation by the Swedish Financial Supervisory Authority, the AIF manager may transfer management of the Fund to another Swedish AIF manager. The transfer may not take place earlier than three months after the publication of the change of management, if the Swedish Financial Supervisory Authority has not made an exemption granting the transfer to take place earlier.

If the Swedish Financial Supervisory Authority revokes the AIF manager's authorisation, or if the AIF manager enters into liquidation or is declared bankrupt, the management of the Fund shall immediately be assumed by the depositary.

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<sup>1</sup> EFAMA (short for "European Fund and Asset Management Association") is the representative association for the European investment management industry.

The AIF manager may, following authorisation from the Swedish Financial Supervisory Authority, merge the Fund with another Fund, or divide it. The AIF manager shall inform the unit holders of the changes. Information in this regard shall also be made available at the AIF manager and the depositary.

The Fund may be merged or divided no earlier than three months after the Swedish Financial Supervisory Authority has made its decision.

Information regarding the above mentioned changes in respect of the Fund shall be published in the Official Swedish Gazette (*Sw. Post- och inrikes tidningar*) and shall be made available at the AIF manager and the depositary.

### **11. Changes of the fund rules**

The AIF manager may make changes to the Fund's fund rules. Each such change must be subject to the Swedish Financial Supervisory Authority's approval. The changes may affect the provisions of the Fund, such as the Fund's investment policy, fees and risk profile. When a change has been approved, the decision from the authority must be held available at the AIF manager and the custodian, as well as being published in a manner instructed by the Swedish Financial Supervisory Authority.

### **12. Sustainability**

The Fund managers assess sustainability factors in corporate analyses in the same way as operational and financial factors. The management strategy is that sustainability factors affect future development opportunities. Furthermore, issuers who do not take social, ethical and environmental considerations in their business, cause commercial and trademark risks. Further information about the AIF managers sustainability work can be found in appendix to this prospectus.

### **13. Tax rules**

The following description is of general character and is based on Swedish tax law at the time of the publication of this prospectus.

Special rules may apply for certain categories of persons and entities liable for taxation. In addition, taxation may be affected by individual circumstances. Current and potential unit holders unsure as to possible tax consequences should seek expert assistance. Legal persons intending to invest in the Fund are always advised to seek counsel to determine which tax consequences investment in funds may lead to. Individuals and legal persons liable to pay tax in another country are requested to further investigate the applicable tax rules in each respective country.

#### *Taxation of the Fund*

As from 1 January 2012 special funds are no longer subject to taxation.

The Fund does not pay any dividends and all income is reinvested in the Fund.

#### *Taxation of unit holders (individuals)*

As from 1 January 2012, individuals who own fund units in a special fund shall in their tax declaration include a standard income corresponding to 0.4 per cent of the capital base. The capital base is equivalent to the value of the units at the beginning of the calendar year. The standard income shall be taxed as income of capital and is to be paid at 30 per cent.

Profit or loss due to sale (redemption) of fund units is to be taxed as income of capital for individuals, i.e. as capital gain or capital loss. The capital gain is based on the calculation of the difference in value of the units at the time of sale (redemption) and the cost amount (*Sw. omkostnadsbelopp*).

If only part of the holding is redeemed, the standardized method of average value (*Sw. genomsnittsmetoden*) shall be applied when calculating the cost amount. Capital gain is to be taxed as income of capital. Tax is paid at 30 per cent.

In case of deficits in capital, tax on earned income, real estate tax and municipal property charge (*Sw. kommunal fastighetsavgift*) is reduced. Tax reduction of 30 per cent for deficits up to SEK 100,000 (and 21 per cent of the deficit that exceeds this amount) is permitted.

Standard income and capital gains and losses are reported in the statement of income etc. to the Swedish Tax Authority (*Sw. Skatteverket*), but no tax deduction is made.

Special rules apply for self-employed (*Sw. enskilda näringsidkare*).

#### *Taxation of unit holders (legal persons)*

Limited companies and other legal persons, with the exception of estates, are liable to pay tax for all income as income from business activities with a tax rate of 22 per cent.

As in the case of individuals, a unit holder shall include a standard income of 0.4 per cent of the capital base to be taxed as income from business activities. The capital base is equivalent to the value of the units at the beginning of the calendar year. Exceptions apply to units constituting a legal person's stock-items accounted for at net realisable value.

Capital losses on partnership rights, which include units in special funds, may only be deducted against capital gains on other partnership rights (*Sw. aktiefällan*). To the extent that the loss cannot be utilized, it can be rolled forward until set-off opportunities arise.

