

## Fund rules for Lannebo High Yield

### **§ 1 The fund's legal status**

The name of the investment fund is Lannebo High Yield, hereinafter referred to as the fund. The fund is a UCITS fund in accordance with the Swedish Securities Fund Act (2004:46), hereinafter referred to as the LVF. Business operations are conducted in accordance with these fund rules, the Articles of Association for the management company, the LVF and other applicable administrative provisions.

The fund's assets are jointly owned by the fund unitholders. Each unit of each share class holds equal right to the assets included in the fund. The management company as stated in § 2 manages the fund and represents the unitholders in all matters relating to the fund, decides on the assets included in the fund, and exercises any rights arising from the fund. The fund cannot acquire rights or assume any obligations.

The fund has the following share classes:

- A. Share class SEK – traded in Swedish krona (see § 9.2 below) and has a maximum management and custody fee of 1.1 per cent per year (see § 11.1 below).
- B. Share class SEK C – traded in Swedish krona (see § 9.2 below) and has a maximum management and custody fee of 0.6 per cent per year (see § 11.2 below) and is subject to distribution terms (see § 9.3 below).

### **§ 2 Management Company**

The fund is managed by Lannebo Fonder AB, corporate registration number 556584-7042, hereinafter referred to as the management company. The management company holds registers of all unitholders and pledgees.

### **§ 3 Depositary and its role**

The depositary for the fund is Skandinaviska Enskilda Banken AB (publ), corporate registration number 502032-9081.

The depositary shall maintain the fund's assets and manage deposits and payments in respect of the fund.

The depositary shall execute the management company's instructions relating to the fund as long as it is not in conflict with the provisions of the Swedish Investment Funds Act or any other regulation or the fund rules and ensure that:

1. the subscription, redemption and cancellation of units in the fund are carried out according to the Swedish Investment Funds Act and the fund rules,
2. the value of the units in the fund are calculated according to the Swedish Investment Funds Act and the fund rules,
3. payments for transactions involving the fund assets are paid to the fund without delay, and
4. the fund's revenue is applied in accordance with the regulations and the fund rules.

The depositary's duties are governed by the Swedish Investment Funds Act and the EU Commission's delegated regulation (EU) 2016/438 of December 17, 2015 supplementing the European Parliament and of the European Council Directive 2009/65/EC in regards of requirements for depositaries.

### **§ 4 Nature of the fund**

The fund is an actively managed fixed income fund that focuses on investments in high yield corporate bonds, i.e. bonds issued by companies with lower credit ratings (so-called high yield bonds). Investments may also be

made in convertible bonds, preferential shares and other similar assets. The fund may also invest in other assets, such as corporate bonds with a higher credit quality and money market instruments issued by a government, municipality or a company, as well as bank deposits.

The fund has a principal geographical focus on Sweden and the rest of the Nordic countries, but also has the possibility, to some extent, to make investments in Europe.

The fund uses derivatives to hedge its holdings to Swedish crowns, SEK, which is the fund's base currency. The fund may also use derivatives as part of its investment strategy.

The fund's duration may not exceed 10 years. The fund may have a negative duration. As a minimum, the fund's duration is -1 year.

The fund's overall financial objective, while exercising appropriate caution, is to achieve the highest possible value appreciation and to achieve a good risk diversification.

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

The fund may invest in transferable securities, money market instruments, mutual funds, derivatives and bank deposits. The fund may invest a maximum of ten (10) percent of its value in other funds or management company.

The underlying assets of derivative instruments included in the fund shall consist of, or relate to, assets according to Chapter 5 § 12 first paragraph LVF.

The management company determines, taking into account market conditions, the average duration of the fund's holdings. The fund's average duration is in the range of -1 to 10 years.

The fund's investments are focused on transferable securities and money market instruments with lower credit ratings, i.e. the High Yield segment. Investments may also be made in financial instruments with higher credit ratings, i.e. the so-called Investment Grade segment, as well as in convertible bonds, preferential shares and other similar assets. The management company determines the fund's composition regarding the credit quality of the holdings as well as the extent of any investments in convertible bonds, preferential shares and other similar assets based on prevailing market conditions

A minimum of 80 percent of the fund's value over time is placed with a focus on the Nordic countries and a maximum of 20 percent of the value of the fund may be invested in Europe.

The fund's assets may, as part of its primary geographic focus on the Nordic countries, be invested, among others, in securities that at the time of investment are or within a year from the issue are admitted to trading on a regulated market in the Nordic countries, or that fulfils the requirements to be admitted to trading on such a market within one year of issue, or that are admitted to trading on another regulated market open to the public in the Nordic countries.

