Fund provisions - Excalibur Fixed Income

§ 1 Legal status of the Fund

The name of the Fund is Excalibur Fixed Income, hereinafter referred to as the Fund.

According to the Act (2013: 561) on managers of alternative investment funds (hereinafter referred to as LAIF), the Fund is a special fund and special master fund for an alternative investment fund. The Fund's special feeder funds are "Excalibur (EUR)" and "Excalibur (USD)".

The Fund's assets are owned by the unitholders collectively. Each fund unit in each share class carries an equivalent right to the Fund's assets. The unitholders of the Fund are not liable for the Fund's obligations.

The Fund may not acquire rights or assume obligations. In addition, the Fund cannot bring a lawsuit before a court or any other authority. The assets of the Fund cannot be seized.

The AIF Manager represents the unitholders in all matters pertaining to the Fund, decides on the assets included in the Fund, and exercises the rights deriving from the assets.

The Fund is open to the general public and not a select group.

The Fund has the following share classes:

Share class A - Accumulating

Share class B – Distributing

Unless otherwise specified below, the Fund provisions apply equally to both share classes.

§ 2 Fund manager

The Fund is managed by Excalibur Asset Management AB, corporate registration number 556677–7396, hereinafter referred to as the AIF-Manager.

§ 3 The Custodian and its tasks

The Fund's assets are held by Skandinaviska Enskilda Banken AB (publ), corporate registration number 502032–9081, as a Custodian, hereinafter referred to as the Custodian.

The Custodian shall implement the AIF Manager's decisions regarding the Fund. The Custodian shall also receive and hold the Fund's assets in custody and is furthermore responsible for ensuring that the AIF Manager complies with the Law Lag 2004:46 om värdepappersfonder, LVF, (Investment Funds Act), the Fund provisions, and the Swedish Financial Supervisory Authority's regulations regarding the Fund's assets, the subscription and redemption of fund units, and the valuation of fund units.

§ 4 The nature of the Fund

The Fund is a hedge fund with focus primarily on fixed income markets in Europe and the G7 countries. The management's objective is to achieve a positive absolute return over time through active management, primarily in Swedish and international markets for interest-bearing financial instruments, in accordance with the Fund's investment policy. The objective is to achieve this rate of return regardless of price movements in fixed income, equity, currency, and commodity markets. The Fund employs various derivative strategies, borrowing, and short selling, i.e., the sale of financial instruments that it does not own but disposes over.

§ 5 The Fund's investment policy

§ 5.1 General

The Fund's assets may be invested in transferable securities, money market instruments, derivative instruments, fund units, and bank accounts.

Derivative instruments include swaps, options, and futures where the underlying asset consists of or relates to for example interest-bearing transferable securities, money market instruments, financial indices, interest rates, or exchange rates. In accordance with industry standards, the management also enters repos and buy/sell back transactions for financial instruments and provides securities loans.

The Fund may invest up to 10 percent of its assets in units of other funds or foreign fund companies.

§ 5.2 Exemptions from legal provisions and the Swedish Financial Supervisory Authority's regulations

Described below are the exemptions the Fund has received from the investment provisions of the Investment Funds Act (2004: 46) and the Swedish Financial Supervisory Authority's regulations (FFFS 2013: 9) on mutual funds.

With the exception of Chapter 5, § 6, first paragraph, second paragraph 1, and third paragraph of LVF, the Fund has no restriction regarding the proportion of the Fund's value that may consist of transferable securities and money market instruments from one and the same issuer if they are issued or guaranteed by a state, by a municipality , or by a state or municipal authority in an EU and EFTA country as well as in Australia, Hong Kong, Japan, Canada, Singapore, the United Kingdom and the United States or an intergovernmental organization of which one or more of the listed areas are members.

The risks associated with investments in instruments issued by the issuers mentioned in the preceding paragraph are instead limited by the restriction on the Fund's total VaR that follows from the second paragraph of § 5.3 below.

With the exception of Chapter 5, § 6, first paragraph, second paragraph 2, and third paragraph of LVF, the Fund's investments may amount to 50 percent of the Fund's total exposure, measured according to the commitment method as described in Article 8 of the AIF Regulation (231/2013), in transferable securities and money market instruments issued by one and the same issuer, if they consist of debt securities issued in accordance with the Act (2003: 1223) on the issuance of covered bonds, or corresponding foreign debt securities.