When calculating capital gains or losses, the standardized method of average value is used when calculating costs.

Statement of income in respect of a legal person is not filed to the Swedish Tax Authority.

*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

Mertzig Equity Fund Sweden

## Introductory provisions

Mertzig Equity Fund Sweden (the "Fund") is a special fund pursuant to the Alternative Investment Fund Managers Act (2013:561) ("AIFMA"). The activities are conducted in accordance with these fund rules, the articles of association of the AIF manager, AIFMA and other applicable legislation and regulations.

### § 1 The special fund's legal status

The net fund assets are owned by the fund unit holders jointly, i.e. those who have made deposits in the Fund. Each fund unit entitles to an equal share of the assets included in the Fund. The AIF manager manages the Fund and maintains a register of all fund unit holders.

The Fund is not a legal person and can therefore not acquire rights or assume obligations. The Fund is however a separate tax entity. The AIF manager represents the fund unit holders in all issues which concern the Fund.

The Fund is intended for the public.

### § 2 Fund manager

The Fund is managed by Mertzig Asset Management AB (reg. no. 556786-3435) (the "AIF manager").

### § 3 Depositary and its duties

The assets of the Fund are held by Skandinaviska Enskilda Banken AB (publ), (reg. no. 502032-9081), as depositary.

The depositary's assignment is to keep the Fund's assets and to execute the AIF manager's decisions regarding the Fund. The depositary shall control that the decisions taken by the AIF manager regarding the Fund do not contravene

AIFMA or the fund rules of the Fund.

### § 4 The nature of the Fund

The Fund is an equity fund which invests in equities and other transferable securities issued by Swedish limited companies or which are admitted to trading on a regulated market in Sweden. In addition, the Fund's assets are to a limited extent invested partly in money market instruments with short maturity and in exchange traded fund units.

The objective of the management of the Fund is to achieve good long term value growth through good risk diversification.

### § 5 The Fund's investment objectives

The assets of the Fund can be invested in the following classes of assets:

- *Transferable securities* in the form of equity and equity related transferable securities, issued by Swedish limited companies or admitted to trading on a regulated market in Sweden,
- *Money market instruments* which are issued or guaranteed by a state, by a municipality or a governmental or municipal authority in a country within the EEA, with a remaining maturity of maximum 180 days, provided however that a maximum of 30 per cent of the Fund's net asset value may be invested in money market instruments,
- *Fund units* in the form of exchange traded funds (ETFs), provided however that a maximum of 10 per cent of the net fund assets may be invested in fund units, and
- *Deposits at credit institutions.*

At least 90 per cent of the Fund's net asset value shall be invested in equities and other transferable securities issued by Swedish limited companies or admitted to trading on a regulated market in Sweden, deposited at Swedish credit institutions or invested in money market instruments which are issued by an issuer domiciled in Sweden.

The Fund has been granted exemption from the rules regarding UCITS funds in paragraph one and paragraph two item three Chapter 5 Section 6 of the Swedish UCITS Act, whereby the net fund assets may be invested in transferable securities issued by a single issuer as follows (meaning that the Fund always shall have at least eight (8) different holdings of transferable securities):

- in a maximum of eight (8) cases, the net fund assets may be invested in transferable securities issued by a single issuer, equivalent to a maximum of twelve and a half (12.5) per cent of the net fund assets, alternatively
- in a maximum of one (1) case, the net fund assets may be invested in transferable securities issued by a single issuer, equivalent to a maximum of twenty (20) per cent of the net fund assets, next to one or more cases of such investments that corresponds to a maximum of 11.4 per cent of the net fund assets.

The Fund seeks a well-diversified portfolio of investments with good risk diversification.

The Fund will normally have a fewer number of holdings than a traditional Swedish equity fund, implying that the Fund periodically will have a higher risk profile than such Swedish equity funds.

The AIF manager seeks that the average level of risk of the Fund shall be between 0.5 and 10 per cent, measured as trailing twelve months tracking error in relation to the Fund's benchmark SIX Portfolio

Return Index (SIXPRX). It should be particularly noted that the desired average level of risk may be exceeded or undercut in the event of unusual market conditions or extraordinary events.

## **§ 6 Market places**

Purchase and sale of transferable securities shall take place on a regulated market within the EEA or on a corresponding market outside of the EEA. Trade may also take place on another market within or outside of the EEA, which is regulated and open to the public.

