

*This text is a translation of the Swedish version of the fund provisions for the Excalibur Fund. In case of discrepancies, the Swedish version shall prevail.*

## FUND PROVISIONS - EXCALIBUR

### **§ 1 Legal Status of the Fund**

The name of the Fund is Excalibur (the “Fund”).

The Fund is a special fund as defined in the Swedish Law on Alternative Investment Funds Managers (2013:561), (below called “LAIF”).

The Fund assets are jointly owned by the unit holders and each unit entitles the holder to equal rights to the property of the Fund. The unit holders are not liable for obligations of the Fund.

The Fund may not acquire rights or assume obligations. Nor shall the Fund have legal capacity to sue in, or be brought before, courts of law or any other public authority. Property of the Fund may not be subject to attachment (*Sw. utmätning*). The Company represents the unit holders in all matters concerning the Fund, makes decisions concerning the property of the Fund and exercises all of the rights in connection with the property.

The Fund is directed to the public and not to a limited group of people.

### **§ 2 Management Company**

The Fund is managed by Excalibur Värdepappersfond AB, corporate identity no 556677-7396, (the “Company”).

### **§ 3 The Custodian**

The Fund’s assets are entrusted to Skandinaviska Enskilda Banken AB (publ), corporate identity no. 502032-9081, (the “Custodian”) for safe-keeping.

The Custodian implements decisions by the Company pertaining to the Fund. The Custodian takes receipt of and holds in custody the property of the Fund, and ensures that the Company acts in accordance with the Law regulating Investment Funds 2004:46 (LVF), these Fund Provisions and those other regulations issued by the Swedish Financial Supervisory Authority regarding the investments of the Fund, sale and redemption of units and valuation of units.

### **§ 4 The Structure of the Fund**

The Fund is a hedge fund that concentrates principally on the interest markets of the European countries and the G7-area. The Fund’s objective is to, in accordance with the investment policy, achieve solid capital appreciation for unit holders through active management primarily on Swedish and international markets for fixed-income financial instruments. The intention is to generate such return regardless of price development on bond, stock, foreign exchange and commodities markets. The Fund will use different kinds of derivatives strategies, loans and short sale, *i.e.* sale of financial instruments that the Fund does not own, but disposes over.

## § 5 Investment Policy

### § 5.1 General

The Fund's assets may be invested in transferable securities, money market instruments, derivative instruments, fund units and deposits with credit institutions.

Derivative instruments means instruments such as swaps, options and futures, where the underlying asset is or relate to *e.g.* interest-bearing transferable securities, money market instruments, financial indexes, interest rates or currency exchange rates and other derivative instruments which are listed on a Swedish or foreign regulated market or an equivalent market outside of the EEA in accordance with § 6 below. The management will also include the entering into agreements on repos and buy/sell back transactions of financial instruments according to established industry practice, as well as the raising and granting of securities loans.

A maximum of 10 per cent of the Fund assets may be invested in units of other funds or foreign fund management companies. A maximum of 10 per cent of the Fund assets may be deposited with credit institutions. The Fund may always hold the liquid assets necessary for the management.

### § 5.2 Exceptions from statutory provisions and the Swedish Financial Supervisory Authority's Regulations

The Fund has been granted the following exemptions in respect of the investment policy from the provisions of the LVF and the Swedish Financial Supervisory Authority's regulations on Investment Funds (FFFS 2013:9).

With exemption from Chapter 5, Section 6, first paragraph and second paragraph 3 LVF, a maximum of 40 per cent of the Fund assets may be invested in interest-bearing transferable securities and money market instruments issued by a single issuer. The exposure is calculated as the market value in on-balance instruments and the underlying market value in off-balance instruments. Interest-bearing transferable securities and money market instruments issued or guaranteed by a state or municipal authority in a state within the EU and EFTA, and Australia, Hong Kong, Japan, Canada, Singapore, and the USA, or a public international body of which one or more of the mentioned federations or countries are members, are not covered by the restriction above, providing that the possession of issued or guaranteed transferable securities and money market instruments of a single issuer derive from at least two different issues, and that one issue does not exceed 50 percent of the Fund's value. The latter investment opportunity is an exemption from Chapter 5, Section 6, second paragraph 1 LVF. In addition, the Fund's assets must always be invested according to the principle of risk-spreading.

