

The Directors whose names appear in the section of the Prospectus entitled "Management and Administration" are the persons responsible for the information contained in this Supplement and the Prospectus. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this Supplement and the Prospectus is in accordance with the facts and does not omit any material information likely to affect the import of such information. The Directors accept responsibility accordingly.

**If you are in any doubt about the contents of this Supplement or the Prospectus you should consult your stockbroker, bank manager, solicitor, accountant or other financial adviser.**

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## **ASGARD FIXED INCOME RISK PREMIA**

*(An open-ended sub-fund of Asgard Fund ICAV, registered as an Irish collective asset-management vehicle on 10 March 2016 with variable capital constituted as an umbrella fund with segregated liability between sub-funds in Ireland and authorised by the Central Bank pursuant to the Act and the AIFMD Regulations)*

### **Supplement**

### **AIFM Asgard Asset Management A/S**

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This Supplement forms part of, and should be read in the context of, and together with, the Prospectus dated 17 December 2021 as may be further amended or updated from time to time (the "Prospectus") in relation to Asgard Fund ICAV (the "ICAV") and contains information relating to the Asgard Fixed Income Risk Premia (the "Sub-Fund") which is a separate portfolio of the ICAV.

The names of other sub-fund(s) of the ICAV once established will be available upon request to the ICAV.

The date of this Supplement is 31 March 2023.

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## DEFINITIONS

Words and terms defined in the Prospectus have the same meaning in this Supplement unless otherwise stated herein.

<b>Base Currency</b>	for the purposes of this Supplement, the base currency shall be Euro;
<b>Business Day</b>	means a day other than a Saturday, Sunday, or other day on which banks in Copenhagen are closed for business, or such other day or days as may be determined by the Directors;
<b>Dealing Day</b>	means any Subscription Day or Redemption Day;
<b>Dealing Deadline</b>	means: <ul style="list-style-type: none"><li>(i) in respect of subscriptions, 5:00 pm (Irish time) on the Business Day being at least two Business Days immediately prior to the relevant Subscription Day;</li><li>(ii) in respect of redemptions, 5:00 pm (Irish time) on the Business Day being at least 30 calendar days' prior to the relevant Redemption Day;</li></ul> <p>or in either case, such later time as may be determined by the Directors and notified to the relevant Shareholders in advance provided always that the Dealing Deadline is no later than the Valuation Point;</p>
<b>EMIR</b>	Regulation (EU) No 648/2012 of the European Parliament and of the Council on OTC derivatives, central counterparties and trade repositories with regard to regulatory technical standards on the minimum details of the data to be reported to trade repositories;
<b>EMIR Regulations</b>	EMIR, each Commission Delegated Regulation supplementing the EMIR and each Commission Implementing Regulation laying down implementing technical standards according to EMIR, including any such regulations that are not yet in force on the date of this Agreement, and all as may be amended from time to time;
<b>Investment Grade</b>	means an investment rating level of BBB- or higher from Standard & Poor's Corporation (S&P) or Fitch Ratings, or Baa3 or higher from Moody's Corporation or the equivalent or higher from another leading internationally recognised statistical rating agency;
<b>Prime Broker</b>	means Skandinaviska Enskilda Banken AB (publ) acting through its London Branch;
<b>Prime Brokerage Agreement</b>	means the prime brokerage agreement dated 9 April 2018 appointing the Prime Broker to provide to provide financing and settlement services in respect of the Sub-Fund, and establishing cross-margining and cross-netting arrangements between the ICAV acting on behalf of the Sub-Fund and the Prime Broker;
<b>Redemption Day</b>	means the first Business Day of each calendar month, and such other Business Day or Business Days as the Directors may determine and notify to the relevant Shareholders in advance, provided that there shall be at least one Redemption Day per calendar quarter and provided further that applications for redemption will not in any case be accepted after the relevant Valuation Point;

**Subscription Day** means the first Business Day of each calendar month, and such other Business Day or Business Days as the Directors may determine and notify to Shareholders in advance, provided that there shall be at least one Subscription Day per calendar quarter and provided further that applications for subscription will not in any case be accepted after the relevant Valuation Point;

**Valuation Point** means 4.00pm (Irish time) on the last Business Day immediately preceding each Dealing Day, or such other time or times on such Business Day or Business Days as the Directors may determine provided that the valuation point shall always be after the Dealing Deadline and provided further that Shareholders shall have been notified in advance of such other time or times.

## INVESTMENT OBJECTIVE AND POLICIES

### Investment Objective

The primary investment objective of the Sub-Fund is to seek high capital appreciation, with the secondary objective of seeking preservation of capital, thereby aiming to provide attractive risk-adjusted returns for investors.

### Investment Policies

The Sub-Fund primarily invests both long and short in bonds including covered bonds and other fixed income securities which may be issued by governments, governmental or supra-national authorities, municipal agencies and credit or mortgage institutions in the European Union, UK, Switzerland and Norway, which are Investment Grade and listed.

The Sub-fund has flexibility to invest in a wide range of derivative instruments with a bias towards fixed income markets, including options, futures, swaps and other derivative instruments which may be exchange-traded or over-the-counter. The Sub-Fund aims to invest in derivatives which are cleared through a central securities depository where possible. The Sub-Fund will engage in repurchase transactions in respect of the fixed income securities in which it invests as a form of short-term collateralised borrowing in order to generate leverage for the Sub-Fund.

The Sub-Fund may be exposed to currency risk arising from investments being denominated in a currency other than the Base Currency. The AIFM may choose not to hedge all such currency exposure through the use of spot and forward foreign exchange contracts or other methods of reducing exposure to currency fluctuations. See further details in "Investment Restrictions" below. The AIFM may also actively take minor currency positions.

The Sub-Fund may retain significant amounts (and potentially up to 100% of net assets in exceptional circumstances) in cash or cash equivalents, pending investment or reinvestment, as collateral, or, if considered appropriate in uncertain markets and/or to achieving the investment objective.

### Investment Approach

In implementing the investment policies of the Sub-Fund, the AIFM will seek to design a portfolio of investments comprising a collection of risk premia that are attractive and comprise varied risk exposures. A risk premium is the compensation to an investor for assuming the risks inherent in a particular investment. Expected returns on investments can be decomposed and attributed to the risk premia of each investment. The risk premia offered by different investments vary over time and by controlling and timing the exposures to investments and their inherent risk factors, the AIFM will seek to deliver superior and more robust risk-adjusted returns than the returns that can be obtained through more traditional forms of asset allocation.

