

# PROSPECTUS

## Catella Fondförvaltning AB

### Special Funds (AIF)

#### Catella Balanserad

#### Catella Credit Opportunity

#### Catella Hedgefond

The prospectus for the funds listed above been prepared in accordance with the Swedish Alternative Investment Fund Managers Act ('AIFMA') and Swedish Financial Supervisory Authority (Finansinspektionen) Regulations FFFS 2013:10 regarding alternative investment fund managers.

This document, the fund rules and the key investor information documents for the aforementioned funds together make up the prospectus.

#### RISK INFORMATION

Investment in fund units is subject to risk. The money invested could either increase or decrease in value and it is not certain that you will be able to recover all of your investment. Historical return is no guarantee of future return. For further information, please contact us using the details below for a complete prospectus, key investor information, annual and semi-annual report. You find all documents at [catella.se/fonder](http://catella.se/fonder)

AIF MANAGER

Catella Fondförvaltning AB

Box 7328, 103 90 Stockholm, Sweden

Main number: +46 (0) 8 - 614 2500

Customer Service: +46 (0) 8 - 614 2520

Fax: +46 (0) 8 - 611 0130

Email: fonder@catella.se

Corporate registration number: 556533-6210

Company founded: 12 June 1996

Share capital: SEK 5,000,000

The company is insured against third-party liability.

Legal form: Limited company

Registered office and head office: Stockholm

Ownership: The company is part of the Catella Group.

*Board of directors:*

Knut Pedersen, Chairman, CEO Catella AB (publ)

Lars H. Bruzelius, Senior Partner BSI & Partners

Peter Friberg, LL.M, registered psychologist, consultant

Johan Nordenfalk, COO Catella AB (publ) and acting CEO of the AIF Manager

Thomas Raber, MD Alvine Capital Management Ltd

*Executive management:*

Erik Kjellgren, CEO and Head of Fund Operations

Lena Andersson, Head of Business Support

Marcus Andersson, Manager Middle Office

Peter Elmhorn, Head of Distribution

Helena Frykehag, Chief Risk Officer

Elisabeth Hult, Compliance Officer

Josef Mehkri, Head of Institutional Sales

Catella Fondförvaltning AB (the 'AIF Manager') is regulated by the Swedish Financial Supervisory Authority ('The Swedish Financial Supervision Authority'). The AIF Manager was authorised on 30 December 1997 pursuant to the Swedish Securities Funds Act (1990:1114) and re-authorised 22 December 2004 pursuant to the Swedish Investment Funds Act (2004:46) ('IFA'). In addition, the AIF Manager has been authorised since 29 March 2010 to engage in discretionary portfolio management, and since 3 December 2014 is authorised under the Swedish Alternative Investment Fund Managers Act (2013:561).

The AIF Manager also manages the UCITS funds Catella Avkastningsfond, Catella Sverige Aktiv Hållbarhet, Catella Småbolagsfond and Catella Sverige Index, and the special funds ICA Banken Modig, ICA Banken Mättlig and ICA Banken Varlig.

## DELEGATION AGREEMENTS

The AIF Manager has engaged KPMG AB to manage the AIF Manager's internal auditing; and ISEC Services AB to manage fund portfolio administration for the funds.

The AIF Manager has identified no material conflicts of interest related to the delegation agreements.

## DISTRIBUTION

The AIF Manager has agreements with distributors on the sale and marketing of the Funds. See Appendix 2.

## DEPOSITARY

Fund assets are held in custody by Skandinaviska Enskilda Banken AB (publ), 106 40 Stockholm, Sweden, as the depositary ('the Depositary'). The Depositary's primary business is banking and financial services and related business. The duties of the Depositary include accepting and holding in custody Fund property and ensuring that sales and redemptions, etc., of fund units are carried out in compliance with applicable rules.

## THE FUNDS

The information in this prospectus relates to the special funds Catella Balanserad, Catella Credit Opportunity and Catella Hedgefond ('the Fund' or 'the Funds'). The Funds are special funds regulated by The Swedish Financial Supervision Authority.

## LEGAL STATUS OF THE FUNDS AND KEY LEGAL CONSEQUENCES OF INVESTMENT IN ANY OF THE FUNDS

Investors in a Fund obtain units at a value equal to the invested capital and thus become unit holders. A unit holder has the right to redeem units on the terms and conditions stated in the fund rules for the Fund and, where applicable, to receive dividends. When units are redeemed, cash is paid to the unit holder in an amount equal to the current value of the units redeemed. The Fund is not a legal person and cannot acquire rights or assume obligations. Nor may the Fund institute legal action before a court of law or other public authority. The AIF Manager represents unit holders in all legal and financial matters concerning the Fund, takes decisions concerning the property included in the Fund and exercises the rights derived from the property. In the management of the Fund, the AIF Manager acts solely in the retail interests of unit holders and management is based on the objectives and investment strategy of the Fund. The assets of the Fund are held by the Depositary, Skandinaviska Enskilda Banken AB (publ), which ensures that a unit holder will not be adversely affected if the AIF Manager were to experience financial distress. The fund rules regulate the terms and conditions for the fund saver and are appended to this prospectus.

## PARTICULAR INFORMATION ABOUT FUNDS-OF-FUNDS

Catella Balanserad is a fund-of-funds and invests mainly in funds established in Sweden and Luxembourg. Catella Balanserad may also invest in funds established in other EEA and non-EEA countries. The underlying funds are specified in the monthly reports on the Fund.

## FAIR TREATMENT

All units in the Funds are of equal size and confer equal rights to the property of the Funds. However, a single Fund may include units of various types, or 'fund classes'. Fund classes in the same fund may be subject to different terms and conditions with respect to dividends, charges, minimum subscription amounts and the currency in which units are subscribed and redeemed. The units within a unit class are of equal size and confer

equal rights to the property included in the Fund. This means that the AIF Manager applies the principle of fair treatment of unit holders, adjusted for any terms and conditions that apply to a particular unit class.

The AIF Manager may, where applicable, enter into agreements by which the AIF Manager pays compensation based on, and amounting to a maximum of, the management charge against the AIF Manager's managed funds. The contracts are typically made with distributors (such as banks, insurance brokers and securities companies) which broker the AIF Manager's funds on commission by the AIF Manager, but may in special cases also exist with other investors. Compensation is paid in the form of a percentage of the management charge, fixed and where relevant variable, that the AIF Manager draws on the capital invested by a distributor or investor. Compensation may also be paid to investors that make use of the AIF Manager's Funds as a component of combined structured products.

#### FUND UNIT CLASSES

Catella Credit Opportunity and Catella Hedgefond have various unit classes. Only the A SEK retail class unit in each fund is currently open for trade. Other unit classes are not currently open for trade. The unit classes differ in terms of currency, charges, minimum deposit and conditions applying to distribution, as described in greater detail in this prospectus and in the fund rules.

#### UNIT HOLDER REGISTER

The AIF Manager maintains a register of all unit holders and their holdings. Unit holders receive reports in the form of half-yearly and annual statements. Fund units may also be nominee registered with a bank or securities company, which means that the unit holder is anonymous to the AIF Manager. In these cases, it is the bank or securities company that bears responsibility towards the client for registration of the holding and distribution of information from the AIF Manager.

#### SALES (SUBSCRIPTION) AND REDEMPTIONS OF FUND UNITS AND TRANSFER OF FUND UNITS

The Funds are open for trade daily.

Requests for sale (subscription) and redemption of fund units received by the AIF Manager by 3:00 pm on a full banking day and by 11:00 am on a half banking day are settled at the selling/redemption price for that day.

Payment for fund units must be in the Fund's bank account with the Depositary by 3:00 pm or 11:00 am, respectively, on the same banking day on which the AIF Manager receives the request. Requests received after 3:00 pm or 11:00 am, as above, are settled at the selling/redemption price for the next banking day. The selling price and redemption price are thus unknown as of the date of the request. The AIF Manager posts information on selling and redemption prices for fund units each banking day on the AIF Manager's website.

The terms and conditions of sales and redemptions of units in the Funds are otherwise provided in Section 9 of the fund rules for each Fund. Further information about sales and redemptions (as well as the required forms) is available on the AIF Manager's website or may be obtained from Customer Service on +46 (0) 8 - 614 2520.