Up to forty percent of the Fund’s value may be invested in transferable securities and money market instruments issued by the same issuer, with the exception of Chapter 5, § 6, first paragraph, second paragraph 3, and third paragraph of LVF.

With the exception of Chapter 5, § 13, second paragraph 2 of LVF, the Fund’s total exposures to derivative instruments may exceed its value, except were prohibited by Chapter 5, § 13, second paragraph 2 of LVF. The provisions of § 7.2, however, limit the level of risk associated with exposures to derivative instruments.

With the exception of Chapter 5, § 14 of LVF receives exposure to the same counterparty in transactions involving derivative instruments described in Chapter 5, § 12, second paragraph of LVF amount to no more than 25 percent of the value of the Fund. Exposure refers to margin requirements in this context.

With the exception of Chapter 5, § 19, second and third paragraphs of LVF, the Fund may hold no more than 25 percent of the instruments issued by a single issuer for money market instruments, bonds, and other debt instruments.

With the exception of Chapter 5, § 21 of the LVF, the Fund’s total exposures to a single company or group of companies may not exceed 50 percent of the Fund’s total value.

With the exception of Chapter 5, § 22 of LVF, the Fund’s total exposure to a single company or group of companies cannot exceed 50 percent of its total value. In the case of debt securities issued in accordance with the Act (2003: 1223) on the issuance of covered bonds or corresponding foreign debt securities, however, the Fund’s total exposure to one and the same company or to companies in the same group of companies may not exceed fifty percent of the Fund’s total exposure, as determined by the commitment method outlined in Article 8 of the AIF Regulation (231/2013). This restriction, i.e., 50 percent of the Fund’s total exposure as measured by the commitment method outlined in Article 8 of the AIF Regulation (231/2013), shall also apply to the instruments described in the first sentence of this paragraph.

Transferable securities and money market instruments issued by issuers guaranteed by a state, municipality, or state or municipal authority in an EU and EFTA country, as well as in Australia, Hong Kong, Japan, Canada, Singapore, the United Kingdom, and the United States, or by an intergovernmental organization of which one or more of the listed areas is a member, are exempt from the restrictions imposed by Chapter 5, §s 21 and 22.

The Fund may obtain cash loans, with the exception of Chapter 5, § 23, first paragraph 1, and second paragraph of LVF. Loans raised may not exceed 50 percent of the Fund’s value (so-called genuine and spurious short selling).

With the exception of Chapter 5, § 21 of LVF, the Fund’s total exposures to a single company or group of companies may not exceed 50 percent of the Fund’s total value.

§ 5.3 Objectives for risk level and risk measures

The target for the average risk level of the Fund, as measured by annual standard deviation over a rolling twenty-four-month period, is that it should not exceed 8 percent. It should be noted, however, that the desired average level of risk may be exceeded under exceptional or unusual conditions.

Total exposures are calculated using historical Value-at-Risk (VaR). The estimated VaR cannot exceed 4 percent of the Fund's value and is calculated with a one-day time horizon and a 99 percent confidence level. If the Fund's exposures cause the limit to be exceeded, a correction must be made as soon as possible while taking unit holders' interests into account.

§ 6 Marketplaces

The Fund's assets may be invested in a regulated market or a corresponding market outside the EEA, as well as in another market, either within or outside the EEA, which is regulated, open to the public, and covered by the Fund's investment policy.

§ 7 Special investment policy

§ 7.1 Unlisted transferable securities and money market instruments

The Fund may invest in interest-bearing transferable securities and money market instruments referred to in Chapter 5, § 5 of LVF, but no more than 10 percent of the Fund's value may be invested in these assets.

§ 7.2 Derivative instrument

The Fund may make use of derivative instruments as part of its investment strategy. The Fund will rely heavily on derivative instruments as specified in Chapter 5, § 12, second paragraph of LVF (so-called OTC derivatives).