The AIFM will predominantly seek to allocate the Sub-Fund's assets to risk premia strategies in mature markets with the main focus being on Scandinavian and other European covered bonds.

The AIFM will focus on implementing "Carry/Roll Strategies" and "Relative Value Strategies" (each as described below) as the cornerstone of the Sub-Fund's investment strategy.

### Investment Process

The AIFM will implement the Sub-Fund's investment strategy by following a disciplined investment process, which can be divided into four phases as described below:

#### *(i) Macro-Economic Analysis*

A macro-economic analysis is deployed by the AIFM in order to assess the conditions prevailing in the markets in which the Sub-Fund seeks to invest. The AIFM will seek to determine whether there are reasons to be vigilant regarding trends, paradigm shifts, short term uncertainty and volatility or

reasons for historic correlations to become uncorrelated or unstable. This analysis will include the observation of traditional macro indicators, as well as changes in legislation and regulation relevant to the Sub-Fund's investment universe.

(ii) *Micro-Economic Analysis*

The AIFM will then seek to employ a bottom-up approach to examine the opportunities in the relevant fixed income markets using proprietary micro-economic models. The output of these models is supported and combined with input from micro-analysis supplied by investment banks and independent financial research firms.

The proprietary micro-economic models employed by the AIFM will seek to implement investment strategies including those described below and other investment strategies the AIFM considers appropriate in the prevailing market environment:

- *Carry/Roll Strategies* – 'Carry' is the tendency for higher-yielding assets to provide higher returns than lower-yielding assets. 'Roll' is the tendency of curves to be persistent and not realise the forwards. 'Carry' and 'roll' are calculated on all assets and asset classes. Identifying the ratio of 'carry' and 'roll' to volatility is an integral part of the investment decision process. The ratios are used to assist the AIFM in identifying investment positions and optimizing the size of investment positions as part of a risk-reward analysis.
- *Relative Value Strategies* – this strategy seeks to exploit the tendency for relatively cheap assets to outperform relatively expensive ones. The AIFM will seek to identify relative pricing differences for specific assets and asset classes, and assess the degree to which the valuation can be expected to normalise in the future. Relative value strategies are typically implemented using two or more investment instruments in anticipation of changes in the relative value of these instruments. A broad spectrum of strategies is considered from two asset strategies to the more complex. When implementing relative value strategies, the AIFM will focus on relative value opportunities in the Nordic mortgage bond markets.
- *Momentum Strategies* – this strategy seeks to exploit the tendency for an asset's recent relative performance to continue in the future. Momentum has historically been one of the most persistent predictors of relative asset performance, and although periods can be observed where this strategy does not deliver expected results, delivery of expected results is more often observed across a longer-term horizon. Momentum can be observed to make a larger contribution to positive performance when viewed in the context of a portfolio of investment positions as momentum strategies tend to deliver better performance where there are large market-wide movements in either direction.
- *Volatility Strategies* – can involve long/short option positions fully or partly (delta, gamma and theta) hedged or spread positions utilising mispricing on the whole volatility surface. Exposure to volatility risk premia can also be obtained via bonds with embedded optionality or via tailored instruments. Volatility strategies can be structured to benefit from over-priced "time-value" of options, but can also be structured to benefit from the shape of the volatility surface in combination with the shape of the yield curve by rolling favourably on both.
- *Yield Curve Strategies* – this strategy involves seeking to anticipate changes in the yield curve structure i.e. steepening, flattening or changes to the curvature of the yield curve. A yield curve strategy may involve instruments relating to more than one country or currency. The focus of this type of strategy will be on analysing implied forward yield curves, and a high proportion of trades are taken in the forward space.

(iii) *Portfolio Construction*

The investment opportunities identified through the micro economic analyses detailed above are evaluated in the portfolio construction phase whereby a decision-making process is followed before implementing new trades.

A new trade is evaluated by reference to how the risk/reward profile of the Sub-Fund's portfolio is affected by the implementation of the new trade. A new position will be tested as to how it correlates with the existing portfolio using historical data, subjective expected correlations and worst case scenarios. All trades will be categorised into strategies. All strategies will be monitored in separate sub-portfolios. A proprietary optimization model is run to optimize the expected return of the portfolio given various sub-conditions and constraints

Risk management is of essence to the AIFM in selecting and designing the Sub-Fund's portfolio as the AIFM seeks to find the optimal portfolio balance between risk and expected returns. To ensure that the optimal portfolio is robust under abnormal (fat-tail) market conditions, scenario and stress tests are employed by the AIFM to gauge the potential mark-to-market losses of the Sub-Fund's portfolio in the event such abnormal market conditions materialise.

When determining the size and possible leverage of a strategy, a key concern is market liquidity and positioning. Input from flow and sentiment studies are important elements to the AIFM's decision-making process in advance of executing a trade. As the portfolio is optimized by the AIFM on a continuous basis, entering a new position will automatically lead to a re-analysis and if appropriate a revision by the AIFM of all existing positions.

In selecting brokers to make purchases and sales of listed assets on behalf of the Sub-Fund, the AIFM will select those counterparts who provide best execution to the Sub-Fund.

*(iv) Evaluation/Monitoring*

Monitoring the Sub-Fund's portfolio is a continuous and on-going process taking into consideration the investment constraints and restrictions and diversification across the various strategies.

The AIFM's investment team will constantly monitor the Sub-Fund's portfolio, risk numbers and strategies. The AIFM's risk manager will monitor the risk of the Sub-Fund's portfolio and performs stress tests of the Sub-Fund's portfolio in different scenarios. The AIFM's investment team will monitor upcoming economic and political releases, and events will be discussed and analysed. Alternative strategies will be examined to optimize the risk/reward profile of the portfolio at all times.

The Sub-Fund's investment strategies are closely monitored and evaluated with a view to protecting the portfolio from events presumed to have major impacts on markets. Minimizing the effects of expected draw-downs in the Sub-Fund's investments will be a special focus of the AIFM in managing the Sub-Fund.

**Responsible Investment**

The AIFM will use best endeavours to apply the principles for responsible investment published by the United Nations (UNEP Finance Initiative and UN Global Compact) in selecting investments for the Sub-Fund.

**RISK MANAGEMENT**

The AIFM considers that the Sub-Fund will be exposed to several primary risk factors, namely, market risk, liquidity risk, credit risk, counterparty risk and operational risk but will also be exposed to other risks.