#### Transfer of fund units

Fund units are transferred between classes under the conditions set forth in each fund's fund rules. Transfers are executed on a banking day determined by the AIF Manager. On the transfer date, the investor will receive units in the unit class to which the transfer is to be made to a value equal to the value of the investor's units in the

prior unit class. The value of the units in each class will correspond to the sale and redemption prices for the relevant unit classes in effect on the date of transfer.

#### LIMITATION OF SALES AND REDEMPTION ORDERS

Sales and redemptions take place at a price unknown to the unit holder and cannot be limited. Information about selling and redemption prices may be obtained from the AIF Manager. Requests for sales and redemptions may be withdrawn only if the AIF Manager consent.

#### ANNUAL REPORT, HALF-YEARLY REPORT AND THE LATEST CALCULATED NET ASSET VALUE (NAV) OF FUND UNITS.

The AIF Manager prepares annual reports and half-yearly reports for each Fund. Upon request, the documents shall be sent free of charge to unit holders and shall be available at the AIF Manager and the Depositary not later than four months after the end of the financial year (for the annual report) and two months after the end of the half-year (half-yearly report). The documents are also available on the AIF Manager's website. The latest calculated net asset value (NAV) of one fund unit in each fund and, where appropriate, each unit class is published on the AIF Manager's website.

#### CESSATION OF THE FUNDS OR TRANSFER OF FUND OPERATIONS

If the AIF Manager decides that a Fund should cease or that the management of a Fund, following authorisation by The Swedish Financial Supervision Authority, shall be transferred to another AIF manager, all unit holders will be informed in the manner prescribed by The Swedish Financial Supervision Authority. If The Swedish Financial Supervision Authority withdraws the AIF Manager's authorisation or if the AIF Manager enters into liquidation or is declared bankrupt, management of a Fund shall immediately be taken over by the Depositary.

#### AUDITOR

PricewaterhouseCoopers AB, 113 97 Stockholm, Sweden. The principal auditor is Daniel Algotsson.

#### PRINCIPLES AND PROCEDURES FOR VALUATION OF FUND ASSETS

Valuation of the property included in a Fund is based on current fair value (market value). See the respective Fund rules for further information about valuation of Fund assets.

#### COMPENSATION FOR INCORRECT UNIT VALUATION

If a calculated unit value is found to be incorrect, the AIF Manager applies the Guidelines of the Swedish Investment Fund Association for managing compensation for incorrect unit values. This means that unit holders adversely affected by a material error are compensated.

#### RISK AND RISK MANAGEMENT

Savings in funds always entails a certain measure of risk-taking, which means that investors are at risk of recovering less than the amount they invested. Risk is normally higher for savings in a dedicated equity fund than in fixed-income or mixed funds. The main risks that may occur in connection with savings in funds are covered briefly below. The list is not exhaustive.

*Market risk:* The market for an asset class, such as the price of a share, may rise or fall in price.

*Liquidity risk:* It may not be possible to trade a security at the intended time without a significant reduction in price or substantial costs.

*Currency risk:* The value of an investment may be affected by movements in exchange rates.

*Credit/counterparty risk:* An issuer or counterparty may suspend payments.

*Interest risk:* The sensitivity of a fixed-income fund to movements in market interest rates.

*Operational risk:* Risk connected to the operations of the AIF Manager, such as IT systems, personnel, administration, etc.

The AIF Manager has classified the Funds according to the EU standard for risk classification, whereby the AIF Manager applies a seven-band scale known as a 'Synthetic Risk and Reward Indicator', where 1 indicates the lowest risk and 7 the highest risk. The classification of each Fund is disclosed in the key investor information documents for the Fund.

#### AMENDMENTS OF FUND RULES

The AIF Manager is able to amend the fund rules for the Funds. Such amendments are subject to approval by The Swedish Financial Supervision Authority. Amendments may affect the characteristics of a Fund or a unit class, such as investment strategy, fees and charges and risk profile. The Swedish Financial Supervision Authority may decide that the AIF Manager must inform unit holders about the changes and that the amended fund rules may not be applied until a certain time has elapsed since the decision to approve the amendments.

#### REMUNERATION

The AIF Manager's remuneration policy

##### *Decision process*

The board of directors of Catella Fondförvaltning AB, the AIF Manager, adopted an updated remuneration policy in November 2016, which is based on Finansinspektionen's regulations (FFFS 2013:9) regarding Swedish UCITS funds and (FFFS 2013:10) regarding alternative investment fund managers. The AIF Manager is included in a consolidated situation with Catella Bank S.A. as a guarantor institution and has therefore also observed the regulations that apply to the consolidated situation.

The board has appointed a Remuneration Committee composed of the chairman of the board and one designated director.

##### *Correlation between pay and performance*

The general principle is that remuneration to employees of the AIF Manager is comprised of fixed and variable pay related to the AIF Manager's development and individual performance. The pay and remuneration structure is also designed to facilitate the capacity of the AIF Manager to achieve good profitability over the short and long terms. The mix of fixed and variable pay differs among personnel categories.

##### *Performance assessment and risk adjustment*

The AIF Manager has established a process for performance assessment and risk adjustment of variable pay that takes into consideration the performance of the AIF Manager, the business units and/or the funds/discretionary mandates, as well as the individual's performance and the AIF Manager's capital and liquidity requirements. In this context, "funds" refers to all funds managed by the AIF Manager.

Further information is available on the AIF Manager's website and may be ordered from the AIF Manager.

Full details of the AIF manager's remuneration policy are made available on the AIF manager's website. A printout of the information is provided free of charge on request.

#### TAX RULES FOR UNIT HOLDERS

The Fund is a separate taxable entity, but is not subject to tax on the income of the assets included in the Fund. Instead it is the unit holders that are taxed using a standard income (see below).

##### *Capital gains tax*

Individuals who are fully taxable in Sweden should report capital gains and capital losses on the divestment of units in the Fund as income from capital at a tax rate of 30 percent. Divestment includes sales and redemptions. The same rules apply to estates on condition that the deceased was fully taxable in Sweden.

Capital gains and capital losses are calculated as the difference between the sale price (less any fees) and the tax basis amount. The tax basis amount is the purchase price paid for the divested fund units. The tax basis amount is normally calculated using the average cost method.

Switch of unit classes on request of unit holder trigger taxation. Taxation will not occur when fund units are transferred between classes under the conditions set forth in each fund's fund rules in accordance with the position taken by the Swedish Tax Agency, reference no. 131 529333-13/111 on the introduction and switch of unit classes.

##### *Standard taxation*

From income year 2012, individuals who are fully taxable in Sweden and who own units in the Fund must report a standard income for the value of the fund holding at the beginning of the year. The standard income should be reported as income from capital at 30 percent tax. The same rules apply to estates on condition that the deceased was fully taxable in Sweden.

##### *Miscellaneous*

If the Fund is linked to an investment savings account, endowment, IPS or premium pension, special tax rules apply. For legal persons and foreign unit holders, other special tax rules apply.

##### *Statements for tax returns*

The AIF Manager provides statements for tax returns showing gains and losses from the sale or redemption of units in the Fund, standard income and any dividends. Statements are provided for individuals and Swedish estates.

#### MARKETING OF FUND UNITS IN ANOTHER EEA COUNTRY

Catella Hedgefond and Catella Credit Opportunity are marketed to professional investors in Finland, Iceland, Luxembourg, the Netherlands, Norway and the United Kingdom and to non-professional investors in Finland.

## INDEXES USED AS A BENCHMARK

New EU regulations mean that benchmark administrators must be approved by and registered with the European Securities and Markets Authority (ESMA) by May 2020. The OMRX Tbill index is provided by an administrator that is not yet registered with ESMA. Information whether the administrator is registered with ESMA will be provided at the latest in the prospectus that will be published after May 2020.

The AIF Manager has an action plan that will be taken if this index cease to be valid or if material changes are made to it. If the administrator of this index is not registered with ESMA within the prescribed time, or if material changes are made to it, the AIFM will amend the fund rules for the Catella Credit Opportunity and Catella Hedgefond funds and, after authorisation by the Swedish Financial Supervisory Authority, unit holders will be notified accordingly.