With exemption from Chapter 5, Section 13, second paragraph, LVF, the total exposure arising from derivative instruments may exceed the Fund value. However, the level of risk exposure arising from derivative instruments is limited by the provisions in § 7.2 below.

With exemption from Chapter 5, Section 14, LVF the exposure to a single counterparty in conjunction with transactions with such derivative instruments as are referred to in Chapter 5,

Section 12, second paragraph, LVF may not exceed 25 per cent of the Fund value. In this context, exposure means collateral requirements.

With exemption from Chapter 5, Section 19, subsection 2 and 3, LVF the Fund may not, hold more than 25 per cent of money market instruments, bonds and other debt securities, issued by any single issuer.

With exemption from Chapter 5, Section 21 and 22, LVF the Fund's total exposures towards a single company or towards companies in a single company group may not exceed 50 per cent of the Fund value.

With exemption from Chapter 5, Section 23, first paragraph, subsection 1 and second paragraph, LVF the Fund may raise cash loans. Such cash loans may not exceed 50 per cent of the Fund value.

With exemption from Chapter 5, Section 23, first paragraph, subsection 3, LVF the Fund may sell interest-bearing transferable securities, money market instruments and derivative instruments which are not included in the Fund (so called genuine and non-genuine short sale).

### *§ 5.3 Objectives of Levels and Measurement of Risk*

The objective of the Fund's average level of risk, measured as an annual standard deviation over a rolling twenty four month period, is to be maximum 8 per cent. However, it should be noted that the average level of risk aimed for might be either higher or lower in case of unusual market situations or extraordinary situations.

The Fund utilizes historical Value at Risk ("VaR") as its calculating statistical risk measurement tool. The Fund's calculated VaR, based on positive and negative exposures, may not exceed four per cent of the Fund value. If the Fund's exposure exceeds the limit, it shall be corrected as soon as possible. Reasonable considerations to the unit holders must, however, be taken.

In order to describe the historical risk profile of the Fund, measurements are used such as:

- Standard deviation
- Best/worst time period
- Maximum loss
- Maximum time for recovery of loss
- Longest period of zero return
- Negative results

The VaR of the Fund is calculated daily with a confidence interval of 99%. Furthermore, there is an automated check up daily, to ensure that the limitations on investments pursuant to LVF and these Fund Provisions are complied with in the management of the Fund. Measurements to describe the historical risk profile of the Fund are calculated at least quarterly.

## **§ 6 Marketplaces**

The Fund's assets may be invested in a regulated market, or equivalent market outside EES, and in other markets, within or outside EES, which are regulated and open to the public and included in the Fund's Investment Policy.

## **§ 7 Special Investment Policy**

### *§ 7.1 Non-listed transferable securities and money market instruments*

The Fund may contain such non-listed interest-bearing transferable securities and money market instruments described in Chapter 5, Section 5 LVF, however, not exceeding 10 per cent of the Fund value.

### *§ 7.2 Derivative instruments*

The Fund may utilize derivative instruments as a link in its investment policy. The Fund will to a large extent utilize such derivative instruments that are mentioned in Chapter 5, Section 12, second paragraph, LVF (so called OTC derivatives).

#### *§ 7.2.1 Options*

The Fund's total market value of options held must not exceed a maximum of 25 per cent of the Fund value. Accordingly, this is the maximum risk of losses the Fund may be exposed to at any time arising from purchased option positions. The Fund's total collateral requirement for options written may not exceed 25 per cent of the Fund value. Options written, where the risk of losses is eliminated through long or short positions in the underlying instrument, should be excluded in the aforementioned calculations.

#### *§ 7.2.2 Futures, swap agreements, repos and buy/sell back transactions*

The collateral requirement ensuing from the Fund's trading in futures, swaps, repos and buy/sell back transactions must not exceed a maximum of 80 per cent of the Fund value.

#### *§ 7.2.3 Currency derivatives*

The sum of all positive net exposures in any particular currency in respect of futures and options (with the exception of SEK) must not exceed 50 per cent of the Fund value and the sum of all negative net exposures must not fall below 50 per cent of the Fund value.