§ 7.2.1 Total margin requirements

Total margin requirements for options, futures, swap agreements, repos, repurchase transactions, and securities loans cannot exceed 90 percent of the value of the Fund. This amount does not include collateral provided in conjunction with loans.

§ 7.3 Repos, buy/ sell back transactions etc.

The Fund may employ the techniques and instruments described in Chapter 25, § 21 of FFFS 2013: 9 to reduce costs and risks or to increase returns and create leverage, such as entering into agreements on repos and repurchase transactions of financial instruments and raising and providing securities loans.

§ 8 Valuation

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

As the Fund has two share classes, one that pays dividends and one that does not, the AIF Manager must take this into account when determining the price. The value of a unit in a particular share class of the Fund is calculated by dividing the value of the unit class by the number of outstanding units in the relevant share class.

The AIF Manager determines daily the net asset Value of the Fund. With the exception of the fifth paragraph of Chapter 4, § 10 of LVF, the fund unit value is computed as described above on the last calendar day of each month. Moreover, the AIF Manager calculates a daily indicative fund unit value. After the end of each month, the AIF Manager shall notify the unitholders of the fund unit's value and the estimated value of each fund unitholder's share following the settlement of fixed and performance-based compensation. The monthly estimate of the change in the Fund's net asset value, after payment of total fixed and performance-based compensation, will be posted on the AIF Manager's website.

The AIF Manager values the financial instruments held by the Fund based on their current market value. The market value of OTC derivatives is determined using standard valuation models, such as FX futures valuation, the bootstrap zero coupon method, Black & Scholes, and Black -76. If this market value is missing or clearly misleading, it is included in the AIF Manager's objective market value assessment. Regarding unlisted holdings, as defined in Chapter 5, § 5 of LVF, this may imply that information on market valuation variables is obtained from independent market participants.

§ 9 Subscription and redemption of fund units

§ 9.1 General

With the exception of Chapter 4, § 13, first sentence of LVF, subscription and redemption of fund units may occur at the end of each month through the AIF Manager. Requests for subscription and redemption must be made on a specific form provided by the AIF Manager and emailed or mailed to the AIF Manager along with any appendices required by the AIF Manager at any time. It is the unitholder's responsibility to ensure that the request is complete and properly signed.

The AIF Manager must receive requests for subscription of fund units no later than two banking days prior to the end of the month, and requests for redemption of fund units no later than ten banking days prior to the end of the month. If the AIF Manager receives the subscription or redemption request later than two and ten banking days, respectively, before the end of the month, the AIF Manager reserves the right to deny the subscription or redemption request.

§ 9.2 Subscribed amount

The minimum initial subscription amount for share class A is SEK 500,000 and share class B is SEK 1,000,000. The subscribed amount must be transferred to the funds bank account reserved for subscriptions no later than 15:00 on the second-to-last banking day before the end of the month. If the payment is not received in the account on time, the AIF Manager reserves the right to deny the subscription request.

The AIF Manager may, from time to time, determine the maximum total amount for subscription if the size of the subscription amount, as determined by the AIF Manager, could significantly harm the interests of other unitholders. In such instances, the AIF Manager shall first ensure that all subscribers are allocated units corresponding to the minimum permitted subscription amount in accordance with the foregoing, and then reduce the excess subscription amount by a proportional reduction of each investor’s subscribed amount. In such instances, the AIF Manager will notify the subscriber of the AIF Manager’s assessment, the amount allocated, and offer the subscriber the chance to execute the remaining subscription at the next subscription opportunity.

§ 9.3 Redemption

Requests for redemption may only be revoked if the AIF Manager allows it. Requests for redemption cannot be limited.

Fund units are redeemed with assets from the Fund. If means for redemption must be raised through sale of Fund assets, such sale must be enforced, and redemption proceeds must be disbursed without delay. Should such a sale be likely to harm the interests of other unit holders, the AIF Manager may delay the sale after notifying the Swedish Financial Supervisory Authority.

§ 9.4 Price of the Fund unit

The unit price is comprised of the unit’s value at the end of each month. When subscribing for units, the AIF Manager may charge a fee of up to 10 percent of the total subscription price. The fee represents compensation for the subscription of fund units to the AIF Manager. No fees are charged when redeeming units.