## **§ 7 Specific investment objectives**

The assets of the Fund may not be invested in transferable securities and money market instruments referred to in Chapter 5 Section 5 in the Swedish UCITS Act, nor in OTC-derivatives or other derivative instruments.

## **§ 8 Valuation**

The value of the Fund consists of the Fund's assets after deduction of liabilities. The value of one fund unit is the value of the Fund divided by the number of outstanding units.

The Fund's assets are calculated as follows:

- Financial instruments are valued according to data on current market value. If information regarding current market value is missing, or is misleading according to the AIF manager's assessment, valuation may be carried at a value determined by the AIF manager on other objective basis.
- Cash and cash equivalents, short term debt in the form of assets in bank accounts, short term investments on the money market and proceeds for sold securities are valued at the amount expected to be received.

For all assets, associated rights in the form of interest, dividends, issue rights and similar are taken into account.

Liabilities are made up of:

- Remuneration to the AIF manager
- Unpaid liquidity relating to purchased financial instruments
- Contingent taxes.

The value of one fund unit (net asset value per unit) is the value of the Fund, calculated as above, divided by the number of outstanding fund units. The net asset value per unit is determined at the end of each month. The net asset value per unit is therewith determined at the last day of the preceding calendar month, and published by way of posting at the AIF manager within 5 bank days from every monthly turn, meaning that the Fund has been granted exception from Chapter 4 Section 10 paragraph three in Swedish UCITS Act.

### **§ 9 Subscription and redemption of fund units**

#### Subscription

Subscription of fund units can take place by the last day of the respective calendar month (the subscription date), provided however that the subscriber no later than 5 bank days prior to the last day of the month has made a complete subscription application to the AIF manager. The application shall be made on a special form provided by the AIF manager. The subscriber is responsible for ensuring that such form is duly signed, that a correct bank account number has been stated and that other documents which the AIF manager at every given time require have been communicated to the AIF manager or the one who the AIF manager assigns.

The minimum amount at the initial subscription is ten million Swedish kronor (MSEK 10), and thereafter a minimum of five million Swedish kronor (MSEK 5).

The AIF manager has, according to § 10

below, the possibility to temporarily postpone the subscription date.

#### Subscription price

The subscription price is the net asset value per unit as at the subscription date, calculated in accordance with § 8 above. The price is unknown at the time the subscription application is submitted to the AIF manager. Proceeds shall be available on the Fund's bank account no later than five bank days prior to the subscription date. Should the proceeds not be available on the Fund's bank account within that stipulated time, the AIF manager has the right to refuse approval of the subscription application.

The number of fund units that the subscribed amount has resulted is notified to the fund unit holders when the value of the units have been determined, no later than seven bank days from the respective turn of the month. The AIF manager has, according to § 10 below, the possibility to temporarily postpone calculation of the subscription price.

#### Redemption

Redemption of fund units can take place by the last day of each calendar month (the redemption date). Request for redemption of fund units shall be the AIF manager, or the one who the AIF manager assigns, at hand no later than ten (10) bank days prior to the redemption date. Such request may only be rescinded if the AIF manager admits to it. Request for redemption cannot be limited. Request for redemption shall be made on a special form provided by the AIF manager. Fund unit holder is responsible to ensure that such form is duly signed, that a correct bank account number has been stated and that other documents which the AIF manager at every given time require have been communicated to the AIF manager or the one who the AIF manager assigns. Exception from Chapter 4 Section 13 paragraph one of the Swedish UCITS Act has been granted.

Fund unit shall be redeemed on the redemption date if means are available in the Fund. If that is not the case, means shall be procured through sale of the Fund's assets and redemption shall be executed as soon as possible. In the event that such a sale would significantly prejudice the interests of other fund unit holders, the AIF manager may, following notification to the Swedish Financial Supervisory Authority, delay such sale.

The AIF manager has, according to § 10 below, the possibility to temporarily postpone the redemption date.

#### Redemption price

The redemption price for a fund unit is the net asset value per unit on the redemption date, calculated in accordance with § 8 above. The redemption price is unknown at the time the request for redemption is submitted to the AIF manager.

No fees are payable at redemption. Redemption proceeds are received no later than fifteen bank days after the redemption date.

The AIF manager has, according to § 10 below, the opportunity to temporarily postpone the calculation of the redemption price.