## LIABILITY AND CAPITAL REQUIREMENTS

If a unit holder suffers a loss due to the AIF Manager's breach of this law or the fund rules for the Funds, the AIF Manager shall be liable to compensate the unit holder for the loss. The AIF Manager shall, according to AIFMA Chapter 8 Section 28, pay compensation for loss caused to the Fund or its unit holders through breach of this law, other statutes that regulate the AIF Manager's operations, fund rules, or the articles of association. The equivalent shall apply if the Depositary has caused loss to unit holders or the AIF Manager. Further information concerning professional liability and certain limitations of liability is found in Section 16 of the fund rules.

### *Capital requirements*

According to AIFMA, the AIF manager is subject to certain capital requirements in order, among else, to cover potential exposure to professional liability due to error or negligence in its activities. Information about capital adequacy, including the capital base and capital requirements connected to credit, market and operational risks (cost risks) and risks of potential liability claims is published quarterly on the AIF Manager's website, [www.catella.se/fonder](http://www.catella.se/fonder)

## PRIME BROKERS

A prime broker is, for example, a bank that offers services to professional investors primarily to finance or execute transactions in financial instruments as counterparty and which may also provide other services such as clearing and settlement of trades, custodial services, securities lending, customised technology and operational support facilities.

The AIF Manager uses Skandinaviska Enskilda Banken (publ) as prime broker for the Catella Hedgefond and Catella Credit Opportunity funds. Other Funds have no prime broker. The prime broker is used, for example, in connection with securities lending, whereby the Funds may lend shares to the primary broker against a predetermined interest rate. Furthermore, the primary broker may be used in connection with short-selling and trading in OTC derivatives. The fund receives collateral with low market and credit risk as surety for the equity loans. The use of the bank as prime broker by the Funds means that the AIF Manager transfers some responsibility for the management of the Fund to the primary broker.

Skandinaviska Enskilda Banken AB (publ) is also the depositary for the Funds, which to some extent brings a risk of conflicts of interest. This risk is managed by the bank segregating the provision of prime broker services



from its activities as a depositary. The bank also has established procedures for identifying, managing, monitoring and reporting any conflicts of interest that arise in the relevant areas of operation at the bank.

#### SECURITIES FINANCING TRANSACTIONS

In the management of the Funds, the AIF Manager may use securities financing transactions. The specific information in the prospectus concerning each Fund contains further information about the extent to which such transactions are permitted, while the annual reports and half-yearly reports for the funds contain quantitative information about actual use.

The following securities financing transactions occur in one or more of the AIF Manager's Funds:

##### *Securities lending*

The transaction involves the Fund lending (extending) securities to a borrower who is obliged at the end of the term of the loan to return equivalent securities of the same type and quantity. The Fund that lends the securities is paid a fee for doing so and the loan is thus intended to increase the Fund's return. Catella Credit Opportunity and Catella Hedgefond are permitted to extend securities loans, which refer to shares as a rule, but securities lending only occurs in Catella Hedgefond.

When the Fund extends a securities loan, it takes a credit risk in relation to the borrower. This credit risk is managed through the company's process for counterparty selection, which includes requirements that counterparties must operate a securities business under financial supervision, be established within the EEA or another country with equivalent regulations and have a very good credit rating. The company also applies collateral arrangements by which the Fund must take and control collateral from time to time whose aggregate market value covers the outstanding loan principal. The collateral is held in custody by the Fund's Depositary and must normally be composed of liquid deposits in bank deposit accounts, but bonds issued by the Swedish government and other government securities of at least equivalent liquidity and credit rating can be accepted. Outstanding loans and collateral taken are evaluated daily and the collateral arrangements include the use of variation margins to manage the risk of daily price fluctuations. The funds do not reuse collateral taken. In addition to the credit risk described, securities lending can give rise to a certain liquidity risk because the Funds have limited opportunities to control lent securities during the term of the loan.

##### *Short selling*

In short selling, the Fund borrows securities which are then sold on the market. When the loan falls due, the Fund is obliged to return equivalent securities of the same type and quantity to the lender and the Fund therefore must repurchase securities on the market. In these proceedings, the Fund's return increases to the extent that the market price for the borrowed securities declines and vice versa. The Fund pays a fee to the lender in exchange for the securities loan. Short selling occurs mainly in Catella Hedgefond, but may also occur in Catella Credit Opportunity. The securities involved are normally shares. Catella Balanserad is not permitted to short-sell securities.

Short selling entails a market risk for the Fund related to the price performance of the short-sold security. The Fund may also incur some counterparty risk in connection with short selling, as the lender requires collateral for

the loan. As a rule, the collateral consists of deposits to a deposit account or of government bonds. Upon provision of collateral, a transfer of title normally occurs, which gives the counterparty the right to reuse collateral taken during the term of the loan. The counterparty risk is limited to the haircut; that is, the amount by which the value of collateral given exceeds the value of borrowed financial instruments. This risk is managed in part through the company's process for counterparty selection, which includes requirements that counterparties must operate a securities business under financial supervision, be established within the EEA or another country with equivalent regulations and have a very good credit rating, and in part through daily valuation of borrowed securities and collateral given.

#### *Margin lending*

Margin lending involves the Fund raising monetary loans to make investments in financial instruments. The use of margin lending increases the Fund's investment scope and creates leverage in the Fund. Margin loans are typically used to increase the Fund's market risk, but the increased investment scope can also be used for hedging and thus reduce the market risk in the Fund. Margin lending occurs in Catella Hedgefond, but may also occur in Catella Credit Opportunity.

In addition to the effect of loans on the Fund's market risk, counterparty risk may arise if the lender requires collateral for the loan (see above concerning the provision of collateral in connection with short selling).

#### *General information concerning risks associated with securities financing transactions*

The main risks associated with securities lending and short selling and the measures taken to manage the risks are described above. The Funds may also be exposed to certain operational risks in connection with securities lending and short selling. For example, erroneous valuation of collateral or outstanding loans may entail an elevated credit risk. As well, if the Fund enters into transactions with foreign counterparties, its position as a lender may be affected by foreign regulations. These risks are generally managed through that lending, including collateral arrangements, is always carried out according to internationally established and proven standard agreements and through the company's robust procedures and skilled employees who manage, monitor and control the transactions.

#### LIQUIDITY RISK MANAGEMENT

The liquidity risk in the Funds is attributable to the Funds' commitments and holdings. The commitments consist of the ability of unit holders in the Funds to sell their units under the terms and conditions set forth in the respective fund rules for the Funds and other commitments in the Funds, for example, those that may arise upon issuance of derivatives or short positions in equities. On an ongoing basis, the AIF Manager verifies that all Funds have an appropriate composition of liquid assets and that the commitments are within the frameworks that apply to each Fund. For this purpose, there are both risk measurements that are monitored and may be limited, as well as procedures that must be applied before the Funds makes investments. Regular stress tests are carried out to ascertain that the risk measurements and limits are appropriate and adequate. If the stress tests indicate a need for new or changed risk measurements or limits, an oversight process is initiated. If the risk measurement or limits indicate that the liquidity risk in a Fund is significantly higher than appropriate according to the Fund's risk profile, the AIF Manager must prepare an action plan to manage the liquidity risk. Liquidity risk may be higher in special funds than in UCITS funds, among else because special funds are permitted to have more concentrated portfolios.

## REGULAR INFORMATION ABOUT RISK AND LIQUIDITY MANAGEMENT AND LEVERAGE

The AIF Manager provides regular information about risk and liquidity management and leverage as follows. Information about the current risk profile and risk management system applied and specifications of any illiquid assets are provided in the half-yearly and annual reports for each Fund. The half-yearly and annual reports for the Fund also include information about the overall level of leverage calculated according to the gross method and the commitment method. Information about changes in the highest level of leverage that may be employed on a Fund's behalf, and in the Fund's right to dispose of collateral, or in other guarantees that have been provided according to leverage rules, is provided on the AIF Manager's website. The same applies to material changes in a Fund's liquidity risk management. Information about changes of the terms and conditions for redemption of fund units and information that there is a postponement of redemption of fund units according to Chapter 4 Section 13(a) IFA or that a Fund has been closed for redemptions of fund units due to extraordinary circumstances in accordance with the fund rules must be provided to unit holders by means of letter and/or information posted on the AIF Manager's website.