Subscription and redemption are executed at an unknown price to the unitholder upon subscription or redemption request. Each month, information regarding the Fund’s performance is sent to unitholders and can be obtained from the AIF Manager.

§ 9.5 Extraordinary circumstances

The Fund may be closed to subscriptions and redemptions if extraordinary circumstances make it impossible to value the Fund’s assets in a manner that ensures equal rights for all unit holders.

§ 10 Fees and compensation

§ 10.1 General

The AIF Manager shall receive compensation from the Funds of the Fund. Compensation is paid in the form of a fixed fee and performance-based fee.

The Fund incurs expenses for the purchase and sale of financial instruments. These expenses may include customary commissions, registration fees, and transaction fees.

§ 10.2 Fixed fee

The AIF Manager shall be compensated from the Fund’s assets for its management. The compensation shall also cover the AIF Manager’s costs for the administration of the Fund, the Custodian’s fixed costs, the Swedish Financial Supervisory Authority’s supervision activities, and the AIF Manager’s auditors’ fees for auditing the Fund’s accounts. The AIF Manager’s annual fixed fee is equal to 1 percent of the Fund's value. The compensation will be paid monthly in arrears and will be based on the opening value of the Fund on the first day of each calendar month.

§ 10.3 Performance-based fee

The performance-based fee is equal to 20 percent of the portion of the total return, net of fixed compensation, that exceeds the threshold interest rate. The reference interest rate is defined as the market interest rate on a Treasury bill maturing in the third month of the reference quarter. The market interest rate is defined as the median value of the sales interest rates published by the Debt Office's resellers on the last banking day of each calendar quarter preceding the calendar quarter to which the reference interest rate refers.

The performance-based fee is calculated using a collective model and is paid in arrears at the end of each month. This indicates that all unitholders pay the same amount per Fund unit for any performance-based fee in a given month.

The Fund employs the high watermark principle when calculating performance-based fee. Until the previous sub-return (difference between return and reference rate) has been compensated, no performance-based compensation shall be paid if the Fund achieves a return below the return for the benchmark portfolio during a period and a positive return occurs in subsequent periods. If a unit holder redeems his units when the Fund has accumulated a sub-return relative to the benchmark interest rate, previously paid compensation will not be refunded.

§ 11 Dividend

Share class A – Accumulating. No dividend is paid in this share class.

Share class B - Distributing. Dividends are paid in this share class.

The board of directors annually determines the dividend to be paid to Share Class B unitholders. The dividend amount is specified in the Fund's fact sheet.

On the fixed dividend date, dividends accrue to the unitholder of Share Class B who is a registered unitholder with the AIF Manager. If applicable, dividend decisions will be made in March following the end of the fiscal year.

Following a dividend decision, dividend amount is distributed to fund unit holders in the form of a cash dividend at the beginning of the following month. According to the law, deductions must be made for the tax that must be withheld from unitholders' dividends. After deducting tax, the dividend shall be paid to an account designated by the unit holder.

§ 12 The Fund's financial year

The fiscal year of the Fund is the calendar year.

§ 13 Annual report and half-yearly report

The AIF Manager must submit an annual and a semi-annual report to the Fund. The annual report and the half-year report must be made available at the AIF Manager and the Custodian no later than four months (annual report) after the end of the fiscal year and two months after the end of semi-annual period (half-year report). The reports must also be provided at no cost to unitholders upon request.

§ 14 Pledge and transfer

Fund units can be pledged. The pledge must be communicated in writing to the AIF Manager and signed by the Fund unitholder (the pledger). The notification must identify the mortgagee, the number of fund units covered by the pledge, the Fund unitholder, and any restrictions on the scope of the pledge. The AIF Manager records the pledge in the unitholder register and notifies the unitholder by letter that the pledge has been recorded. When the pledge is no longer in effect, the mortgagee must inform the AIF Manager in writing.

Transfer of fund unit may only take place:

a) by gift,

b) to carry out the division of matrimonial property,

c) to carry out a succession,

(d) to carry out a transfer between different legal entities within the same group, or

e) to realize pledged fund units.