#### **§ 10 Temporary closure of the Fund**

If trade in a financial instrument in which the Fund's assets are invested is halted due to the fact that exceptional conditions prevail on the market or extraordinary events, and the Company for such reason is unable to determine the net asset value per unit even on objective grounds and such a determination could cause damage to the fund unit holders the AIF manager is, after notification to the Swedish Financial Supervisory Authority, entitled to postpone the date for calculation and publishing of the net asset value per unit, postpone the subscription date and redemption date respectively and the calculation of the subscription price and redemption price respectively, until trade has recommenced,

if the total value of the holding in such financial instruments make up 5 per cent or more of the Fund's total financial exposure.

#### **§ 11 Fees and reimbursement from the Fund**

The maximum fee that may be charged from the Fund is two (2) per cent of the Fund's value per year. In this fee is included remuneration for management of the Fund, cost for analysis, transaction costs for asset keeping by depositary, supervisory activities and auditors. In addition, commission fees are charged to the Fund for the Fund's purchase and sales of financial instruments, as well as taxes.

#### **§ 12 Dividends**

The Fund does not pay any dividends, but instead reinvest all incomes in the Fund.

#### **§ 13 Financial Year of the Fund**

The financial year for the Fund is the calendar year.

#### **§ 14 Annual reports, half-yearly reports and amendments to the fund rules**

Annual reports and half-yearly reports are established and rendered for the Fund. These shall be sent to the fund unit holders who have requested to receive the information and be kept available at the AIF manager and the depositary no later than four and two months after the latest year end and half-year end respectively.

Amendments to the fund rules shall be submitted to the Swedish Financial Supervisory Authority for approval. Following approval, the fund rules in their new wording shall be kept available at the AIF manager and the depositary and, where appropriate, be published in a manner specified by the Swedish Financial Supervisory Authority. The amendments shall enter into force in connection with publication, or the later point in time stated in the publication.

## § 15 Pledging and assignment

Fund units can be assigned and pledged.

The AIF manager maintains or will let a register be maintained over fund unit holders' holding of fund units. In the event of an assignment, a notification shall be made to the AIF manager. Such notification shall state (i) the assignor and (ii) to whom the fund units are assigned.

Pledging of fund unit shall be notified in writing to the AIF manager. The notification shall state (i) the pledge holder, (ii) the number of fund units covered by the pledge, (iii) the owner of the fund units and (iv) any restrictions on the scope of the pledge.

The AIF manager registers the pledge in the fund unit holder register. The unit holder is notified in writing of the pledge. Once the pledge has been terminated, the pledge holder shall notify this in writing to the AIF manager.

The AIF manager is entitled to charge the fund unit holder a maximum fee of SEK 400 for pledge administration.

## § 16 Limitation of liability

If the depositary has lost financial instruments held in custody with the depositary, the depositary shall without undue delay return a financial instrument of identical type or the corresponding amount to the Fund. The depositary is however not liable in the case the loss of the financial instruments or other damage has arisen as a result of an external event beyond the depositary's control, such as damaged caused by a Swedish or foreign legal enactment, act of Swedish or foreign governmental authority, events of war, strike, blockade, boycott, lock out or other similar circumstance. The AIF manager is not responsible for damage caused by such external event beyond the AIF manager's control. The reservation in case of strike, blockade, boycott and lock out shall also apply if

the depositary or the AIF manager themselves are the subject of, or should bring, such industrial action. The depositary or the AIF manager is not liable for damage caused by a – Swedish or foreign – stock exchange or another market place, central securities depository or clearing organization.

The depositary or the AIF manager is not responsible for damage caused by restriction on the AIF manager's or the depositary's right of disposition which may be imposed on the financial instruments.

Loss that has arisen in other cases shall not be compensated by the AIF manager or the depositary (respectively), if the AIF manager or the depositary (respectively) has observed normal standard of care and unless otherwise does not follow from applicable peremptory law. Neither the AIF manager nor the depositary is in any case liable for indirect loss. If the AIF manager or the depositary is prevented due to circumstances set out in paragraph two, to wholly or partially enforce actions, may the action be postponed until the circumstance preventing enforcement has ceased. In case of a postponed disbursement as a consequence by such circumstance the AIF manager or the depositary (respectively) shall pay interest on overdue payments (*Sw. dröjsmålsränta*). If interest has been agreed, the AIF manager or the depositary (respectively) shall pay interest according to the interest rate applicable on the due date. If the depositary due to a circumstance set out in paragraph two, is hindered to receive payment for the Fund, the Fund is entitled to interest rate for the period during which the obstacle existed, only under the conditions prevailing the due date. The AIF manager is not liable for damages caused by the depositary.