# Catella Balanserad

*Special fund registered in Sweden*

## OBJECTIVE AND INVESTMENT STRATEGY

The Fund is an actively managed fund-of-funds that invests in equity, fixed-income and hedge funds. The objective is to achieve high returns. In order to reach its targets, the Fund is also permitted to invest in other financial instruments, such as bonds and money market instruments.

The Fund is permitted to have a concentrated portfolio and to invest a maximum of 50 percent of the net asset value of the Fund in a single fund.

At least 50 percent of the net asset value of the Fund shall be invested in fund units, meaning, among else, units in UCITS funds and special funds and corresponding fund managers and exchange traded funds (ETFs). The Fund is permitted to invest up to the entire net asset value of the Fund in special funds and other such funds referred to in Chapter 5 Section 16 second paragraph IFA.

The Fund is permitted to use derivatives to improve management efficiency and reduce management risk and expenses. The Fund is not permitted to use OTC derivatives.

## HISTORICAL RETURNS

Please refer to the key investor information document for the Fund for information about the Fund's historical returns.

## TARGET GROUP

The Fund is designed for investors seeking an actively managed fund-of-funds that invests in equity funds, fixed-income funds and hedge funds. The Fund may be unsuitable for investors who plan to cash out their investment within three years.

## RISK PROFILE

Fund assets are invested in funds that in turn invest in several different markets and in several different asset classes and issuers (diversification). This diversification of investments reduces the risk of large movements in performance due to a significant downturn in a particular market or a particular asset class.

The main risk associated with the Fund is normally attributable to fluctuations in the equity market, which entails higher risk than investments in the fixed-income market, but also opportunity for higher return.

Fund assets are also invested in funds that in turn invest in interest-bearing transferable securities and money market instruments. Consequently, the Fund may be exposed to interest rate risk; that is, the risk of changes in value as a result of changes in the general interest situation, as well as credit risk, meaning the risk of value changes consequent upon suspension of payments by issuers or market re-evaluation of issuers' credit ratings.

The Fund may also invest in assets where liquidity in the instrument is suboptimal. These holdings may be difficult to divest at a limited cost within a reasonable time. If large withdrawals are made from the Fund such holdings may need to be sold at unfavourable prices and result in losses for the Fund.

The Fund may also be exposed to currency risk because its assets may be invested, directly or indirectly, in financial instruments denominated in a currency other than Swedish kronor.

The Fund may employ derivatives to mitigate management risk.

The Fund will not employ complex investment strategies to more than a negligible portion of the investment strategy. The Fund therefore uses the commitment method to calculate aggregate exposure in the Fund. When calculated with the commitment method, aggregate exposure as a consequence of derivatives may not exceed 100 percent of the net asset value of the Fund.

Current risk indicator of the fund: Category 4 (on a scale of 1 - 7). For a more detailed explanation of the risk indicator, please see the key investor information for the Fund.

#### LEVERAGE

Leverage is defined as any method by which an AIF Manager increases the exposure of an AIF it manages through borrowing of cash or securities, the use of derivatives or by any other means. The Fund's total leverage is expressed as a ratio calculated in such a way that a fund's exposure is divided by its net asset value. As mentioned above, the Fund will not normally use derivatives. Nor will the Fund normally create leverage through the use of other techniques or instruments. However, under applicable law, the AIF Manager has a theoretical option to follow the rules that apply to UCITS funds in this respect. The Fund's total leverage may not exceed 200 percent calculated using the commitment method. The AIF Manager has furthermore determined that the leverage calculated using the gross method may not exceed 300 percent. \*

\* The difference between the commitment method and the gross method is, somewhat simplified, that the commitment method, but not the gross method, takes into account the risk limitations achieved through netting and hedging of positions.

The AIF Manager may use the assets of the Fund as collateral to guarantee the performance of obligations entered into as an aspect of managing the Fund. Such provision of collateral may be made, for example, through a pledge agreement, or collateral transfer or 'transfer of title', by which ownership of the property is transferred to the Fund's counterparty.

#### SECURITIES FINANCING TRANSACTIONS

In the management of the Fund, the AIF Manager may not use securities financing transactions such as securities lending, short selling or margin lending.

#### APPLICABLE CHARGES

The current fees that the Fund charges on the sale and redemption of fund units and for management of the Fund (including expenses for administration, accounting and record keeping, supervision, auditors and custody) are specified below.

Entry charge: none

Exit charge: none

Annual management fee to AIF Manager\*: 1.75 percent

Annual fee to Depositary: 0.02 percent

#### MAXIMUM CHARGES

The maximum fees that the AIF Manager may, according to the fund rules, charge upon sale and redemption of fund units and for management of the fund, see above, are specified below:

Entry charge: none

Exit charge: none

Annual management fee to AIF Manager\*: 1.75 percent

Annual fee to Depositary: 0.05 percent

Annual management fee in funds invested in 1.75 percent.

The maximum performance fee in funds that are invested in is 20 percent of excess return.

\* The management fee paid to the AIF Manager is calculated daily on the net asset value of the Fund. Double charges do not occur. If the Fund invests in any of the AIF Manager's other funds, the fee, and if applicable variable fee (performance fee) is discounted and reversed in the underlying fund.

#### OTHER INFORMATION ABOUT CHARGES

Brokerage fees and other expenses connected with the Fund's purchase and sale of financial instruments and tax are paid directly from the Fund and are additional to the above fees. The Fund may, to the extent permitted by current legislation, also be charged expenses for analysis.

VAT may be due and payable on the above fees and charges.

Please refer to the preceding year's annual report for information about the amount of fees paid to the AIF manager and the Depositary as well as the Fund's performance and growth.

# Catella Credit Opportunity

*Special fund registered in Sweden*

## OBJECTIVE AND INVESTMENT STRATEGY

The Fund is an actively managed special fund that invests primarily in interest-related transferable securities and money market instruments as well as equity related transferable securities, fund units and derivatives to the extent these have a risk and return profile similar to these stated financial instruments. This is conducted with the objective of achieving positive return regardless of general market performance.

The Fund is a special fund and thus is permitted to have a concentrated portfolio. However, a maximum of 10 percent of Fund assets may be invested in financial instruments issued by the same issuer, provided that those holdings in excess of 5 percent represent a maximum of 70 percent of the net asset value of the Fund. In addition, the Fund must always hold financial instruments issued by at least 13 different issuers and comply with investment limitations otherwise imposed by law and fund rules.

At least 70 percent of the Fund's assets must be invested in interest-related financial instruments and deposits with credit institutions. At least 50 percent of the Fund's assets must be invested in financial instruments issued by or derivatives exposed to issuers domiciled in or whose shares are admitted to trading on a regulated market or other marketplace in the Nordic region. No more than 10 percent of the Fund's assets can be invested in fund units in accordance with the Fund's investment strategy.

## DERIVATIVES AND OTHER FINANCIAL TECHNIQUES

Fund assets can be invested in derivatives whose underlying assets consist of transferable securities, money market instruments, currencies and financial indices. The Fund is able to invest in OTC derivatives. Derivatives are used as an aspect of the Fund's investment strategy and are aimed at achieving the Fund's objective of generating returns regardless of market performance. Thus derivatives can be employed to both increase and decrease the risk in the fund.

Derivatives may be employed by the Fund for both long and short positions and to create combinations of such positions. Interest derivatives are employed in the form of options and futures, partly to protect the capital, but also to opportunistically increase the return. Credit Default Swaps (CDSs) are used primarily to protect the capital but may also be part of a strategic transaction.

When price declines are anticipated, the Fund is permitted to use short selling strategies ('legitimate' short selling only) and through such strategies also create leverage in the Fund. The Fund may also borrow against its assets with the aim of increasing leverage in a controlled manner and seeking to increase the return on all or parts of the Fund's assets.

The Fund is permitted to raise cash loans, provided that such loans do not exceed 50 percent of the net asset value of the Fund and have a term of not more than three months.

#### SECURITIES FINANCING TRANSACTIONS

The Fund is permitted to extend securities loans corresponding to a maximum of 20 percent of fund assets. This occurs only in exceptional cases and rarely at a share of the Fund exceeding 5 percent. The assets considered for securities lending are shares and interest-bearing negotiable securities.

