

## Fund rules for Lannebo Småbolag Select

### **§ 1 The fund's legal status**

Lannebo Småbolag Select, hereinafter the fund, is a special fund regulated under the laws (2013: 561) regarding the management of alternative investment funds, hereinafter called AIFM (Alternative Investment Fund Managers Act). The management of the fund is conducted in accordance with these fund rules, the statutes of the fund management company, AIFM and other applicable regulations.

The unit holders jointly own the fund's assets, and each fund unit carries equal rights to the assets included in the fund. The fund management company, as indicated in § 2, manages the fund and represents unit holders in all matters relating to the fund, decides on the assets included in the fund and exercises the rights stemming from the fund. The fund may not acquire rights or assume obligations. The fund is intended for the general public.

### **§ 2 Management company**

The fund is managed by Lannebo Fonder AB, registered in Sweden no. 556584-7042, hereinafter referred to as the management company. The management company keeps a register of all unitholders and pledgees.

### **§ 3 Depository and its role**

Skandinaviska Enskilda Banken AB, registered in Sweden no. 502032-9081, has been appointed depository.

The depository is to implement decisions of the management company with respect to the fund and is to take receipt of and hold in custody the assets of the fund. The depository is to ensure that decisions regarding the fund that the management company has made, such as valuations and the redemption and sale of units take place in accordance with legislation, regulations and these fund rules.

### **§ 4 Nature of the fund**

The fund is an actively managed equity fund that invests in small- and medium-sized companies in the Nordic region, with the emphasis on Sweden. The fund is diversified and does not focus on a particular sector. The fund has greater freedom in its investment rules than UCITS funds.

The fund's overall financial objective is, while exercising due caution, to generate the greatest possible capital growth and achieve a good spread of risk.

### **§ 5 The fund's investment policy**

The fund's assets may be invested in transferable securities, money-market instruments, derivative instruments, fund units and deposits with credit institutions. The fund may invest a maximum of 10 per cent of its value in other funds or fund management companies.

The fund focuses on small- and medium-sized listed companies in the Nordic region, with the emphasis on Sweden, i.e. the fund's investment with a focus on Sweden should be at least 50 per cent of its value. The fund's assets may as a part of the investment strategy be invested in, amongst other, equities and other financial instruments that at the time of investments are held for trading at regulated exchanges in Sweden or other Nordic countries or meets the requirement to be listed in such a market within one year from the issue or that is issued by an issuer that at the time of investment is resident in Sweden or other Nordic countries. The fund's assets may also be invested in equities or other financial instruments that at the time of investment is traded in Swedish kronor or another local Nordic currency. Further examples of investments covered by the

fund's geographical focus may be specified in the prospectus of the fund. The criterion for a company's size is its market capitalisation at the end-of month before the time of investment, which may be a maximum of 1% of the Swedish stock market's total market capitalisation. The definition of the Swedish stock market's total stock value is described in the fund prospectus. Regardless of what is stated above regarding the fund's geographical focus, as well as the criterion for a company's size, the fund may hold such financial instruments that have to be included in the fund due to previous holdings such as result of take-overs, spin-offs or other corporate actions.

The fund is diversified and does not focus on a particular sector.

The fund may invest in derivative instruments on the condition that underlying assets are made up of or relate to some of the classes of assets referred to in chapter 5, Section 12, subparagraph 1 of the Swedish Securities Fund Act.

Rules in accordance with Chap. 5 LVF apply for the management of assets in a special fund, unless the FSA has authorized exceptions. The fund has been granted the following exemptions from the provisions in the Swedish Securities Fund Act with regard to its investment policy:

As a departure from chapter 5, section 5, paragraph 1 of the Swedish Investment Act, investments may be made in the negotiable securities referred to in chapter 5, section 5, paragraph 1 of the Swedish Securities Fund Act on the aforementioned market to a collective total of a maximum of 20 per cent of the value of the fund.

As a departure from chapter 5, section 6, subsection 1, paragraph 2, point 3 and the final paragraph and also chapter 5, section 21 of the Swedish Securities Fund Act, the fund's total exposure to any one company, i.e. the net value of the fund's holdings of negotiable securities issued by or relating to that company may amount to a maximum of 5% of the fund's net asset value, if the aggregate value of such assets does not exceed 60% of the fund's net asset value.