Risk management is an integral part of the AIFM's control framework. In addition to addressing the AIFM's regulatory obligations, the AIFM's internal risk management function assists the AIFM's senior management and its board in identifying specific risk parameters.

**Risk monitoring**

The AIFM's risk management function will monitor the Sub-Fund's portfolio risk levels across a number of risk metrics including:

- Value at Risk (VaR) – the AIFM will monitor VaR as the daily loss measured as a percentage of the Sub-Fund's Net Asset Value that will not be exceeded with 95% confidence as estimated from historical data;
- Bond Leverage – in addition to monitoring compliance with the leverage limits set out below, the AIFM will also monitor bond leverage measured as the sum of all delta-adjusted long notional bond exposures divided by the Net Asset Value of the Sub-Fund;
- Basis Point Value (BPV) – the AIFM will monitor the BPV risk of the Sub-Fund by measuring the price sensitivity of the Net Asset Value of the Sub-Fund to a parallel shift of the entire term structure of the Sub-Fund's investments by 1 basis point ("**BPV Risk**");
- Spread Risk – the AIFM will monitor absolute spread risk by measuring the price sensitivity of the Net Asset Value of the Sub-Fund to a shift in the spread for each exposure of the Sub-Fund by 1 basis point.
- Vega Risk – the AIFM will monitor vega risk as the price sensitivity of the Net Asset Value of the Sub-Fund to a shifts in the level of implied option volatility;
- The AIFM will also monitor additional risk metrics to characterize the non-linear risk of the portfolio, e.g. convexity and time-value; and
- The AIFM will also employ stress tests and scenario-based risk metrics to monitor the non-parametric risk of the of the Sub-Fund's portfolio.

To assist the AIFM's risk management function in monitoring the risk profile of the Sub-Fund, the AIFM receives daily risk reports from the Administrator. The reports break-down the Sub-Fund's portfolio into long positions, short positions and derivative instruments and their sensitivities to relevant risk parameters.

The AIFM assesses and reviews the adequacy of the risk management systems it has implemented in respect of the Sub-Fund at least annually. The AIFM may from time to time update its risk management systems in the interests of Shareholders.

### **Risk Guidelines**

The AIFM will seek to implement the following risk guidelines:

- (a) The AIFM will seek to restrict the overall BPV Risk (as defined above) to +/- 0.10% of Net Asset Value of the Sub-Fund. If the BPV Risk exceeds the +/- 0.10% of the Net Asset Value, measures will be taken to reduce the BPV Risk to +/- 0.10% of the Net Asset Value;
- (b) For investment strategies of the Sub-Fund relating to bonds, the AIFM will seek to restrict the 10-year equivalent leverage to a maximum of 10 times Net Asset Value. The 10-year equivalent leverage is defined as the sum of all delta-adjusted long notional bond exposure amounts. The delta-adjusted notional value of a bond exposure is the notional value of a position in bonds with a 10-year duration with the equivalent BPV Risk. If the 10-year equivalent leverage of the Sub-Fund's bond-related exposures exceeds the guideline of 10 times Net Asset Value, measures will be taken to reduce the 10-year equivalent leverage of the Sub-Fund's bond-related exposures to below the guideline of 10 times Net Asset Value;
- (c) The AIFM will seek to restrict the overall VaR of the Sub-Fund to 2% of the Net Asset Value of the Sub-Fund. The VaR is a Euro amount measuring the 95<sup>th</sup> percentile loss that will not be exceeded over a one-day holding period using market movements determined from historical data. The VaR model is a non-parametric analysis consisting of directly approximating the distribution of future risk factor-related price movements using historical price movement data. The historic period that will be considered is two calendar years with data being updated on a monthly basis. If the VaR of the Sub-Fund exceeds 2% of Net Asset Value, measures will be taken to reduce the VaR of the Sub-Fund below the 2% guideline; and

- (d) The AIFM will seek to ensure that the total VaR attributed to strategies not related to bonds or other fixed income securities will not exceed a guided maximum of 10% of the overall VaR guideline of 2% of the Net Asset Value of the Sub-Fund (as specified in (c) above) as measured by the marginal VaR contribution of strategies not related to bonds or other fixed income securities. If the total VaR attributed to these strategies exceeds this 10% guideline, measures will be taken to reduce the marginal VaR contribution of these strategies to below this 10% guideline.

The AIFM assesses and reviews the adequacy of its risk management systems and the above risk guidelines of the Sub-Fund at least annually. The AIFM may from time to time and subject to notifying Shareholders amend the above risk guidelines or impose such further risk guidelines as shall be compatible with or in the interest of the Shareholders.

### **INVESTMENT RESTRICTIONS**

As the minimum initial subscription to the ICAV (with the exception of subscriptions from Knowledgeable Investors) will not be less than €100,000, or the foreign currency equivalent thereof, the Sub-Fund qualifies as a Qualifying Investor Alternative Investment Sub-Fund for the purposes of the Central Bank's AIF Rulebook. Accordingly, while the ICAV is authorised by the Central Bank, the Central Bank has not set any limits or other restrictions on the investments and maximum levels of leverage which may be employed by the Sub-Fund.

The AIFM and the Directors have adopted the following restrictions in respect of the Sub-Fund:

- (a) the Sub-Fund may only invest in bonds and other fixed income securities that have an international securities identification number or ISIN;
- (b) where the Sub-Fund takes direct or indirect exposure to, or exposure linked to, bonds or other fixed income securities, such bonds or other fixed income securities must all be Investment Grade;
- (c) the Sub-Fund shall have a maximum unhedged foreign currency exposure of one times Net Asset Value;
- (d) the Sub-Fund may not invest in single name equities, commodities or securitization positions (within the meaning of Article 17 of AIFMD); and
- (e) the Sub-Fund will not acquire shares carrying voting rights which would enable it to exercise significant influence over the management of an issuing body.

The investment restrictions referred to above are deemed to apply at the time of purchase of the investments. If such limits are exceeded for reasons beyond the control of the AIFM, or as a result of the exercise of subscription rights, the AIFM must adopt, as a priority objective, the remedying of the situation, taking due account of the interests of Shareholders.

Any breach of the investment restrictions referred to above which is not corrected within the next market trading session, must be reported to Shareholders by the AIFM.