The Fund is permitted to enter into short selling transactions corresponding to a maximum of 50 percent of fund assets. This occurs as an aspect of the investment policy and the outstanding short-sold volume varies depending upon the managers' market outlook. This occurs only in exceptional cases and rarely at a share of the Fund exceeding 5 percent. The assets considered for short selling are shares and interest-bearing negotiable securities.

The Fund is permitted to raise margin loans corresponding to a maximum of 50 percent of fund assets. This type of loan is used to increase the investment scope and may be used for investments in all asset classes permitted in the Fund. Loans are used only in exceptional cases.

#### FUND UNIT CLASSES

The fund has eight unit classes: A SEK retail class; B NOK retail class; C EUR retail class; D EUR institutional class; E USD retail class; F USD institutional class; G SEK including conditions applying to distribution; and H SEK including conditions applying to distribution. The fund unit classes differ in terms of the currency used for calculation and publication of the net asset value of fund units, charges and the minimum deposit and conditions applying to distribution, as described in greater detail in this prospectus and in the fund rules.

When the new fund rules entered into force on 10 September 2015 and 1 January 2018, respectively, all existing units were placed in the fund's unit class A. The other unit classes are not currently active.

#### HISTORICAL RETURNS

Please refer to the key investor information document for the Fund for information about the Fund's historical returns.

#### TARGET GROUP

The Fund is designed for risk-conscious investors with a medium to long investment horizon who are seeking exposure to a flexible and diversified fixed-income market and are prepared to accept high risk in exchange for the opportunity to achieve higher expected returns. The Fund may be unsuitable for investors who plan to cash out their investment within three years.

#### RISK PROFILE

The Fund's holdings consist mainly of interest-bearing transferable securities and money market instruments, such as bonds and certificates, which generally have lower risk than the stock market.

The risk associated with investing in fixed-income funds is among other things affected by the Fund's interest rate risk and credit risk. The interest rate risk in the Fund arises largely from the Fund's investments in interest-bearing transferable securities that have longer fixed-rate terms. This increases the interest rate risk because the market value of such securities is affected more by movements in interest rates than are securities that have shorter fixed-rate terms. The credit risk in the Fund is affected by the Fund's investments in corporate bonds,



which usually have a higher credit risk than government bonds, for example. This is because the risk that an issuer will be unable to perform its payment obligations is greater when the issuer is a company rather than a government, for example, and because the value of corporate bonds may therefore be affected more by changes in market assessments of the company's credit rating.

The Fund's assets are invested globally but with some focus on Nordic interest-bearing financial instruments. The Fund makes active use of currency hedging in order to limit its exposure to currencies other than the Swedish krona. Unit class A SEK retail class is affected only to a limited extent by foreign exchange fluctuations. The prices of other unit classes are affected by changes in the exchange rate between the denomination currency of the unit class and the Swedish krona.

The Fund may also invest in assets where liquidity in the instrument is suboptimal. These holdings may be difficult to divest at a limited cost within a reasonable time. If large withdrawals are made from the Fund such holdings may need to be sold at unfavourable prices that may result in losses for the Fund.

Derivatives may be used in the Fund to both increase and decrease the Fund risk.

The Fund may employ complex investment strategies to more than a negligible part of the investment strategy and therefore uses an absolute Value-at-Risk model (VaR model) with a confidence level of 95 percent and a one-day horizon to calculate aggregate exposure in the Fund. The Fund's Value-at-Risk will not normally exceed 1.00 percent.

Current risk indicator of the fund: Category 4 (on a scale of 1 - 7). For a more detailed explanation of the risk indicator, please see the key investor information for the Fund.

#### LEVERAGE

Leverage is defined as any method by which an AIF Manager increases the exposure of an AIF it manages through borrowing of cash or securities, the use of derivatives or by any other means. The Fund's total leverage is expressed as a ratio calculated in such a way that a fund's exposure is divided by its net asset value. As mentioned above, the Fund will normally use derivatives. The Fund may also create leverage through use of other techniques or instruments and through raising cash loans with a term of not more than three months. The Fund's total leverage may not exceed 600 percent, calculated using the commitment method, and 800 percent using the gross method.

The Fund also applies limits and indicators for how much leverage may be generated through derivatives. Unlike that which applies to calculation of the Fund's total leverage, this considers only the Fund's derivative positions.

The fund rules mean that the total leverage due to derivatives, measured using the commitment method, may not exceed 500 percent. Leverage measured using the gross method is typically expected to be in the range 100–500 percent. However, leverage measured using the gross method may, if the manager deems it effective, be higher than this stated expected level.\*

\* The difference between the commitment method and the gross method is, somewhat simplified, that the commitment method takes into account the risk offsetting achieved through netting and hedging of positions, but the gross method does not.

The AIF Manager may use the assets of the Fund as collateral to guarantee the performance of obligations entered into as an aspect of managing the Fund. Such provision of collateral may be made, for example, through a pledge agreement, collateral transfer or 'transfer of title', by which ownership of the property is transferred to the Fund's counterparty.

#### APPLICABLE CHARGES

The current fees that the Fund charges on the sale and redemption of fund units and for management of the Fund (including expenses for administration, accounting and record keeping, supervision, auditors and custody) are specified below.

UNIT CLASS	A SEK retail class	B NOK retail class	C EUR retail class	D EUR institutional class	E USD retail class	F USD institutional class	G SEK including conditions applying to distribution	H SEK including conditions applying to distribution
Entry charge	None	None	None	None	None	None	None	None
Exit charge	None	None	None	None	None	None	None	None
Ongoing charges to the AIF Manager*	0.95 %	0.95 %	0.95 %	0.45 %	0.95 %	0.45 %	0.475 %	0.43 %
Ongoing charges to Depositary	0.03 %	Not active	Not active	Not active	Not active	Not active	Not active	Not active
Performance fee to the AIF Manager**	20 %	20 %	20 %	20 %	20 %	20 %	20 %	20 %

## MAXIMUM CHARGES

The maximum fees that the AIF Manager may, according to the fund rules, charge upon sale and redemption of fund units and for management of the fund, see above, are specified below:

UNIT CLASS	A SEK retail class	B NOK retail class	C EUR retail class	D EUR institutional class	E USD retail class	F USD institutional class	G SEK including conditions applying to distribution	H SEK including conditions applying to distribution
Entry charge	None	None	None	None	None	None	None	None
Exit charge	None	None	None	None	None	None	None	None
Ongoing charges to the AIF Manager*	0.95 %	0.95 %	0.95 %	0.45 %	0.95 %	0.45 %	0.475 %	0.38 %
Ongoing charges to Depositary	0.05 %	0.05 %	0.05 %	0.05 %	0.05 %	0.05 %	0.05 %	0.05 %
Performance fee to the AIF Manager**	20 %	20 %	20 %	20 %	20 %	20 %	20 %	20 %

\* The management fee paid to the AIF Manager is calculated daily on the net asset value of the Fund. Double charges do not occur. If the Fund invests in any of the AIF Manager's other funds, the management fee, and if applicable variable fee (performance fee) is discounted and reversed in the underlying fund.

\*\*Performance fee: A performance fee shall also be paid to the AIF Manager of 20 percent on the part of the total returns for the Fund that exceeds a level of return, referred to below as the reference rate, which is defined as the OMRX-TBILL Treasury bill index. For holders of unit classes B NOK retail class, C EUR retail class, D EUR institutional class, E USD retail class and F USD institutional class, the reference rate is adjusted in such a manner that the size of the performance fee is not influenced by changes in exchange rates between SEK and the currency of each unit class. The performance fee is payable on the unit class's overall performance, which may differ from the performance for the individual unit holder. The performance fee is calculated after deduction of fixed expenses and is recorded daily, which means that the unit class's daily NAV price indicates the value per unit after all fees and charges. The accrued fee is payable to the AIF Manager after the end of each month. In order to know the cumulative total return the unit class must achieve in order for the performance fee to be deducted, a high water mark is used (HWM). Each day the HWM is raised (lowered) by that day's percentage rise (fall) in the Fund's benchmark index. If the unit class's unit price after fixed expenses exceeds the high water mark for that day, twenty percent of the excess return is deducted as a performance fee and the NAV price is adjusted to reflect this. The HWM is raised to this new higher rate so that fees for the excess return are only paid once. If the unit class's cumulative return on any particular day is below the HWM, no performance fee is payable until the unit class's price per unit again exceeds the HWM. If dividends are paid to unit holders, the NAV and HWM are adjusted equally in percentage terms. The performance fee may be payable even though the return is negative, provided that the unit class's return exceeds the reference rate. An example of how performance fees are calculated is provided below.