As a departure from Chapter 5. § 19 first paragraph 1 Swedish Securities Fund Act, the fund may hold non-voting shares in excess of 10 per cent of the shares of any single issuing issued to a maximum of 25 per cent.

As a departure from Chapter 5. § 20 first paragraph Swedish Securities Fund Act, the fund may acquire any shares carrying voting rights that it is possible for the fund to exercise a significant influence over the management of a company, however, limited to 25 per cent of the voting rights in a company.

The fund aims for a risk level that over time is on a par with the risk level for the stock market as a whole. The measure of risk used is the standard deviation in the fund's total return.

## **§ 6 Marketplaces**

The fund's assets may be invested in a regulated market or similar market within or outside the EEA or in some other market that is regulated and open to the public

## **§ 7 Special investment policy**

The fund may make use of the negotiable securities referred to in chapter 5, section 5 of the Swedish Securities Fund Act.

The fund may use derivative instruments as a part of its investment policy. The fund may invest in OTC derivatives in accordance with chapter 5, section 12, subparagraph 2 of the Swedish Securities Fund Act.

The fund may use such techniques and instruments as referred to in chapter 25 § 21 of the Swedish Financial Supervisory Authority's regulations (FFFS 2013:9) on investment funds in order to create leverage.

**§ 8 Valuation**

The value of a unit is the value of the fund divided by the number of outstanding units. The value of the fund is calculated by subtracting from the fund's assets those liabilities that pertain to the fund, including unpaid taxes as determined by the management company and the fees set out in § 11 below.

The fund's assets are calculated as follows:

- Negotiable securities, money-market instruments, derivative instruments and units are valued at their current market value (latest price paid or, if unavailable, latest bid price). If such prices cannot be obtained or are misleading in the view of the management company, negotiable securities, money-market instruments and derivative instruments and units may be included at a value arrived at by the management company on an objective basis.
- In the case of the negotiable securities and money-market instruments referred to in chapter 5, section 5 of the Swedish Securities Fund Act, a separate valuation will be established for the market value. The basis for the separate valuation may be for e.g. market prices from unapproved regulated markets or so-called market makers, other financial instruments admitted to trading on regulated markets or an index with adjustments for differences in, for example, credit risks and liquidity (reference values), discounted cash flows (current valuation or proportion of equity (year-end value)).
- In the case of OTC derivatives the market value will be established in accordance with a separate valuation. The basis for the separate valuation will be market prices from unapproved, regulated markets or so-called market makers, a reference value based on an identical derivative admitted to trading on a regulated market or a market value based on generally established valuation models (e.g. Black & Scholes for European options).
- Liquid assets, including deposits in bank accounts, current investments in the money market and deposits in accounts at credit institutions.
- Accrued interest.
- Accrued dividends.
- Sales not yet settled.
- Other receivables in respect of the fund.

The fund's liabilities are calculated as follows:

- Accrued management fees.
- Depository's fees.
- Purchases not yet settled.
- Tax liabilities.
- Other liabilities in respect of the fund.

The value of the units is to be calculated by the management company daily (each banking day).

**§ 9 Sale and redemption of units**

Sales (unitholder's purchase) and redemption (unitholder's sale) may be conducted on the last banking day each month. This is an exception in Chapt 4. § 13 first paragraph, first sentence LVF.

Any request for sale or redemption is made as detailed on the management company's website: [www.lannebofonder.se](http://www.lannebofonder.se).

Any requests for sale and redemption received by the management company by 16:00 two banking days before the last banking day of the month (12:00 on half days) will be processed on the last banking day in the month. Any requests received later than these times will be processed in the following month.

The minimum initial payment when selling units is SEK 100 000. The minimum payment per sale will subsequently be SEK 20 000.

A request for redemption may only be withdrawn if permitted by the management company.

The sale price for a fund unit is the fund unit value on the working day that the sale is conducted. The redemption price for a fund unit is the fund unit value on the working day that the sale is conducted. Sale and redemption is conducted at a rate that is not publicised to the unitholder at the time of the request for sale or redemption respectively.

Details on the sale and redemption rate are published on the management company's website, at the latest by the working day following the working day on which the fund unit value is established, as set out above.