#### *§ 7.2.4 Total collateral requirement*

The Fund's total collateral requirement for options, futures, swaps, repos, buy/sell back transactions and securities loans must not exceed a maximum of 90 per cent of the Fund value. Collateral provided as security for credit obtained through cash loans is not included in this calculation.

### *§ 7.3 Repos, buy/sell back transactions etc.*

The Fund may use such techniques and instruments as described in Chapter 25, Section 21 of FFFS 2013:9 to reduce cost and risk in the Fund, or with the purpose to increase return or create leverage in the Fund, for instance by entering into agreements concerning repos and buy/sell back transactions of financial instruments, as well as enter into and exit from securities loans.

## **§ 8 Valuation**

The Fund value corresponds to the Fund assets after deducting the liabilities of the Fund.

The net asset value per unit is equivalent to the Fund's total net asset value divided by the number of units in the Fund. All units are equal in size and entitle the holders thereof to equal rights in the Fund assets.

The Company will determine the value of the Fund assets on a daily basis. With exemption from Chapter 4, Section 10, paragraph 5, LVF the net asset value per fund unit is calculated as above as per the last day of each month. Furthermore, an indicative net asset value per unit is calculated daily by the Company. After the last banking day of each month, the Company will inform the unit holders of the calculated value of the units and each individual unit holder of the calculated value, net of accrued performance fees, if any, of their respective units. The calculated change in the Fund assets net of total accrued performance fees, if any, will be published monthly on the Company's website [www.excalfond.se](http://www.excalfond.se).

The Company will value the Fund's financial instruments on the basis of applicable market values. Market value for OTC derivatives will be based on commonly used valuation models, such as FX futures valuation, the bootstrap zero-coupon method, Black & Scholes, and Black -76. If such market value is unavailable or is clearly misleading, the Company will determine the market value in an objective manner. In respect of non-listed holdings, ie such holdings described in Chapter 5, Section 5, LVF, this may entail that information regarding market valuation variables may be obtained from independent market actors.

## **§ 9 Subscription and Redemption of Units**

### *§ 9.1 General*

The subscription and redemption of units may, with exemption from Chapter 4, Section 13, first sentence, LVF be effected through the Company monthly on the last banking day prior to the end of each month. Requests for subscriptions or redemptions should be submitted in a specific form obtainable from the Company and be forwarded to the Company by facsimile, mail or e-mail, together with required enclosures. Originals and enclosures should thereafter be sent to the Company by mail. The unit holder is liable for ensuring that the relevant form is duly signed and the correct account number stated.

A request for subscription or redemption of units shall be submitted no later than ten banking days prior to month end. If the Company receives the request for subscription or redemption later than ten banking days before month end, the Company reserves the right to reject approval of such request to subscribe or redeem.

### *§ 9.2 Subscription amount*

The minimum initial investment in the Fund is SEK 500,000. The subscription amount should be on the bank account for subscriptions at the latest by 3 pm two bank days before the month end. Should the subscription amount arrive later than that, the Company reserves the right not to accept the subscription for the relevant month.

In the event that the Company deems that the size of the subscription of new units would significantly prejudice the interest of the other unit holders, the Company may decide on the maximum amount for subscription of new units from time to time. In such case, the Company shall primarily ensure that each subscriber is allotted units corresponding to the minimum investment allowed as described above, after which the excess subscription amount is reduced through a pro rata reduction of each single investor's subscribed amount. The Company will in such case notify the subscriber of the Company's decision, the amount that has been allotted and offer the investor the possibility to subscribe for new units at the following subscription date.

### *§ 9.3 Redemption*

Requests for redemption may be revoked only if the Company accepts it. Requests for redemption cannot be limited.

Fund units are redeemed by utilizing the Fund assets. If assets for redemption must be acquired through sale of the Fund assets, such sale and payment of the redemption amount will be effected as soon as possible. In the event such sale would significantly prejudice the interest of the other unit holders, the Company may, following notification to the Swedish Financial Supervisory Authority, postpone such sale.

### *§ 9.4 Unit price*

The price of a unit is the market value of the unit at month end. The Company may charge a fee not exceeding 10 per cent of the subscription amount. Such fee represents remuneration to the Company for subscribing for units.