#### OTHER INFORMATION ABOUT CHARGES

Brokerage fees and other expenses connected with the Fund's purchase and sale of financial instruments and tax are paid directly from the Fund and are additional to the above fees. The Fund may, to the extent permitted by current legislation, also be charged expenses for analysis.

VAT may be due and payable on the above fees and charges.

Please refer to the preceding year's annual report for information about the amount of fees paid to the AIF manager and the Depositary as well as the Fund's performance and growth.

## Example of how performance fees are calculated for Catella Credit Opportunity

*The performance fee is calculated as follows:*

The unit class's unit price and high water mark (HWM) are both set to SEK 100 on the Fund's inception date, 24 November 2014. Each day, the HWM is adjusted upwards by the percentage change in OMRX-TBILL. If that day's fund unit price exceeds the new HWM, a performance fee is charged at 20 percent of the difference between the unit price and the HWM. A new unit price is thereafter calculated, which takes the fee charged into account and the HWM is raised to this new price. When the Fund pays dividends, the HWM is adjusted downwards by the same percentage that the fund unit price is adjusted downwards, so that the difference, expressed as a percentage, between the HWM and the fund unit price before and after the dividend distribution is the same.

Day	Bench mark index	Value growth, %	High water mark	Unit value	Performance fee	Remarks
1	123.50		100.00	100.00		The unit class's unit value and high water mark are set to SEK 100 on inception day
2	124.00	0.40%	100.40	100.30		No fee: the unit class's unit value is lower than the high water mark
3	124.50	0.40%	100.81	102.00	0.24	Fee of 20% of the difference between the unit class's unit value and the high water mark.
			101.76	101.76		New unit class's unit value and high water mark.
4	124.75	0.20%	101.97	101.85		No fee: the unit class's unit value is lower than the high water mark.
5	124.00	-0.60%	101.35	101.50	0.03	Fee of 20% of the difference between the unit class's unit value and the high water mark.
			101.35			
			101.47	101.47		New unit class's unit value and high water mark.
6	125.00	0.81%	102.29	102.00		No fee: the unit class's unit value is lower than the high water mark.
7	125.25	0.20%	102.49	102.25		No fee and before dividend of SEK 10.
			92.47	92.25		After dividend of SEK 10.
8	126.00	0.60%	93.02	91.00		No fee: the unit class's unit value is lower than the high water mark.
9	126.50	0.40%	93.39	94.00	0.12	Fee of 20% of the difference between the unit class's unit value and the high water mark.
			93.88	93.88		New unit class's unit value and high water mark.

# Catella Hedgefond

*Special fund registered in Sweden*

## OBJECTIVE AND INVESTMENT STRATEGY

The objective of the Fund is to demonstrate consistent, positive return regardless of the performance of Nordic capital markets. At Catella, we view hedge funds as a third asset class. In that managers may decide, based on their views on stock market valuation, what portion of equity ownership is preferred, unit holders gain a flexible savings product that owns shares when justified but which under other market conditions prefers fixed-income investments.

The analysis process behind the Fund's investments consists primarily of fundamental analysis, which studies the company's earnings capacity, cash flows and so on. Complementary quantitative analysis is performed in which the historical performance of equities and their co-variations are studied. Risk analysis is a third key element of management. This involves analysis of both the aggregate risk of the Fund and the risk in each individual investment.

The Fund invests its assets in financial instruments, meaning transferable securities, fund units, money market instruments and derivatives whose underlying assets may comprise transferable securities, money market instruments, financial indices, interest rates and exchange rates.

A maximum of 10 percent of the Fund's assets may be invested in fund units.

The investment strategy focuses on the Nordic region.

## DERIVATIVES AND OTHER FINANCIAL TECHNIQUES

The fund is permitted to a substantial extent to invest its assets in derivatives where the underlying assets may comprise transferable securities, money market instruments, financial indices, interest rates and exchange rates. This is conducted as an aspect of the Fund's investment strategy. The Fund is thus, inter alia, permitted to take positions by buying and selling (writing) call options and put options and buying and selling futures. The Fund may combine the above positions. The focus of derivatives trading by the Fund may mean the Fund's capital growth and the total net asset value of the Fund are to some extent at risk. The Fund may invest in OTC derivatives.

The Fund attempts to take advantage of situations in which price falls can be expected by using short selling strategies; that is, sales of financial instruments that the Fund does not own but has disposal over in what is called 'legitimate' short-selling.

The Fund may also borrow against its assets to increase leverage in a controlled manner and to seek to increase returns on all or parts of the Fund's assets.

## SECURITIES FINANCING TRANSACTIONS

The Fund is permitted to extend securities loans corresponding to a maximum of 20 percent of fund assets. This occurs only in exceptional cases and rarely at a share of the Fund exceeding 10 percent. The assets considered for securities lending are shares and interest-bearing negotiable securities.

The Fund is permitted to enter into short selling transactions corresponding to a maximum of 50 percent of fund assets. This occurs as an aspect of the investment policy and the outstanding short-sold volume varies depending upon the managers' market outlook. The share of short-sold securities will, however, rarely exceed 25 percent of the net asset value of the Fund. The assets considered for short selling are shares and interest-bearing negotiable securities.

The Fund is permitted to raise margin loans corresponding to a maximum of 50 percent of fund assets. This type of loan is used to increase the investment scope and may be used for investments in all asset classes permitted in the Fund. Loans are used only in exceptional cases and rarely exceed more than 10 percent of the net asset value of the Fund.

#### FUND UNIT CLASSES

The fund has six unit classes: A SEK retail class; B NOK retail class; C EUR retail class; D USD retail class, E SEK including conditions applying to distribution och F SEK including conditions applying to distribution. The fund unit classes differ in terms of the currency used for calculation and publication of the net asset value of fund units, charges and the minimum deposit and conditions applying to distribution, as described in greater detail in this prospectus and in the fund rules. When the new fund rules entered into force on 10 September 2015 and 1 January 2018, respectively, all existing units were placed in the fund's unit class A. The other unit classes are not currently active.

#### HISTORICAL RETURNS

Please refer to the key investor information document for the Fund for information about the Fund's historical returns.

#### TARGET GROUP

The Fund is designed for investors who are seeking consistent returns associated with low risk. Because the return has low co-variation with the stock market and the fixed-income market, the Fund is a good complement to equities and fixed-income investments.

#### RISK PROFILE

Fund assets are invested in financial instruments primarily on the Nordic market.

The risk associated with the Fund arises mainly from the equity market, because this market is more volatile than the fixed-income market, but because the Fund invests a significant portion of its assets in other asset classes, some of the risk in the Fund may be eliminated by diversification.

The Fund also invests in fixed-income securities and is thus exposed to interest rate risk and credit risk. The interest rate risk in the Fund largely relates to the Fund making investments in interest-bearing transferable securities with long fixed-interest terms. This increases the interest rate risk since the market values of such securities are influenced to a greater extent by changes in interest rates than securities with shorter fixed-interest terms. The credit risk in the Fund is affected among other things by the Fund's investments in corporate bonds, which usually have a higher credit risk than government bonds, for example. This is because the risk that an

issuer will be unable to perform its payment obligations is greater when the issuer is a company rather than a government, for example, and because the value of corporate bonds may therefore be affected more by changes in market assessments of the company's credit rating.

Since the Fund invests in the Nordic countries the Fund may also have a portion of currency risk. The fund makes active use of currency hedging in order to limit its exposure to currencies other than the Swedish krona. Unit class A SEK retail class is affected only to a limited extent by foreign exchange fluctuations. The prices of other unit classes are affected by changes in the exchange rate between the denomination currency of the unit class and the Swedish krona.

Derivatives can be used in the Fund to both increase and decrease risk in the Fund.