In order to avoid the capital managed by the fund reaching an amount that means that the fund cannot be managed in an optimal manner for the fund and existing unitholders, the management company is entitled to decide to close the fund so that there can be no subscription to new units. Any such decision on closure would require the fund's managed capital to reach an amount that exceeds the capital limit laid down by the management company for optimal management. The capital limit laid down by the management company for optimal management is shown in the company's prospectus. Any decision to close the fund should be communicated at the time of the decision, but no later than 20 days before the date on which the decision on closure will enter into force with the fund being closed. Similarly, the Management Company's decision to open the fund should be communicated at the time of the decision, but no later than 30 days before the date on which new units may again be subscribed to. Information regarding any decision to close or open the fund should be published on the management company's website and also sent to unit holders at the registered address the management company holds.

## **§ 10 Extraordinary circumstances**

The fund may be closed for sales and redemptions in the event of extraordinary circumstances that mean that a valuation of the fund's assets cannot be performed in such a way as to uphold the equal rights of all unitholders, for example, if one or more of the markets the fund is traded in are partially or completely closed.

## **§ 11 Fees and payments**

Payments are to be made from the fund's assets to the fund manager in the form of both fixed and performance-based fees.

Brokerage for the fund's purchases and sales of financial instruments are to be paid by the fund, as is tax.

The management company may charge a fee of a maximum of 5% of the value of units in the case of sales. The management company may charge a fee of a maximum of 1% of the value of units in the case of redemptions. The redemption fees go to the fund while selling fees go to the management company.

### *Fixed fee*

The fee is calculated daily at no more than 1.1% of the assets of the fund per year. The fee is to be paid at the end of each month. This fee includes payment for the management of the fund and the costs of custody, supervision and auditing.

#### *Performance-based fee*

The fee, which is calculated individually for each unitholder and taken from the fund annually or on redemption, is payable only if the fund's relative capital growth has exceeded that of the fund's performance benchmark, defined as the 30-day STIBOR, monthly on the first banking day of each month, plus five per centage points but no less than zero per cent. If a unitholder's capital growth during a financial year (or month in the case of redemption) is below the fund's benchmark, and subsequent financial years bring positive relative capital growth, no variable fee will be payable until the earlier financial year's relative underperformance has been made up. The variable fee amounts to 20% of the excess return i.e. that part of the fund's capital growth which exceeds the benchmark.

The variable fee is to be paid by the fund but will be charged to each unitholder in relation to that particular unitholder's return by means of a change in the number of units held by each unitholder. The number of units held by the individual unitholder is calculated on the basis of the unitholder who is to pay the highest variable fee per unit. This unitholder's net value per unit forms the basis for calculating the new number of units in the fund.

#### **§ 12 Dividends**

As a rule, the fund does not issue dividends. However, the management company can decide on issuing dividends to unitholders if, in the management company's opinion, it is necessary to take advantage of the unitholders' joint interests. Dividends are then issued on a suitable day and to the extent that is considered appropriate. For the dividends accruing in a fund unit, the management company will, following any deductions for withholding tax, purchase new shares on behalf of unitholders who are registered to receive fund units on the day set aside for this purpose. The dividend on behalf of a fund unitholder – following any tax deductions – will instead be paid to the unitholder. Such a request must be carried out on the day determined by the management company, if not before.

#### **§ 13 The fund's financial year**

The fund's financial year is the calendar year.

#### **§ 14 Semi-annual report and annual report, and amendment of fund rules**

The management company is to prepare an annual report and a semi-annual report. The reports are to be sent to unitholders free of charge upon request and be made available at the offices of the management company and the depository within four months of the end of the financial year (annual report) and two months of the end of the six months period (semi-annual report) respectively. When sending out annual statements, the management company is to ask unitholders whether they wish to receive the annual report and semi-annual report.

The fund rules may be amended only by decision of the management company's board, and the decision must be submitted to the Swedish Financial Supervisory Authority for approval. Once the decision has been approved, it must be made available at the offices of the management company and the depository and be published by such other means as the Swedish Financial Supervisory Authority instructs.

#### **§ 15 Pledging of units**

Unitholders may pledge their units in the fund provided that the unitholder is not an insurance company that has invested insurance premiums on behalf of policyholders pursuant to the Swedish Insurance Business Act

(2010:2043) or a pension institution that has invested pension savings on behalf of pension savers pursuant to the Swedish Individual Pension Savings Act (1993:931).