Neither is the AIF manager liable for damage caused by a unit holder's or other's violations of legislation or other regulation or these fund rules. Hereupon shall the unit holder note that the unit holder is responsible for all documents that has been received by the AIF manager being truthful and duly signed and that the AIF manager has been notified of any changes regarding submitted information.

The AIF manager is liable for damages according to Chapter 8 Sections 28-31 AIFMA. The depositary is liable for damages according to Chapter 9 Section 22 AIFMA.

### **§ 17 Admissible investors**

The fact that the Fund is directed to the general public does not mean that it is directed to investors whose redemption of a holding in the Fund or participation in general is contradictory to the provisions in Swedish or foreign legislation or regulation. Neither is the Fund directed to investors whose redemption or holding of units in the Fund entails that the Fund or the AIF manager becomes obligated to take registration actions or other actions that the Fund otherwise would not be obligated to take. The AIF manager is entitled to deny subscription (redemption) to such investors referred to in this paragraph.

The AIF manager may redeem a unit holder's holdings in the Fund – against the unit holders approval – if such unit holder has subscribed for units in the Fund in breach of provisions in Swedish or foreign legislation or regulations or if the AIF manager due to the unit holders redemption or holdings of units in the Fund becomes obligated to take registration actions or other actions in relation to the Fund or the AIF manager that the AIF manager otherwise would not be obligated to take if the unit holder did not have holdings in the Fund.

Redemption according to the previous paragraph shall be executed immediately. What is provided for in Section 9 above relating to disbursement of redemption proceeds shall apply also for redemption pursuant to this Section 17.

# Appendix

## Sustainability declaration

- Sustainability aspects are taken into account in the management of the fund
- Sustainability aspects are NOT taken into account in the management of the fund

### Mertzig Equity Fund Sweden uses positive screening

- **Sustainability aspects are critical in the manager's choice of companies**  
The fund has specific and explicit criteria for positive selection of companies, based on environmental, social and business ethics issues. An analysis of the companies' sustainability work is critical to the selection of the companies in the fund.

- **The manager of the fund take sustainability issues into account.**  
Sustainability issues are taken into account in the context of corporate economic analyses and investment decisions and play a part, but not necessarily a crucial one, in determining which companies are selected for inclusion in the fund.  
Fund management company's comments  
*Monitoring if the fund's investments meets the Company's internal guidelines for sustainability is performed twice a year using Sustainalytics.*

- **The manager of the fund has access to sustainability analysis**  
The manager of the fund has access to company specific sustainability analysis, which in some cases may affect which companies that are selected in the fund.

### Mertzig Equity Fund Sweden uses negative screening

The fund does not invest in companies involved in the following products and services

- Cluster bombs, landmines
- Chemical and biological weapons
- Nuclear weapons
- Alcohol
- Pornography

### International norms

The company uses Sustainalytics screening regarding international norms for environment, human rights and business ethics. UN's rules for Global Compact are also included in the screening.

- The fund avoids investing in all companies identified as failing to comply with international norms.
- Companies where the fund detects no willingness to change or where, in the opinion of the fund, the companies will fail to get to grips with the problems within an acceptable timeframe are excluded for investment purposes.

### Mertzig Asset Management AB influences

The Company does not exercise any investor influence and will not participate in nomination procedures nor board work. The Company will not be represented at General meetings in order to exercise its voting rights.

- In-house investor influence
- Investor influence in cooperation with other investors
- Voting at General Meeting
- Participation in nomination procedures in order to influence the composition of the Board
- Other forms of investor influence

## Resources

Resources for analysis, follow-up and control

- **The fund uses in-house resources for sustainability analysis and engagement.**  
Fund management company's comments  
*The fund's managers assess sustainability factors in corporate analyses. In case of any uncertainties the company consults Sustainalytics for an ad hoc screening of the intended investment.*
- **The fund uses external resources for sustainability analysis and engagement.**  
Fund management company's comments  
*The company has entered into an agreement with Sustainalytics and performs a screening twice a year against internally set sustainability goals.*
- **International norms.**  
Fund management company's comments  
*The company uses Sustainalytics screening regarding international norms for environment, human rights and business ethics. UN's rules for Global Compact are also included in the screening. The fund avoids investing in all companies identified as failing to comply with international norms.*

## Additional information

- The fund's investments are published on the fund company's website.
- The fund's investments are published in the fund's half-yearly report which can be obtained upon request.
- Fund manager publish an annual sustainability report.