Because the Fund concentrates its investments in one region, the Fund has higher risk than a Fund that spreads holdings among several regions. Individual investments may comprise a relatively large share of the portfolio's net asset value and the Fund's returns may therefore be affected by isolated events in these companies.

The Fund may also invest in assets where liquidity in the instrument is suboptimal. Selling these assets may take time if this occurs at the wrong time in the market.

In accordance with Chapter 25, §4 of FFFS 2013:9, the Fund uses an absolute Value-at-Risk model (VaR model) with a confidence level of 95 percent and a one-day horizon to calculate the total exposure of the Fund related to derivatives. The Fund aims to have a VaR, and therefore a risk level, that is higher than Swedish fixed-income funds and lower than Swedish equity funds. The application of a VaR model means the Fund's total exposures resulting from derivatives (measured using the commitment approach) may exceed the value of the Fund.

Current risk indicator of the fund: Category 3 (on a scale of 1 - 7). For a more detailed explanation of the risk indicator, please see the key investor information for the Fund.

## LEVERAGE

Financial leverage is defined as a method an AIF Manager may use to increase the exposure of a managed fund. This may occur through loans of cash or securities, as well as through the use of derivative instruments. The Fund's overall financial leverage is expressed as a percentage value, which is calculated so that the Fund's exposure, the total market value of all assets including all financial instruments and all liabilities, is divided by the net asset value of the Fund. The Fund manager normally uses derivative instruments to manage leverage, but may (as mentioned above) also use other techniques to create leverage.

The total gross value of the Fund's held positions in financial instruments may constitute a maximum of 350 percent of the net asset value of the Fund and the total positive net value a maximum of 150 percent of the net asset value of the Fund. In this context, the total positive net value (thus, a maximum of 150 percent of the Fund's net asset value) refers to the Fund's total (long) market exposure minus the Fund's short positions. Measured using the gross method (thus, a maximum of 350 percent of the net asset value of the fund), the Fund's leverage is normally expected to be in the range of 100-250 percent.



The Fund's overall exposure calculated in accordance with the commitment method (as set out in Article 8 of the Commission Delegated Regulation (EU) No. 231/2013) may constitute a maximum of 300 percent of the net asset value of the Fund. In somewhat simplified terms, the difference between the commitment method and the gross method is that the commitment method takes into consideration the offsetting of risks achieved through netting and hedging of positions, which the gross method does not.

The AIF Manager may use the assets of the Fund as collateral to guarantee the performance of obligations undertaken as an aspect of managing the Fund. Such provision of collateral may be made, for example, through a pledge agreement, collateral transfer or 'transfer of title', by which ownership of the property is transferred to the Fund's counterparty.

### APPLICABLE CHARGES

The current fees that the Fund charges on the sale and redemption of fund units and for management of the Fund (including expenses for administration, accounting and record keeping, supervision, auditors and custody) are specified below.

UNIT CLASS	A SEK retail class	B NOK retail class	C EUR retail class	D USD retail class	E SEK including conditions applying to distribution	F SEK including conditions applying to distribution
Entry charge	None	None	None	None	None	None
Exit charge	None	None	None	None	None	None
Ongoing charges to the AIF Manager*	1.00 percent	1.00 percent	1.00 percent	1.00 percent	0.50 percent	0.40 percent
Ongoing charges to Depositary	0.03 percent	Not active	Not active	Not active	Not active	Not active
Performance fee to the AIF Manager**	20 percent	20 percent	20 percent	20 percent	20 percent	20 percent

## MAXIMUM CHARGES

The maximum fees that the AIF Manager may, according to the fund rules, charge upon sale and redemption of fund units and for management of the fund, see above, are specified below:

UNIT CLASS	A SEK retail class	B NOK retail class	C EUR retail class	D USD retail class	E SEK including conditions applying to distribution	F SEK including conditions applying to distribution
Entry charge	None	None	None	None	None	None
Exit charge	None	None	None	None	None	None
Ongoing charges to the AIF Manager*	1.00 percent	1.00 percent	1.00 percent	1.00 percent	0.50 percent	0.40 percent
Ongoing charges to Depositary	0.15 percent	0.15 percent	0.15 percent	0.15 percent	0.15 percent	0.15 percent
Performance fee to the AIF Manager**	20 percent	20 percent	20 percent	20 percent	20 percent	20 percent

\* The management fee paid to the AIF Manager is calculated daily on the net asset value of the Fund. Double charges do not occur. If the Fund invests in any of the AIF Manager's other funds, the management fee and if applicable variable fee (performance fee) is discounted and reversed in the underlying fund.

\*\*Performance fee:

A collectively calculated performance fee shall also be paid to the AIF Manager of 20 percent on the part of the total return for the Fund that exceeds a level of return, referred to below as the reference rate, which is defined as the OMRX-TBILL Treasury bill index. For holders of unit classes B NOK retail class, C EUR retail class and D USD retail class, the reference rate is adjusted in such a manner that the size of the performance fee is not influenced by changes in exchange rates between SEK and the currency of each unit class.

The performance fee is payable collectively on the unit class's overall performance, which may differ from the performance for the individual unit holder. The performance fee is calculated after deduction of fixed expenses and is recorded daily, which means that each unit class's daily NAV price indicates the value per unit after all fees and charges. The accrued fee is payable to the AIF Manager after the end of each month. In order to know the cumulative total return each unit class must achieve in order for the AIF Manager to deduct a performance fee, a high water mark (HWM) is used. Each day the HWM for each unit class is adjusted up (down) by that day's percentage rise (fall) in the Fund's reference rate. If a unit class's unit price after deduction of fixed expenses exceeds the high water mark for that day, twenty percent of the excess return is deducted as a performance fee and the NAV price is adjusted to reflect this. The HWM is raised to this new higher rate so that fees for the excess return are only paid once. If a unit class's cumulative return on any particular day is below the HWM, no performance fee is payable until the unit class's price per unit again exceeds the HWM. If dividends are paid to unit holders, the NAV and HWM are adjusted equally in percentage terms. The performance fee may be payable even though the return is negative, provided that a unit class's return exceeds the reference rate. An example of how performance fees are calculated is provided below.

#### OTHER INFORMATION ABOUT CHARGES

Brokerage fees and other expenses connected with the purchase and sale of financial instruments and tax are paid directly from the Fund and are additional to the above fees. The Fund may, to the extent permitted by current legislation, also be charged expenses for analysis.

VAT may be due and payable on the above fees and charges.

Please refer to the preceding year's annual report for information about the amount of fees paid to the AIF manager and the Depositary as well as the Fund's performance and growth.

## Example of how performance fees are calculated for Catella Hedgefond

*The performance fee is calculated collectively as follows:*

The unit class's unit price and high water mark are initially at the same level, SEK 100 in this example. Each day, the high water mark is adjusted upward by the percentage change in OMRX-TBILL for that day. If that day's fund unit price exceeds the new high water mark, a collective performance fee is charged at 20 percent of the difference between the unit price and the high water mark. A new unit price is thereafter calculated, which takes the fee charged into account, and the high water mark is raised to this new price. When the Fund pays dividends, the high water mark is adjusted downward by the same percentage that the fund unit price is adjusted downward, so that the percentage difference between the high water mark and the fund unit price before and after the dividend distribution is the same.

Day	Bench mark index	Value growth	High water mark	Unit value	Performance fee	Remarks
1	123.50		100.00	100.00		The fund unit value and high water mark are set to SEK 100 on inception day.
2	124.00	0.40%	100.40	100.30		No fee: the unit value is lower than the high water mark.
3	124.50	0.40%	100.81	102.00	0.24	Fee of 20% of the difference between the unit value and the high water mark.
			101.76	101.76		New unit value and high water mark.
4	124.75	0.20%	101.97	101.85		No fee: the unit value is lower than the high water mark.
5	124.00	-0.60%	101.35	101.50	0.03	Fee of 20% of the difference between the unit value and the high water mark.
			101.35			
			101.47	101.47		New unit value and high water mark.
6	125.00	0.81%	102.29	102.00		No fee: the unit value is lower than the high water mark.
7	125.25	0.20%	102.49	102.25		No fee and before dividend of SEK 10.
			92.47	92.25		After dividend of SEK 10.
8	126.00	0.60%	93.02	91.00		No fee: the unit value is lower than the high water mark.
9	126.50	0.40%	93.39	94.00	0.12	Fee of 20% of the difference between the unit value and the high water mark.
			93.88	93.88		New unit value and high water mark.