The fund's assets may, within its European investment mandate, be invested, among others, in securities that at the time of investment or within a year from the issue are admitted to trading on a regulated market or equivalent market in a European country outside the Nordic countries, or admitted to trading on a regulated market open to the public in a European country outside the Nordic countries or that are issued by an issuer which at the time of investment has its registered office in a European country outside the Nordic countries, or that at the time of investment is traded in Euro, or a local European currency, in part on the accounts of a credit institution that has its registered office in a European country outside the Nordic countries.

### **§ 6 Marketplaces**

The fund can be invested in a regulated market or equivalent market outside the EEA or on another market within or outside of the EEA which is regulated and open to the public.

**§ 7 Specific investment policy**

The fund may make use of such transferable securities and money market instruments as detailed in chapter 5 § 5 of the LVF.

In accordance with chapter 5 § 8 of the LVF, the fund may contain an unlimited number of obligations and other promissory notes issued or guaranteed by the state, a municipality or a national or municipal authority in a country within the EEA or by any intergovernmental body in which one or several states within the EEA are members, provided that they are derived from at least six different issues and that no acquisition exceeds 30 per cent of the fund value. In respect of funds intended to be invested in at over 35 per cent of the fund value, information on the issuers or guarantors issuing or guaranteeing promissory notes can be found in the information brochure.

The fund may use derivative instruments as part of the fund's investment strategy. The fund may invest in OTC derivatives in accordance with chapter 5 § 12, second paragraph of the LVF.

The fund uses currency derivatives to hedge their holdings.

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 securities funds in order to create leverage.

**§ 8 Valuation**

The value of a fund unit is the fund value divided by the number of outstanding fund units. The value of the fund is calculated by subtracting the fund liabilities from the assets, including non-billed taxes as determined by the management company, plus the fees set forth in § 11 below.

The fund assets are calculated as follows:

- Transferable securities, money market instruments, fund units and derivatives are valued at the prevailing market value (the last traded price or if not available, the last bid price). If such rates are not available, or the management company believes them to be misleading, the transferable securities, money market instruments and derivative instruments are recorded at the value that the management company objectively determines.
- Such transferable securities and money market instruments as explained in chapter 5 § 5 of the LVF are given a market value in accordance with specific valuation. The basis for the specific valuation can include: market prices from unauthorised regulated markets or 'market makers'; other financial instruments traded on a regulated market or index, adjusted for differences in credit risk and liquidity (the reference value); discounted cash flows (discounted value); or the capital share of the equity (closing value).
- For OTC derivatives, a market value is established in accordance with specific valuation. The basis for the specific valuation includes market prices from unauthorised regulated markets or 'market makers', a reference valuation based on a similar derivative traded on a regulated market or a market value based on generally accepted valuation models (e.g. Black & Scholes for European options).
- Liquid assets, including bank account deposits, short-term investments in money markets and funds in credit institution accounts.
- Accrued interest.
- Accrued dividends.
- Payments not settled.
- Other fund receivables.

The fund liabilities are calculated as follows:

- Accrued management remuneration.
- Remuneration to the depository.

- Acquisitions not settled.
- Tax liabilities.
- Other fund liabilities.

Since the fund has several share classes, the management company must take this into account when calculating the value of a fund unit in the respective share class. The value of a unit in a particular share class of the fund is made up of the share class divided by the number of outstanding shares of the relevant class.

The value of fund units shall be calculated daily (each business day) by the management company.

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

### § 9.1 General provisions

Subscriptions (unitholder 'purchases) and redemptions (unitholders' sales) can be made on each banking day.

The request for subscription or redemption of units is made as stated on the management company's website, [www.lannebofonder.se](http://www.lannebofonder.se), or as directed by the management company.

Should a redemption require funds to be obtained through the sale of securities, such sales shall be carried out and the redemption shall occur as soon as possible.

Subscriptions are at a minimum amount of SEK 100.

Requests for redemption may only be revoked if the management company permits.

The subscription price of a fund unit will be the unit value on the business day the subscription is made. The redemption price of a fund unit will be the unit value of the business day the redemption is done with a deduction of any redemption fees according to §11. Subscriptions and redemptions are made at a price that is not known to the unit holder at the time of the request for subscription or redemption.

Information on the purchase and redemption price is published on the management company's website no later than the banking day after the banking day when the fund value is determined as above.