The Directors may at their absolute discretion from time to time and subject to notifying Shareholders amend the above investment restrictions or impose such further investment restrictions as shall be compatible with or in the interest of the Shareholders, or in order to comply with the laws and regulations of the countries where Shareholders are located. Where any amendments to the above investment restrictions or the imposition of any further investment restrictions significantly alters the asset type, credit quality, borrowing or leverage limits or risk profile of the Sub-Fund, the prior approval on the basis of a majority of votes cast at a meeting of the Shareholders of the Sub-Fund will also be required.

## LEVERAGE

Leverage will be employed by the AIFM through financial derivative investments, repurchase and reverse repurchase transactions and borrowing.

The leverage employed in respect of the Sub-Fund will not exceed a maximum of: (i) 300 times the Net Asset Value of the Sub-Fund calculated in accordance with the gross methodology (as set out in the AIFMD Level 2 Regulations); or (ii) 300 times the Net Asset Value of the Sub-Fund calculated in accordance with the commitment methodology (as set out in the AIFMD Level 2 Regulations).

### Securities Financing Transactions

The Sub-Fund may enter into repurchase and reverse repurchase transactions in respect of the fixed income securities in which it invests in order to generate additional capital for further investments through leverage within the leverage and risk limits of the Sub-Fund ("**Securities Financing Transactions**").

Counterparties to such Securities Financing Transactions will be approved and monitored by the AIFM ("**Approved Counterparties**") and are typically banks or other financial institutions or intermediaries in the jurisdictions in which the Sub-Fund invests. The AIFM shall exercise due diligence in the selection, appointment and monitoring of Approved Counterparties in accordance with the AIFMD Level 2 Regulations and in particular will ensure that Approved Counterparties: (a) are subject to ongoing supervision by a public authority; (b) are financially sound; and (c) have the necessary organisational structure and resources for performing the services which are to be provided by them. All costs and fees of Approved Counterparties to the Sub-Fund's Securities Financing Transactions will be payable at normal commercial terms. Any gains or losses generated by Securities Financing Transactions will be for the account of the Sub-Fund. No counterparty is a related party of the AIFM. The risk of the Approved Counterparty defaulting on its obligations under the Securities Financing Transactions and its effect on the Sub-Fund are described in the sections of the Prospectus titled "Counterparty Risk", "Credit Risks" and "Derivative Securities Risk".

Subject to an upper limit of 100% of the exposure of the Sub-Fund, it is expected that 50% of the exposure of the Sub-Fund calculated in accordance with the gross methodology alluded to above, will be subject to Securities Financing Transactions. However the AIFM has flexibility to vary these levels depending on market conditions.

It is not intended that the Approved Counterparties will assume any discretion over the composition or management of the Sub-Fund's investment portfolio, or that the approval of Approved Counterparties will be required in relation to any portfolio management transactions by the Sub-Fund.

## INVESTMENT RISKS

Investment in the Sub-Fund carries with it a degree of risk including, but not limited to, the risks described in the "Risk Factors" section of the Prospectus. Potential investors should review the Prospectus and this Supplement carefully and consult with their professional advisers before making an application for Shares. There can be no assurance that the Sub-Fund will achieve its investment objective.

### Asset backed securities including covered bonds

The AIFM expects that a significant portion of the Sub-Fund's investments will be asset backed securities including covered bonds which are limited recourse debt obligations or limited recourse debt securities that entitle the holders thereof to receive payments that depend primarily on the cash flow from a specified pool of financial assets. Asset backed securities include, but are not limited to, securities for which the underlying collateral consists of assets such as residential mortgage loans, commercial mortgage loans, small business and corporate debt and other debt obligations.

Holders of asset backed securities including covered bonds bear various risks, including credit risk, liquidity risk, interest rate risk, market risk, operations risk, structural risk and legal risk. Credit risk is an important issue in asset backed securities because of the significant credit risks which may be inherent in the underlying collateral. Credit risk arises from losses due to defaults by the borrowers or obligors in the underlying collateral or the issuer's or servicer's failure to perform. Market risk arises from the cash-flow characteristics of the security, which for many asset backed securities tend to be predictable. The greatest variability in cash flows comes from credit performance, including the presence of wind-down or acceleration features designed to protect the investor if credit losses in the portfolio rise well above expected levels. Interest rate risk arises for the issuer from the relationship between the pricing terms on the underlying collateral and the terms of the rate paid to security holders. Liquidity risk can arise from increased perceived credit risk, such as that which occurred between 2007 - 2009 with the general rise in risk aversion across financial markets and specific concerns over the ability of asset backed securities to perform. Liquidity can also become a significant problem if concerns about credit quality, for example, lead investors to avoid the securities issued by the relevant special-purpose entity. Additional risk arises through the potential for misrepresentation of asset quality or terms by the originating institution, misrepresentation of the nature and current value of the assets by the servicer and inadequate controls over disbursements and receipts by the servicer. In addition, concentrations of asset backed securities of a particular type, as well as concentrations of asset backed securities located in a specific geographic region, may subject the Sub-Fund to additional concentration risk.

Prepayment risk on asset backed securities including covered bonds arises from the uncertainty of the timing of payments of principal on the underlying securitized assets. The assets underlying the Sub-Fund's investment may be paid more quickly than anticipated, resulting in payments of principal on the related portfolio sooner than expected. Alternatively, amortisation may take place more slowly than anticipated, resulting in payments of principal on the related portfolio later than expected. In addition, a particular investment may, by its terms, be subject to redemption prior to its maturity, resulting in a full or partial payment of principal in respect of such investment. Similarly, defaults on the underlying securitised assets may lead to sales or liquidations and result in a prepayment of such investment.

Most asset backed securities in which the Sub-Fund will invest will be covered bonds which are debt obligations issued by credit institutions and secured on the back of a ring-fenced pool of assets to which bondholders will have direct as preferred creditors, while remaining entitled to a claim against the issuing entity or an affiliated entity of the issuer as ordinary creditors for any residual amounts not fully settled with the liquidation of the cover pool. The issuer is typically required to ensure that the value of the assets in the cover pool at least matches at all times the value of the covered bonds and replace assets that become non-performing or, otherwise, stop meeting relevant eligibility criteria. Lastly, the cover pool comprises high quality assets, typically, but not exclusively, mortgage loans and public sector debt. While the mortgage and other loans underlying covered bonds are typically obligations of numerous borrowers and accordingly represent a diversified pool of obligor credit risk, adverse domestic or global economic trends and/or a continued decline or a lack of increase in residential and other property values may result in additional increases in delinquencies and losses on residential mortgage and other underlying loans. In the case of residential mortgages underlying a covered bond for instance, the ability of borrowers to repay is dependent upon the existence of income or other assets of the borrower. If a substantial portion of underlying borrowers experience reductions in income (e.g. through unemployment), their ability to repay their mortgage loans may be substantially be impaired.