A notification, signed by the buyer and seller, must be provided to the AIF Manager upon transfer. The accumulated excess or underperformance shall be transferred to the acquirer upon transfer.

§ 15 Limitation of liability

In the event that the Custodian has lost financial instruments that have been deposited with the Custodian or its custodian bank, the Custodian shall promptly return to the Fund financial instruments of the same type or an amount corresponding to the value. However, the Custodian is not liable if the loss of the financial instruments or other damage is caused by an external event beyond the Custodian's control, such as damage caused by Swedish or foreign legislation, Swedish or foreign government action, war, strike, blockade, boycott, or other similar circumstance. The AIF Manager is not liable for damages caused by such an uncontrollable external event. The reservation regarding strikes, blockades, boycotts, and lockouts is applicable regardless of whether the Custodian or the AIF Manager is subject to or takes such conflict measures. The Custodian or the AIF Manager is not responsible for damages caused by a Swedish or foreign exchange or other marketplace, central securities depository, or clearing organization.

The Custodian or the AIF Manager is not liable for damages resulting from a restriction of disposition that may be imposed on the AIF Manager or the Custodian with respect to financial instruments.

The Custodian is not liable for the loss of financial instruments held by the custodian bank or another institution that provides similar services and with which the Custodian, with careful consideration, has contracted to hold financial instruments, provided that the Custodian has agreed to transfer liability with the right for the AIF Manager to make claims directly against the custodian bank. This transfer of responsibility from the Custodian to the custodian bank is a result of the Custodian's assignment to the custodian bank to store foreign financial instruments in a local market in accordance with the terms of the existing Custodian agreement between the Custodian and the AIF Manager.

Damages incurred in other circumstances shall not be compensated by the AIF Manager or the Custodian if the AIF Manager or the Custodian has exercised ordinary care and unless otherwise required by applicable law.

However, neither the AIF Manager nor the Custodian is liable for indirect harm.

If the AIF Manager or the Custodian is unable to implement measures due fully or partially to a circumstance described in the second paragraph, the measure may be delayed until the obstacle has been removed. In the event that a payment is delayed, neither the AIF Manager nor the Custodian shall pay default interest. If interest is pledged, the AIF Manager or Custodian is obligated to pay interest at the rate in effect on the due date. If a circumstance specified in the second paragraph prevents the Custodian from receiving payment for the Fund, the Custodian is only entitled to interest for the period during which the obstacle existed according to the terms in effect on the due date.

The business is not responsible for any damages caused by the Custodian or its custodian bank. Neither is the AIF Manager liable for damages caused by unitholders or third parties who violate laws or other statutes or Fund provisions. In doing so, unitholders are informed that it is their responsibility to ensure that documents submitted to the AIF Manager are accurate and properly signed, as well as to notify the AIF Manager of any changes to the information provided.

The AIF Manager is liable for damages under Chapter 8, §s 28–31 of LAIF. According to Chapter 9, § 22 of LAIF, the Custodian is responsible for damages.

§ 16 Restriction on sales rights etc.

The Fund is not registered under the United States Securities Act of 1933, the United States Investment Companies Act of 1940, or any other applicable United States law. Due to this, units of the Fund cannot be offered, sold, or otherwise distributed to U.S. citizens. Units in the Fund may not be offered, sold, or otherwise distributed to natural or legal persons if, based on the AIF Manager's evaluation, doing so would pose a risk of;

(i) violation of Swedish or foreign law or constitution,

(ii) that the AIF Manager must take special registration or other measures or incur significant disadvantages from a tax or financial point of view and this cannot reasonably be required of the AIF Manager, or

(iii) that the Fund incurs damage or costs that are not in the interest of the unit holders.

Those who wish to acquire units in the Fund must declare the AIF Manager as their national domicile and, at the AIF Manager's request, certify that they are not subject to the aforementioned restrictions. Unitholders must also notify the AIF Manager of any changes to their national domicile, if applicable.

If the AIF Manager determines that it is not authorized to offer, sell, or otherwise distribute fund units in accordance with the first paragraph, it has the right to refuse execution of such an assignment to purchase fund units and, if applicable, to redeem the unit holder's holdings in the Fund on his behalf and pay him additional funds.