In order to avoid the fund's managed capital being at a size which means that the fund cannot be managed in a manner optimal to both the fund and existing unitholders, the management company is entitled to decide to close the fund, which means that new units cannot be sold. Such a decision on closure presumes that the fund's managed capital amounts to a size in excess of the capital limit established by the management company for optimal management. The capital limit set by the management company for optimal management is stated in the company's information brochure. Any decision on closure of the fund shall be publicised in conjunction with the decision, no later than 10 days prior to the day that the closure takes effect and the fund is closed. The management company's decision on opening a fund shall likewise be publicised in conjunction with the decision, no later than 10 days prior to the day that the sale of new units can take place again. Information on the decision to close or open a fund shall be published on the management company's website

### § 9.2 Conditions for the currency in which the subscriptions and redemption of units take place

Subscriptions and redemption of fund units are in SEK.

### § 9.3 Terms for distribution of fund units in share class SEK C

Subscriptions of SEK C are available through a distributor, who has entered into an agreement with the management company, providing investment advice on an independent basis or portfolio management to a customer and, consequently, may not receive and retain compensation from the management company but is paid directly by the customer.

**§ 10 Extraordinary circumstances**

The fund can be closed for sale or redemption if extraordinary circumstances arise which mean that valuation of the fund's assets cannot be conducted in a manner to ensure equal rights for each fund unitholder; for example if one or several fund trading markets are partially or entirely closed.

**§ 11 Fees and remuneration**§ 11.1 Fees for share class SEK

Fees shall be paid to the management company and the depositary as follows:

- A. The management company is paid in the form of a fixed fee. The maximum fee is 1.0 per cent per annum of the share class's share of the fund's value. The fee includes remuneration to the fund management and the costs for regulatory oversight and auditors.
- B. Fees to the depositary fees for carrying out its tasks. The fee may amount to a maximum of 0.10 per cent per annum of the share class's share of the fund's value.

The maximum fee that may be taken from the fund under A and B above is 1.10 per cent per annum of the share class's share of the fund's value.

§ 11.2 Fees for share class SEK C

Fees shall be paid to the management company and the depositary as follows:

- A. The management company is paid in the form of a fixed fee. The maximum fee is 0.5 per cent per annum of the share class's share of the fund's value. The fee includes remuneration to the management of the fund, with the exception of such compensation to distributors referred to in §9.3 above, and costs for regulatory oversight and auditors.
- B. Fees to the depositary fees for carrying out its tasks. The fee may amount to a maximum of 0.10 per cent per annum of the share class's share of the fund's value.

The maximum fee that may be taken from the fund under A and B above is 0.6 per cent per annum of the share class's share of the fund's value.

§ 11.3 Brokerage fees etc.

Transaction costs such as brokerage fees, as well taxes, are charged to the fund when the fund buys and sells financial instruments.

In addition, the fund may be charged with costs for research.

**§ 12 Dividends**

As a general rule, the fund does not distribute dividends. However, the management company can decide on distributing dividends to unitholders if, in the management company's opinion, it is necessary to take advantage of the unitholders' joint interests. Dividends are then distributed 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 units 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 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 a calendar year.

### **§ 14 Half-year report and annual report, changes to the fund rules**

The management company must prepare annual reports and half-yearly reports. On request, the documents shall be sent free of charge to the unitholders and be made available at the management company and depository, at the latest by four months following the end of the financial year (annual report); and two months following the middle of the year (half-yearly report).

Changes to the fund rules may only be made through a decision from the management company board and must be passed to the Swedish Financial Supervisory Authority for approval. Once the change is approved, the decision shall be made available at the management company and depository and announced in a manner indicated by the Swedish Financial Supervisory Authority.

### **§ 15 Pledging of fund units**

Unitholders may pledge their units in the fund, unless the fund unitholder is an insurance company that invested the insurance premiums on behalf of the policyholders in accordance with the Swedish Insurance Business Act (2010:2043) or a pension saving institution that invested the pension funds on behalf of the policyholders in accordance with the Swedish Act on Individual Pension Savings (1993:931).

When pledging, the unitholder or their representative and/or the pledgee must inform the management company in writing accordingly. The notification must include:

- the name of the fund unitholder,
- the name of the pledgee,
- which fund units are included in the pledge, and
- any limitations in the scope of the pledge.

The management company shall sign the pledge in the fund unitholder register and inform the fund unitholder in writing of the pledge registration. The pledge shall cease when the pledgee informs the management company in writing. The management company has the right to claim remuneration from the unitholders for the registration. This fee is a maximum of SEK 500.

### **§ 16 Limitation of liability**

#### § 16.1 Limitation of the management company's liability

Without deviating from the provisions of Chapter 2, §21 of the Swedish Investment Funds Act, the following applies regarding the management company's liabilities:

The management company is not liable for damages due to Swedish or foreign legal statutes, measures taken by Swedish or foreign authorities, event of war, strike, blockade, boycott, lockout, interruptions in data communications or other similar circumstances. The reservation concerning strike, blockade, boycott and lockout applies even if the management company is subject to or itself undertakes such a conflict.