A loosening of credit policies and residential mortgage underwriting standards in banks in jurisdictions in which the Sub-Fund invests, may give rise to significant risks of losses for the Fund. Furthermore, a significant economic downturn in a jurisdiction in which the Sub-Fund has invested in covered bonds or other asset backed securities may lead to substantially increased impairments and/or defaults on covered bonds or other asset backed securities. A default on a covered bond or other asset backed security in a jurisdiction could lead to a very material and substantial, if not a complete, loss in the value of the Sub-Fund's investments in that jurisdiction. Where the Sub-Fund's investments are concentrated in covered bonds and other asset backed securities issued in a jurisdiction which experiences such a significant economic downturn leading to defaults on such securities, the value of the Sub-Fund's investments in that jurisdiction may be reduced to zero. Where all of the Sub-Fund's investments are exposed to a jurisdiction or jurisdictions that experience significant economic downturns and defaults in covered bonds and other asset backed securities, a complete loss of the Sub-Fund's equity may occur.

## **Financing Arrangements; Availability of Credit**

Leverage is an integral part of the Sub-Fund's investment strategy and includes the use of repurchase and reverse repurchase and securities lending agreements, bank or dealer credit lines and/or the notional principal amounts of FDI transactions. There can be no assurance that the Sub-Fund will be able to maintain adequate financing arrangements under all market circumstances.

Where a Fund makes use of leverage to initiate long or short positions and the positions decline in value, it will usually be subject to a "margin call", pursuant to which it must either deposit additional funds with the lender or be subject to sanctions such as the mandatory liquidation of securities over which the lender has been granted security or a mandatory termination of all outstanding contracts with the lender and a claim for compensation for any losses incurred by the lender. In some cases a margin call may be made even if the relevant positions have not declined in value. The Fund would normally satisfy such margin calls in cash or acceptable collateral from its assets and, to the extent that such collateral were insufficient, would liquidate certain assets to raise cash in order to satisfy the relevant margin call. In the event of a large margin call, the AIFM might not be able to liquidate assets quickly enough to pay off the margin liability. In such a case, the relevant lender may have the right, in its sole discretion, to liquidate certain assets of the Sub-Fund in order to enable the Sub-Fund to satisfy its obligations to that lender and/or to close out transactions.

As a general matter, the banks and dealers that may provide financing to the Sub-Fund can apply essentially discretionary margin, "haircuts", financing and security and collateral valuation policies. Banks and dealers could change these policies at any time, for any reason, including a change in market circumstances, government, regulatory or judicial action or simply a change in the policy of the relevant bank. Changes by banks and dealers to one or more of these policies, or the imposition of other credit limitations or restrictions may be applied retrospectively to existing contracts as well as prospectively to contemplated future dealing. Whilst the AIFM may seek to limit the rights of lenders to apply such retrospective changes, any such limitation will be subject to the agreement of the relevant lender, which may not be forthcoming. Retrospective changes may result in large margin calls, loss of financing, forced liquidations of positions at disadvantageous prices, termination of repurchase agreements and cross-defaults to agreements with other banks and dealers. Prospective changes may result in the inability of the AIFM to fulfil the investment objective. Any such adverse effects may be exacerbated in the event that such limitations or restrictions are imposed suddenly and/or by multiple market participants simultaneously. The imposition of any such limitations or restrictions could compel a Sub-Fund to liquidate all or part of its portfolio at disadvantageous prices, perhaps even leading to a complete loss of the Sub-Fund's equity.

## **Availability of Investment Strategies**

The success of the Sub-Fund's investment activities depends on the AIFM's ability to identify overvalued and undervalued investment opportunities and to exploit price discrepancies in the financial markets, as well as to assess the importance of news and events that may affect the financial markets. Identification and exploitation of the investment strategies to be pursued by the Sub-Fund will involve a high degree of uncertainty. No assurance can be given that the AIFM will be able to locate suitable investment opportunities in which to deploy all of the Sub-Fund's assets or to exploit discrepancies in the securities and derivatives markets. A reduction in market liquidity or the pricing inefficiency of the markets in which the Sub-Fund seeks to invest, as well as other market factors, will reduce the scope for the Sub-Fund's investment strategies.

## **Concentration Risk**

The Sub-Fund's investments may be concentrated in a particular country or region, in a select group of issuers, or both. When the Sub-Fund's investments are concentrated in a particular country or region, the Sub-Fund's performance may be closely tied to economic and political conditions within that country or region. The Sub-Fund's performance may therefore be more volatile than the performance of more diversified funds.

## Geographical Risks

The Sub-Fund's assets at any one time may be concentrated in one or a very small number of locations or geographical areas. Accordingly, the Sub-Fund's assets may be exposed to factors that could cause deterioration in the value of the assets in that location such as local economic conditions and other factors.

## PRIME BROKER

Skandinaviska Enskilda Banken AB (publ) acting through its London Branch (the "**Prime Broker**") has been appointed provide financing and settlement services in respect of the Sub-Fund in accordance with the terms of the Prime Brokerage Agreement which establishes cross-margining and cross-netting arrangements between the ICAV acting on behalf of the Sub-Fund and the Prime Broker.

Skandinaviska Enskilda Banken AB (publ) has its registered office at S-106 40 Stockholm, Sweden, and is a Swedish credit institution regulated by the Swedish Financial Supervisory Authority, Finansinspektionen to provide banking and investment services, and operates in the UK pursuant to an EEA passport under Section 31 and Schedule 3 of the Financial Services and Markets Act 2000 of the UK.

In accordance with AIFMD, the AIFMD Level 2 Regulations and the AIFM Agreement, the AIFM is required to exercise due skill, care and diligence in the selection and appointment by the ICAV of the Prime Broker, and on an ongoing basis thereafter taking into account the full range and quality of the services of the Prime Broker.

Under the terms of the Prime Brokerage Agreement, the ICAV acting on behalf of the Sub-Fund may nominate the Prime Broker as its agent for settlement of transactions to purchase or sell securities from third parties. The financing provided by the Prime Broker under the Prime Brokerage Agreement may be by way of either cash financing or securities financing. Securities financing may be effected either by crediting the Sub-Fund's securities account with securities or by discharging any obligation of the Sub-Fund to deliver securities to a third party.