**Distributors**
**June 2018**
**Appendix 2**

AB Fria Fond- & Försäkringsmäklare, company number 556641-3489  
 Auris Pension och Försäkring AB, company number 559068-6217  
 Avanza Bank AB, company number 556573-5669  
 Axcius Kapitalförvaltning AB, company number 556784-9624  
 Catella Bank S.A. Luxembourg  
 Catella Bank Filial, company number 516401-9910  
 Coeli AB, 556608-7648  
 Consortium Capital Investments AB, company number 556113-4643  
 Core Capital Management S.A., company number B117431  
 Erik Penser Bankaktiebolag, company number 556031-2570  
 Folksam Fondförsäkringsaktiebolag, company number 516401-8607  
 Folksam LO Fondförsäkring AB, company number 516401-6619  
 Folksam Ömsesidig Livförsäkring AB, company number 502006-1585  
 Fossar Markets hf, company number 660907-0250  
 Försäkringsaktiebolaget Skandia, company number 502017-3083  
 Global Invest Finansförmedling Sverige AB, company number 556706-5569  
 Humle Kapitalförvaltning AB, company number 556544-8015  
 ICA Banken AB, company number 516401-0190  
 Länsförsäkringar Bank AB, company number 516401-9878  
 Länsförsäkringar Fondliv Försäkringsaktiebolag, company number 516401-8219  
 MFEX Mutual Funds Exchange AB, company number 556559-0634  
 Nasdaq Broker Services AB, company number 556405-0127  
 Nord Fondkommission AB, company number 556832-1342  
 Nordnet Bank AB, company number 516406-0021  
 Pensionsmyndigheten, company number 202100-5034  
 SkandiaBanken AB, company number 516401-9738  
 Skandinaviska Enskilda Banken AB (publ), company number 502032-9081  
 Sparbanken Nord, company number 598800-4817  
 Sparbanken Syd, company number 548000-7425  
 SPP Liv Fondförsäkring AB, company number 516401-8599  
 Storebrand Livsforsikring AS – Filial Sverige, company number 516403-6997  
 Storebrand Livsforsikring AS, company number NO 958995369  
 Swedbank AB, company number 502017-7753  
 Söderberg & Partners  
 UBS AG Zurich  
 Von Euler & Partners AB, company number 556630-5487  
 Ålandsbanken Abp (Finland) Swedish branch, company number 516406-0781

# Sustainability information, special funds

## SUSTAINABILITY INFORMATION, CATELLA'S FUNDS

Fund:	Catella Balanserad	Catella Credit Opportunity	Catella Hedge-fond
<b>SUSTAINABILITY INFORMATION:</b>			
- Sustainability aspects considered in the management of the fund.	X**	X	X
- Sustainability aspects not considered in the management of the fund.	-	-	-
<b>SUSTAINABILITY ASPECTS CONSIDERED IN THE MANAGEMENT OF THE FUND:</b>			
- Environmental aspects	-	X	X
- Social aspects	-	X	X
- Corporate governance aspects	-	X	X
- Other sustainability aspects	-	-	-
<b>METHODS APPLIED IN SUSTAINABILITY EFFORTS:</b>			
<b>THE FUND CHOOSES</b>			
- Sustainability aspects crucial to the manager's choice of companies.	-	-	-
- The fund manager considers sustainability issues.	-	X	X
<b>OTHER:</b>			
- Other method applied by the fund to choose.	-	-	-
<b>THE FUND EXCLUDES</b>			
<b>PRODUCTS AND SERVICES:</b>			
- Cluster bombs, anti-personnel mines	-	X	X
- Chemical and biological weapons	-	X	X
- Nuclear weapons	-	X	X
- Weapons and/or defence materiel	-	X	X
- Alcohol	-	X	X
- Tobacco	-	X	X
- Commercial gambling activities	-	X	X
- Pornography	-	X	X
- Fossil fuels (oil, gas, coal)	-	-	-
- Coal	-	X	X
- Uranium	-	-	-
- Genetically modified organisms (GMOs)	-	-	-
- Other	-	-	-
<b>INTERNATIONAL NORMS:</b>			
- The fund avoids investing in all identified companies that do not comply with international norms.	-	X	X
- Companies in which the fund does not identify a willingness to change or which the fund judges will not deal with problems within an acceptable timeframe are rejected for investment.	-	-	-
<b>COUNTRIES:</b>			
- For sustainability reasons the fund does not invest in companies involved with certain countries/ fixed income securities issued by certain nations.	-	-	-
<b>OTHER:</b>			
<b>THE FUND MANAGEMENT COMPANY INFLUENCES</b>			
<b>The fund management company exercises its shareholder rights to influence companies on sustainability issues.</b>			
The fund management company maintains contact with companies in order to influence them in a more sustainable direction. *			
- Influences companies independently	-	X	X
- Influences companies in cooperation with other investors	-	X	X
- Votes at general meetings	-	X	X
- Participates in nomination committees to influence the composition of the board	-	X	X
- other company influences	-	-	-

\* The fund management company exercises its ownership to influence companies with regard to sustainability issues. Note that these efforts are conducted in relation to the fund management company's entire holdings and not specifically on behalf of this individual fund.

\*\* The fund is a fund of funds that invests only in Catella's own funds or in funds that are signatories to the Principles for Responsible Investment.

### Sustainability information

Sustainability aspects are taken into account in all funds. The basic approach is the same for all funds, but the emphasis is on different areas depending on the product's profile.

- We avoid buying shares or fixed income instruments in companies that produce goods and services that are questionable from a sustainability perspective. On the other hand, we may take short positions in these companies in the absolute return mandate as we believe this is consistent with our process and philosophy towards sustainability.

- We use third-party assessment of the company's sustainability efforts to detect risks and initiate corporate dialogue with the aim of improving transparency in sustainability reporting.

- For Catella Sverige Aktiv Hållbarhet we choose companies with a business model that contributes positively to enhanced sustainability (see below).

### Chosen

All our funds take into account sustainability aspects based on the circumstances of the product. Sustainability aspects are only crucial for Catella Sverige Aktiv Hållbarhet, where we actively seek investment in companies for which sustainability is an important and decisive driving force for sales and growth. In addition, we set a higher requirement that the fund's overall rating (based on third-party assessment) should not be below the market's rating.

### Rejected

We set a clear sustainability limit for all our funds and completely avoid companies that produce tobacco, alcohol, commercial gambling, pornography and coal, that are strongly associated with harmful health effects, are highly addictive, or have clear and well documented negative environmental effects. Furthermore, we exclude all production and distribution of weapons. On the other hand, we may take short positions in these companies in the absolute return mandate as we believe this is consistent with our process and philosophy towards sustainability. The world is dependent on fossil fuels for both heating and transport. Alternative sources of energy are on the rise, but there is still some way to go before people can manage without fossil fuels. We have chosen to take another step for all mandates that are not absolute return mandates and also exclude fossil fuels. For absolute mandates we do not exclude investments in the energy sector. On the other hand, we set higher demands for this and sell companies with documented high sustainability risks associated with their business. In addition, we work actively in dialogue with companies that we consider to be lagging behind in their sustainability efforts. We have no exclusion policy for Catella Sverige Index and Catella Balanserad.

### International norms

For all our funds, we draw a clear limit for companies that violate international norms and conventions. We undertake to immediately sell a company flagged by our external supplier of screening and sustainability ratings.

### The fund management company influences

We focus our influence efforts on the portfolio companies where we have a larger shareholding. The purpose is to safeguard the interests of unitholders and contribute to long-term healthy development. We also work towards increased overall transparency and reporting on sustainability. We do this in a couple different ways independently, as well as in collaboration with other investors:

- The company's fund managers engage in ongoing dialogue with the senior executives of the portfolio companies regarding their sustainability efforts as an integral part of the fundamental analysis.

- We participate selectively in nomination committee work, the duties of which include proposing directors and the chairman of the board for election at annual general meetings, and as an ultimate method of influence we can exercise the voting rights of the funds at these meetings.

- We participate selectively in ownership dialogue specifically relating to sustainability.