The redemption price of a unit is the market value of the unit on the redemption date. No fees are payable when units are redeemed.

Subscriptions and redemptions are made at prices unknown to the unit holder at the time of submitting the request for the subscription or the redemption. Information regarding unit prices is sent to the unit holders after each month end and can be obtained from the Company.

### *§ 9.5 Extraordinary circumstances*

The Fund may be closed for entry and exit in extraordinary circumstances when it is impossible to value the Fund assets in a manner that ensures the unit holders' equal rights.

## **§ 10 Fees and Remuneration**

### *§ 10.1 General*

Remuneration will be paid to the Company out of the Fund assets. The remuneration to the Company comprises a fixed fee and a performance fee.

Costs for the purchase and sale of financial instruments are charged to the Fund. Such costs include customary brokerage, registration expenses, and transaction charges.

### *§ 10.2 Fixed fee*

Remuneration will be paid to the Company for its management of the Fund out of the Fund assets. The remuneration also covers the Company's costs for administration of the Fund, the fixed costs of the Custodian, and the supervisory fees to the Swedish Financial Supervisory Authority. It also covers remuneration to the Company's auditors for review of the Fund's books. The fixed fee will be payable at 1.0 per cent of the Fund value per year. The fee will be paid monthly in arrear and be based on the opening Fund value in the relevant calendar month's first day.

### *§ 10.3 Performance fee*

The performance fee corresponds to 20 per cent of the total return, after deducting the fixed fee, each unit holder receives above the benchmark return. The benchmark return is defined as the market yield of Treasury Bills maturing in the third month of the calendar quarter to which the benchmark return relates. Market yields are defined as the median value of the offered rate published by Swedish National Debt Office resellers at the close of the Swedish bond market on the final banking day of that calendar quarter preceding the calendar quarter to which the benchmark return relates.

The performance fee is paid in arrear at the turn of each calendar month. If a unit holder receives a return that is below the benchmark return, no performance fee is payable until the shortfall (the difference between the actual return and the benchmark) has been compensated. On such occasion when a unit holder whom earlier have paid performance fee, redeems units at a time when the return from the Fund is lower than the benchmark return, earlier fees are not repaid.

The Fund will pay the performance fee, although this fee will be charged to each unit holder pro rata with the returns such unit holder has received, by amending the number of units held. Each holder's number of units is calculated based on the unit holder who pays the highest performance fee per unit. This unit holder's net asset value per unit constitutes the base for calculating the new number of units of the Fund. The number of units is rounded up to four decimals. The performance fee is rounded downwards to the nearest Swedish krona (SEK).

## **§ 11 Dividends**

The Fund will not pay dividends.

## **§ 12 Fiscal Year of the Fund**

The fiscal year of the Fund is the calendar year.

## **§ 13 Annual Report and Semi-Annual Report**

The Company will prepare an Annual Report and Semi-Annual Report. The Annual and the Semi-Annual Reports will be available from the Company and from the Custodian and will be published on the website of the Company within four months of the end of the fiscal year (the Annual Report), and within two months of the end of the relevant reporting period (the Semi-Annual Report). The Annual and Semi-annual reports will be sent free of charge to the unit holders upon request.

## **§ 14 Amendment of the Fund Provisions**

Amendment of the Fund Provisions must be approved by the Swedish Financial Supervisory Authority. Amendments will be announced in such manner as the Swedish Financial Supervisory Authority deems appropriate and will be available at the Company.

## **§ 15 Pledge or Transfer of units**

Units may be pledged. The Company must be notified in writing about the pledge and such notice must be signed by the owner of the units (the “Pledgor”). The notification shall specify the Pledgor, the number of units pledged, the owner of the units and any limitations on the pledge. The Company will register the pledge in the unit holders’ register and notify the registration of the pledge to the unit holder in writing. When the pledge is terminated, the Pledgor will notify the Company in writing.

Transfer of units may only be made:

- a) by gift,
- b) in order to complete the division of joint property of husband and wife,
- c) in order to complete a transfer between different legal entities within the same group (*Sw. koncern*), or
- d) in order to enforce a pledged unit.