The Prime Broker is not permitted under the Prime Brokerage Agreement to re-use, re-hypothecate, sell or lend the Sub-Fund's assets as if they were its own. Cash held in the cash account will not be segregated from the money of the Prime Broker and may be used by the Prime Broker in the course of the Prime Broker's business. The ICAV acting on behalf of the Sub-Fund will therefore rank as a general creditor of the Prime Broker in respect of such cash balances. Beneficial ownership of any securities recorded as being held in the securities account shall vest or remain vested in the ICAV acting on behalf of the Sub-Fund, and such securities shall be held by the Prime Broker upon trust for the ICAV acting on behalf of the Sub-Fund.

As security for the payment and performance of its obligations to the Prime Broker under the Prime Brokerage Agreement, the ICAV acting on behalf of the Sub-Fund has granted to the Prime Broker (a) a security interest by way of first fixed charge over the interests in and rights in relation to the securities recorded as being held in the securities account and cash held in the cash account, and (b) a floating charge over any and all assets of the ICAV acting on behalf of the Sub-Fund held by the Prime Broker, including amounts payable by the Prime Broker to the ICAV acting on behalf of the Sub-Fund and any obligation owed by the Prime Broker to the ICAV acting on behalf of the Sub-Fund, whether under the Prime Brokerage Agreement or otherwise.

In accordance with the terms of the Prime Brokerage Agreement, the Prime Broker shall use all reasonable care in the performance of its duties thereunder but shall not be responsible for any loss or damage suffered by the ICAV acting on behalf of the Sub-Fund as a result of the Prime Broker performing or failing to perform such duties unless the same results from an act of negligence, fraud or wilful default by the Prime Broker, and in which event the liability of the Prime Broker shall not exceed the market value (as determined by the Prime Broker in good faith in any commercially reasonable manner) of the securities affected by such negligence, fraud or wilful default at the time when the same is notified to the Prime Broker. The Prime Broker will not be liable or have any responsibility of any kind for any loss or damage incurred or suffered by the ICAV acting on behalf of the Sub-Fund as a result of any failure, interruption or delay in performance of the Prime Broker's obligations resulting from any

strike, lock out or other labour dispute or breakdown, failure or malfunction of any telecommunications or computer service or system or any event or circumstance outside the Prime Broker's reasonable control. The Prime Broker shall in no circumstances be liable to the ICAV acting on behalf of the Sub-Fund for special, indirect or consequential damages or loss of profit arising in connection with the matters contemplated by the Prime Brokerage Agreement. Under the terms of the Prime Brokerage Agreement, the ICAV acting on behalf of the Sub-Fund shall indemnify the Prime Broker, its officers, directors, employees, agents and affiliated companies, from and against any stamp, documentary and other similar duties and taxes, all and any withholding and similar taxes and all claims, proceedings, expenses, costs, losses, damages and liabilities of every description (including legal fees, accountant's fees, fines and penalties) which may be sustained or incurred by, or asserted against, the Prime Broker, its officers, directors, employees, agents and affiliated companies in connection with or arising out of the settlement of any transaction and the performance of the services provided pursuant to the Prime Brokerage Agreement.

### **Prime Broker as sub-custodian**

In accordance with the AIFMD Regulations and the Central Bank's requirements, the Prime Broker has been appointed by the Depositary as a sub-custodian and as its delegate in the performance of safekeeping duties in respect of the assets of the Sub-Fund.

In accordance with AIFMD, the Prime Broker is required to functionally and hierarchically separate the performance of its depositary function from its duties as Prime Broker, the purpose of which is to manage potential conflicts of interest between these two roles.

### **Depositary's discharge of liability**

The Depositary has contractually sought to discharge its liability to the ICAV acting on behalf of the Sub-Fund for a loss of financial instruments held in custody, by transferring responsibility for such liability to the Prime Broker and the Prime Broker has agreed to assume such liability unless it can prove that the loss has arisen as a result of an external event beyond its reasonable control, the consequences of which would have been unavoidable despite all reasonable efforts to the contrary. The Depositary will remain liable for any assets not transferred to the Prime Broker, which will remain with the Depositary pursuant to the terms of the Depositary Agreement.

The ICAV, the Prime Broker and the Depositary have entered into a sub-custodian agreement which amongst other things, provides for the agreement of and details the circumstances justifying the discharge of liability, namely:

- (i) The Sub-Fund pursues an investment strategy which (a) requires it to invest in certain financial instruments which, pursuant to the law of the relevant third country, requires that those financial instruments are held in custody by a local entity in that third country, and (ii) requires a certain level of financing to achieve the leverage effect, both of which are fundamental parts of its investment strategy. Financing for the Sub-Fund can be carried out by lending cash or securities or other assets to the Sub-Fund, which the Prime Broker is uniquely placed to do at economically profitable interest rates or fees offered by the Prime Broker to the Sub-Fund, under the Prime Brokerage Agreement;
- (ii) However, such financing and lending at economically profitable interest rates or fees is generally only offered by prime brokers, (and in this case, the Prime Broker) if custody of all or a portion of the assets of the Sub-Fund are delegated to the Prime Broker as sub-custodian, so that the Prime Broker can use and have direct access to, the assets as collateral, to the extent required by the Prime Broker. As a consequence, the Depositary is required by the Sub-Fund to delegate the custody of all or a portion of the assets of the Sub-Fund to the Prime Broker as sub-custodian, whereby the Prime Broker as sub-custodian will have responsibility for safekeeping of such assets; and
- (iii) As a result of this, the Prime Broker as sub-custodian is uniquely positioned to act to prevent the loss of securities held in custody by the Prime Broker as sub-custodian and therefore is best placed to ensure operational safety. The Prime Broker as sub-custodian is also uniquely placed to ensure

the return of the Sub-Fund's securities as it has sole instruction authority and direct contractual recourse to its own appointed sub-custodians within its sub-custody network. Transferring the liability for loss of securities held in custody to the Prime Broker as sub-custodian should decrease the likelihood of such securities being lost as the Prime Broker as sub-custodian will be directly accountable to the Sub-Fund rather than the ICAV having to pursue any claim through the Depositary.