Losses incurred in other cases shall not be compensated for by the management company if normal caution has been observed. The management company is in no case liable for indirect or consequential damages.

The management company is not liable for damages caused by the depositary. Nor shall the management company be liable for damages caused by unitholders or others that violate the law, ordinances, regulation or these fund rules. In this regard, unitholders are informed that they are responsible for documents submitted to the management company are correct and duly signed and that the management company is informed of changes in the information provided.

The management company is not liable for damages caused by - Swedish or foreign - stock exchanges or other marketplaces, custodian bank, central securities depository, clearing, or others providing similar services, including a contractor hired with due care by the management company or depositary. The same applies to damages caused by the insolvency of the above-mentioned organizations or contractors. The management company also is not liable for any damages arising from disposal restrictions that may be applied to the management company or depositary in respect of financial instruments.

In the event the management company is prevented from taking measures, fully or in part, due to circumstances mentioned above, the measures may be postponed until the obstacle has ceased. If, as a result of such circumstances, the management company is prevented from executing or receiving payment, the management company or unitholder shall not be liable to pay interest on late payment. Corresponding exemption from the obligation to pay interest on late payment applies even if the management company temporarily defers the date of purchase or redemption of fund units pursuant to §10.

#### § 16.2 Limitation of the depositary's liability

Without deviating from the provisions of Chapter 3 14–16 §§ of the Swedish Investment Funds Act, the following applies regarding the depositary's liabilities:

In the event that the depositary has lost financial instruments deposited with the depositary, the depositary shall without undue delay return financial instruments of the same kind or issue an amount of equivalent value to the management company on behalf of the fund. However, the depositary is not liable for the loss of financial instruments caused by an external event outside the depositary's reasonable control, and whose consequences were impossible to avoid even though all reasonable efforts have been made, such as damage caused by Swedish or foreign legal statutes, measures taken by Swedish or foreign authorities, event of war, strike, blockade, boycott, lockout, interruptions in data communications or other similar circumstances. The reservation concerning strike, blockade, boycott and lockout applies even if the depositary is subject to or itself undertakes such a conflict.

The depositary is not liable for any damages other than the damages referred to in the first paragraph, unless the depositary intentionally or negligently caused such other damage. The depositary is not responsible for such other damages if the circumstances mentioned in the first paragraph are present.

The depositary shall not be liable for damages caused by a - Swedish or foreign - stock exchange or other marketplace, registrar, clearing organization or other provider of equivalent services, nor for - other than those mentioned in the first paragraph - damages caused by the depositary or other contractors with whom the depositary with due skill, care and diligence hired and regularly supervised or that is designated by the management company. The depositary is not responsible for damages caused by the insolvency of the said organizations or contractors. However, a contract for the custody of assets and ownership controls does not limit the depositary of its liabilities for losses and other damages under the Swedish Investment Funds Act.

The depositary is not liable for damages arising from the management company, unitholders of the fund, the fund or others in the event of disposal restrictions which may apply to the depositary regarding financial instruments. The depositary is in no case responsible for indirect damages. If the depositary is prevented, fully or in part, from execution of this agreement due to circumstances referred to in the first paragraph, the action may be postponed until the obstacle has ceased. In case of deferred payment, the depositary shall not pay interest on late payment. If interest is paid, the depositary shall pay interest at the interest rate applicable on the

due date. If, as a result of the circumstance referred to in the first paragraph, the depositary is prevented from receiving payment for the fund, the depositary has the right to interest payments for the period during which the issue hindered payment only under the terms of the due date.

**§ 17 Permitted investor**

The fact that the fund is intended for the general public does not mean that it is intended for investors whose purchase of units in the fund or participation in the fund is contrary to the provisions of Swedish or foreign law or regulations. The fund also does not target investors whose purchase or holdings of units mean that the fund or management company becomes liable / obligated to take registration measures or other action that the fund or management company would otherwise not be liable / obligated. The management company is entitled to refuse sale of fund units to such investors as referred to in this paragraph.

The management company may redeem unitholders' fund units – counter to the unitholder - if it appears that unitholders subscribed for a unit in the fund in contravention of provisions in Swedish or foreign law or regulation or that the management company, due to the unitholders purchase or holding in the fund, is obligated to take a registration or other measure for the fund or the management company for which the fund or the management company would not be liable / obligated to take if the unitholder would not hold fund units.

Redemption under the preceding paragraph shall be carried out immediately. The payment of redemptions as stipulated in §9 above shall apply even in case of redemption pursuant to this section.

*The fund rules were adopted by the Board of the Management Company 28 January 2019.*