Upon transfer, a notice, signed by the buyer and the seller, shall be given to the Company. Upon the transfer, accumulated over- or shortfall return will be transferred to the buyer. If the buyer already holds units, the acquired units will be dealt with separately when the performance fee is calculated.

## **§ 16 Limitation of Liability**

In case the Custodian has lost financial instruments which are in custody with the Custodian or its depot bank, the Custodian shall instantaneously return equivalent financial instruments or a value equivalent to the financial instruments to the Fund. The Custodian is, however, not liable in case the loss of the financial instruments, or other damage, is caused by something outside of the Custodian’s control, such as damage relating to Swedish or foreign statutes, an act from a Swedish or foreign authority, an acts of war, strikes, blockades, boycotts, lockouts or other similar happening. The Company is not liable for damage caused outside of its



control. The exemption from liability in the case of strikes, blockades, boycotts and lockouts applies even if the Company is itself the object or originator of such actions. Neither the Custodian, nor the Company is liable to a damage caused by – Swedish or foreign – exchange or other market place, central custodian or clearing organisation.

Neither the Company nor the Custodian is liable for damages to the Fund or unit holders or other parties as a result of any restriction on dispositions with respect to financial instruments imposed on the Company and/or the Custodian.

The Custodian is not liable for losses in financial instruments which is in custody by a depot bank/Custodian or other contractor that the Custodian has retained with due care for custody of financial instruments and with whom the Custodian has agreed transfer of liability, with rights for the Company to make demands directly to the Custodian. Such transfer of liability from the Custodian to depot bank is a consequence of the Custodian asking the depot bank to keep in custody foreign financial instruments in a local market in such a way as stipulated in the current custody agreement between the Custodian and the Company.

Neither the Company nor the Custodian will indemnify any damages arising from other circumstances, assuming that due care has been observed, and unless it is not a consequence of relevant mandatory law.

Neither the Company nor the Custodian is in any circumstance liable for indirect damages.

If there is an obstacle that prevents the Company and/or the Custodian from wholly or partly taking action on the basis of circumstances specified in the second paragraph above, the action may be postponed until the obstacle has ceased to exist. If the Company and/or the Custodian is prevented by such circumstances from making or accepting payment, neither the Company, the Custodian nor the unit holder will be liable to pay penalty interest. If interest is deemed, the Company or the Custodian shall pay interest based on the interest rate on the maturity day. If the Custodian due to circumstances specified in the second paragraph is prohibited to receive payment for the Fund, the Custodian has right to interest for the time there has been an obstacle only according to the terms applicable at the maturity day.

The Company is not liable to damage caused by the Custodian or its depot bank. Neither is the Company liable for damages occasioned by a unit holder or other party violating any law, ordinance, stipulation or these Fund Provisions. In this context, unit holders' attention is drawn to their liability for ensuring that instructions provided to the Company are correct and duly signed and that the Company is informed of changes to the information provided.

The Company is liable according to Chapter 8, Sections 28-31, LAIF. The Custodian is liable according to Chapter 9, Section 22, LAIF.

#### **§ 17 Sales Restrictions**

The Fund is not registered in accordance with the United States Securities Act 1933 or the US Investment Companies Act 1940 or any applicable US law. As a result, shares of the Fund may not be offered, sold or otherwise distributed to persons in the United States. Furthermore, shares in the Fund may not be offered, sold or otherwise distributed to any natural or legal person if the Company's assessment is that this would involve or result in a risk of

- (i) violation of Swedish or foreign law or regulation,
- (ii) the Fund having to take special measures for registration or other measures, or suffer significant disadvantages from a tax or economic perspective, and if this cannot be reasonably required of the Company, or
- (iii) the Fund suffering damage or costs that are not in the interest of the Shareholders.

Those who wish to acquire units in the Fund shall declare their national domicile to the Company and at the Company's request, confirm that he or she is not subject to the above restrictions. Unit holders are also liable to, if appropriate, notify the Company of any change with regard to national domicile.

If the Company judges that it has no right to offer, sell or otherwise distribute fund units in accordance with the first paragraph, the Company has the right to refuse execution of such a commission as the purchase of shares in the Fund, and, where appropriate, without prior consent, redeem the possession of fund units of such a unit holder on his behalf and disburse such additional funds to him.