## SUBSCRIPTIONS

The Sub-Fund is offering Classes of Shares as set out in the table below:

Class	CCY	Distributing	Initial Issue Price	Minimum Initial Investment	Minimum Subsequent Investment	Minimum Holding Amount	Investment Management Fee	Performance Fee
A	EUR	No	N/A	€100,000	€1,000	€100,000	1.25%	15%
B	USD	No	N/A	USD equivalent of €100,000	\$1,000	USD equivalent of €100,000	1.25%	15%
C	SEK	No	N/A	SEK equivalent of €100,000	SEK10,000	SEK equivalent of €100,000	1.00%	20%
D	USD	No	USD 1,000	USD equivalent of €10,000,000	\$1,000,000	USD equivalent of €10,000,000	1.25%	15%
E	DKK	No	DKK 1,000	DKK equivalent of €100,000	DKK 10,000	DKK equivalent of €100,000	1.25%	15%

The Directors are given authorisation to effect the issue of Shares of any Class and to create new Classes on such terms as they may from time to time determine in accordance with the Central Bank's requirements.

### Initial Offer

The initial offer period ("**IOP**") for the Class E Shares shall run until 4.00pm (Irish time) on 1 June 2023, or such shorter or longer period as the Directors may determine. The IOP for Class A Shares, Class B Shares, Class C Shares and Class D Shares has closed.

### Subsequent Subscriptions

Following the close of their respective IOPs, Shares shall be issued on each Subscription Day at the Net Asset Value per Share of the relevant Class, adding thereto such sum as the Directors in their absolute discretion may from time to time determine as an appropriate provision for Duties and Charges and such other adjustment as the Directors may in their discretion apply as an anti-dilution levy to cover dealing costs and to preserve the value of the Sub-Fund's underlying assets. A subscriber may also be required to pay an additional amount as an Equalisation Credit (as defined below).

In order to receive Shares at the Net Asset Value per Share as of any particular Subscription Day, the Application Form and accompanying Anti-Money Laundering//Know Your Customer ("**AML/KYC**") documentation should be posted or sent by facsimile to +1 914 729 9523 (with the original Application Form and AML/KYC documentation to follow by post immediately) to the Administrator.

The Application Form and the subscription monies must be received no later than the Dealing Deadline. Application Forms received after such time will be held over until the following Subscription Day. Where the applicant is an existing Shareholder a repeat Application Form may be used. The repeat Application Form must be received by the Dealing Deadline.

Subscriptions should be made by wire transfer to the ICAV's bank account, details of which are set out in the Application Form. Subscription monies for Shares should be remitted in euro.

## **REDEMPTIONS**

### **Redemption of Shares**

Shares shall be available for redemption on each Redemption Day at the Net Asset Value per Share of the relevant Class, less such sum as the Directors in their absolute discretion may from time to time determine as an appropriate provision for Duties and Charges and less such other such other adjustment as the Directors may in their discretion apply as an anti-dilution levy to cover dealing costs and to preserve the value of the Sub-Fund's underlying assets. A redeeming Shareholder may also receive additional redemption proceeds if an Equalisation Credit (as defined below) paid at the time of subscription has not been fully applied.

All redemption requests should be made in writing to the Administrator by post or by facsimile to +1 914 729 9523 so as to arrive at the Administrator's address no later than the Dealing Deadline. The original redemption request should follow by post. The address of the Administrator is set out in the Application Form. Subject to the foregoing, and to the receipt of the original Application Form and all anti-money laundering documentation in respect of the Shares to be redeemed, redemption proceeds (net of applicable fees) will be paid by wire transfer to the Shareholder's account specified in the Application Form within 28 calendar days of the Redemption Day (or such shorter period as the Directors may in their discretion determine). Redemptions will not be processed on non-verified accounts.

A request for a partial redemption of Shares will be refused or, at the discretion of the Directors, the holding redeemed in its entirety, if, as a result of such partial redemption, the Net Asset Value of the Shares retained by the Shareholder would be less than the relevant Minimum Holding amount specified for the relevant Class of Shares.

If outstanding redemption requests from all holders of Shares on any Redemption Day in total represent in aggregate more than 25% of the Net Asset Value of the Sub-Fund, the Directors shall be entitled at their discretion to refuse to redeem such number of Shares representing in excess of 25% of the Net Asset Value of the Sub-Fund on such Redemption Day. If the Directors refuse to redeem Shares for this reason, the requests for redemption on such date shall be reduced rateably and the Shares to which each request relates which are not redeemed shall be carried forward to the next available Redemption Day in priority to any subsequent redemption requests, provided that the Sub-Fund shall not be obliged to redeem Shares representing more than 25% of the Net Asset Value of the Sub-Fund on any Redemption Day.

For redemption orders of 10% or more in value of the Net Asset Value of the Sub-Fund, the Directors may in their absolute discretion following reasonable notice to and with the consent of the redeeming Shareholder, distribute underlying investments equivalent to the value of the Shareholder's Shares, rather than cash, in satisfaction of the redemption, which action shall be made in good faith and shall not prejudice the interests of the existing Shareholders provided that the asset allocation is subject to the approval of the Depositary. In such circumstances, the Shareholder has the right to instruct the ICAV to sell such underlying investments on its behalf (in either case the amount that the Shareholder receives after such a sale will be net of all usual sale charges).

### **SWITCHING BETWEEN SHARE CLASSES**

A Share exchange may be effected by way of a redemption of Shares of one class and a simultaneous subscription at the most recent Net Asset Value per Share of the relevant other class. The general provisions and procedures relating to redemptions and subscriptions for Shares including the provisions for making adjustments as set out above will apply to Share exchanges. No fee will be applied to Share exchanges.

## **DIVIDEND POLICY**

There will be no dividend distributions in respect of any Class of Shares in the Sub-Fund. Accordingly, income and capital gains arising in respect of the Sub-Fund will be re-invested and reflected in the Net Asset Value per Share of the relevant Class.

If provision is made for the Sub-Fund to change its dividend policy from an accumulating to a distributing policy, full details of the change in policy will be disclosed in an updated Supplement and all Shareholders will be notified in advance.

## **FEES AND EXPENSES**

### **Initial Charge**

An initial charge of up to 5% may be levied on subscriptions at the discretion of the Directors and shall be payable to the Sub-Fund.

### **Redemption Charge**

A charge of up to 5% may be levied on redemptions at the discretion of the Directors and shall be payable to the Sub-Fund.