In the event of pledging, the unitholder or his representative and/or the pledgee are to notify the management company of this in writing. The notification should state:

- who the unitholder is,
- who the pledgee is,
- which units are involved in the pledge, and
- any restrictions on the scope of the pledge.

The management company is to register the pledge in the register of unitholders and inform the unitholder in writing that the pledge has been registered. The pledge ceases to apply once the pledgee has informed the management company of this in writing. The management company is entitled to charge the unitholder a registration fee. This fee must not exceed SEK 500.

### **§ 16 Limitation of liability**

In the event that the custodian has lost financial instruments held in custody with the custodian or its custodian bank, the custodian shall without undue delay return to the fund financial instruments of the same type or an amount equivalent to the value. The custodian is not responsible in the event the loss of the financial instruments or other damage is caused by an external event beyond the custodian's control, such as damage due to Swedish or foreign legislation, Swedish or foreign authority, acts of war, strikes, blockades, boycotts, lockouts or other similar circumstances. The fund management company shall not be responsible for damage caused by such an external event beyond the fund's control. Provision with respect of strikes, blockades, boycotts and lockouts apply even if the custodian or the fund management company is the subject of, or is itself, taking such actions. Neither the custodian nor the fund management company is liable for any damages caused by - Swedish or foreign – stock exchange or other marketplace, central securities depository or clearing organization.

Neither the custodian nor the fund management company is liable for damage arising as a result of restriction of authority that can be brought against the fund management company or the custodian regarding financial instruments.

The custodian shall not be liable for any loss of financial instruments held by a depository bank or other provider of corresponding services that the custodian, with due care, engaged for the custody of financial instruments and with which the custodian has agreed to the transfer of responsibility, including the right for the fund management company to make claims directly against the depository bank. Such a transfer of responsibility from the custodian to the depository bank is a result of the custodian instructing the depository bank to keep foreign financial instruments in a local market in the manner specified in the custodian agreement in effect between the custodian and the fund management company.

The fund management company and the custodian shall not compensate for losses incurred in other events if the fund management company and the custodian have exercised normal prudence and provided that nothing otherwise follows by applicable mandatory law.

Neither the fund management company nor the custodian is responsible for indirect losses.

In the event the fund management company or the custodian is hindered from fully or partially enforcing measures due to circumstances mentioned in the second paragraph, measures may be postponed until the

impediment has ceased. In case of deferred payment as a result of such circumstances, neither the fund management company nor the custodian will pay punitive interest fees. If interest has been offered, the fund management company or the custodian shall pay interest at the rate in force on the due date.

Should the custodian, due to circumstances stated in the second paragraph, be prevented from receiving payment for the fund, the custodian, for the period during which the interference occurred, has the right to interest solely under the terms prevailing on the due date.

The fund management company is not liable for damages incurred by the custodian or its depository bank. Nor shall the fund management company be responsible for damages caused by a unit holder, or other, that breaches law or regulation or these fund rules. Unit holders are hereby notified that they are responsible for that the documents submitted to the fund management company are correct and duly signed and that the fund management company is informed of any changes to information submitted.

The fund management company is liability pursuant to Chapter 8. 28-31 §§ AIFM (Alternative Investment Fund Managers Act). The custodian is liable under Chapter 9. 22 § AIFM.

### **§ 17 Permitted investors**

The fact that the fund is aimed at the general public does not mean that it is aimed at the kind of investor whose selling of units in the fund or participation in general is contrary to the provisions in Swedish or foreign legislation or regulations. Nor is the fund aimed at the kind of investor whose selling or holding of units in the fund means that the fund or the management company will be obliged to take registration measures or other measures that the fund or management company would not otherwise be obliged to take. The management company is entitled to refuse to sell to the kind of investor referred to above in this paragraph.

The company may redeem the unitholder's units in the fund – despite opposition from the unitholder – if it turns out to be the case that a unitholder has subscribed to units in the fund contrary to Swedish or foreign legislation or regulations or, as a result of the unitholder's selling or holding of units in the fund, the management company becomes obliged to take registration measures or other measures that the fund or management company would not otherwise be obliged to take if the unitholder did not hold units in the fund.

Redemptions in accordance with the previous paragraph are to be executed immediately. The stipulations in § 9 above regarding payment will also apply in the case of redemptions in accordance with this § 17.

*The fund rules were adopted by the Board of the Management Company on 26 January 2016.*