### **Administration Fees**

The Administrator shall be paid for its provision of administration and middle/back office services, a fee out of the assets of the Sub-Fund, not to exceed 0.1605% per annum of the Net Asset Value of the Sub-Fund (together with value added tax, if any) subject to a minimum fee, exclusive of out-of-pocket expenses, of €8,025.00 per calendar month. The Administrator shall be paid for its provision of risk services, a fee out of the assets of the Sub-Fund, not to exceed 0.0749% per annum of the Net Asset Value of the Sub-Fund (together with value added tax, if any) subject to a minimum fee, exclusive of out-of-pocket expenses, of €5,350.00 per calendar month. The fees of the Administrator shall be calculated on and shall accrue from each Valuation Point and shall be payable quarterly in advance on the first day of each calendar quarter.

The Administrator may receive additional fees for ancillary services and / or regulatory reporting (which may include Annex IV Reporting required under AIFMD, reporting required under the EMIR Regulations and provision of FATCA and CRS compliance services). Such fees shall be pre-agreed with the ICAV and shall be at normal commercial rates, payable from the assets of the Sub-Fund. These rates are available from the ICAV on request. The Administrator will also be reimbursed out of the assets of the Sub-Fund for reasonable out-of-pocket expenses incurred by the Administrator.

### **Depositary Fees**

The Depositary shall be paid a fee, out of the assets of the Sub-Fund, not to exceed 0.025% per annum of the Net Asset Value of the Sub-Fund (together with value added tax, if any) subject to a minimum monthly fee, exclusive of out-of-pocket expenses of €2,500. The Depositary will also charge a once-off fee for on-boarding the ICAV of €2,500. The fees of the Depositary shall be calculated on and shall accrue from each Valuation Point and shall be payable monthly in arrears.

The Depositary will also be reimbursed out of the assets of the Sub-Fund for reasonable out-of-pocket expenses (plus VAT thereon, if any) incurred by the Depositary in the performance of its duties., and for customary agents' charges paid by the Depositary to any sub-custodian and any transaction charges which shall each be charged at normal commercial rates.

The Depositary shall be entitled to additional fees to be agreed between the parties in circumstances including, but not limited to the following: additional work required, amendments to the Prospectus or the Instrument, change of other service providers to the ICAV, changes to the infrastructure of other service providers to the ICAV which necessitate changes to the infrastructure of the Depositary; changes to the structure of the ICAV or the Sub-Fund which necessitate changes to documents or the operations of the Depositary; and or termination of the Sub-Fund or revocation of authorisation of the ICAV.

### **Prime Broker, brokerage and trading counterparty fees**

The ICAV has appointed the Prime Broker and may also appoint one or more clearing brokers to perform a variety of prime brokerage, brokerage, clearing and settlement services on arm's length commercial terms for the Sub-Fund, in respect of which fees will be charged at normal commercial rates and expenses will be reimbursed out of the assets of the Sub-Fund. The fees of other brokers or trading counterparties of the ICAV will be charged at normal commercial rates and expenses of such parties

will be reimbursed out of the assets of the Sub-Fund. Such fees and expenses are not subject to a maximum limit.

## **AIFM Fees**

### *Management Fee*

The AIFM shall be entitled to receive out of the assets of the Sub-Fund a management fee of 1.25% per annum of the Net Asset Value of Class A, 1.25% per annum of the Net Asset Value of Class B, 1.00% per annum of the Net Asset Value of Class C, 1.25 % per annum of the Net Asset Value of Class D and 1.25% per annum of the Net Asset Value of Class E, calculated and accruing at the Valuation Point and payable monthly in arrears.

The AIFM will also be entitled to be reimbursed out of the assets of the Sub-Fund for all reasonable, vouched out-of-pocket expenses incurred by it on behalf of the Sub-Fund.

### *Performance Fee*

The AIFM is also entitled to receive from the assets of the Sub-Fund, a performance fee (the "**Performance Fee**") calculated in respect of each Class on a Share-by-Share basis in respect of each period of three months ending on 31 March, 30 June, 30 September, and 31 December in each calendar year (a "**Calculation Period**"). The first Calculation Period shall be from the close of the IOP for the relevant Class until the end of the relevant Calculation Period.

For each Calculation Period, the Performance Fee in respect of a Class A Share will be equal to 15% of the appreciation in the Net Asset Value per Share of Class A during the Calculation Period above the adjusted base Net Asset Value per Share of Class A, being the greater of the Net Asset Value per Share of Class A at the time of issue of that Share and the highest Net Asset Value per Share of Class A achieved as at the end of any previous Calculation Period multiplied by one plus a hurdle percentage equal to the 3 month Euro interbank offer rate ("**3 month EURIBOR Rate**") during the period for which such Share has been in issue (the "**Adjusted Base Net Asset Value per Class A Share**"). The Performance Fee in respect of each Calculation Period will be calculated by reference to the Net Asset Value per Share of Class A before deduction for any accrued Performance Fee.

For each Calculation Period, the Performance Fee in respect of a Class B Share will be equal to 15% of the appreciation in the Net Asset Value per Share of Class B during the Calculation Period above the adjusted base Net Asset Value per Share of Class B, being the greater of the Net Asset Value per Share of Class B at the time of issue of that Share and the highest Net Asset Value per Share of Class B achieved as at the end of any previous Calculation Period multiplied by one plus a hurdle percentage equal to the 3 month LIBOR interbank offer rate ("**3 month LIBOR Rate**") during the period for which such Share has been in issue (the "**Adjusted Base Net Asset Value per Class B Share**"). The Performance Fee in respect of each Calculation Period will be calculated by reference to the Net Asset Value per Share of Class B before deduction for any accrued Performance Fee.

For each Calculation Period, the Performance Fee in respect of a Class C Share will be equal to 20% of the appreciation in the Net Asset Value per Share of Class C during the Calculation Period above the adjusted base Net Asset Value per Share of Class C, being the greater of the Net Asset Value per Share of Class C at the time of issue of that Share and the highest Net Asset Value per Share of Class C achieved as at the end of any previous Calculation Period multiplied by one plus a hurdle percentage equal to the 3 month Stockholm interbank offer rate ("**3 month STIBOR Rate**") during the period for which such Share has been in issue (the "**Adjusted Base Net Asset Value per Class C Share**"). The Performance Fee in respect of each Calculation Period will be calculated by reference to the Net Asset Value per Share of Class C before deduction for any accrued Performance Fee.

For each Calculation Period, the Performance Fee in respect of a Class D Share will be equal to 15% of the appreciation in the Net Asset Value per Share of Class D during the Calculation Period above the adjusted base Net Asset Value per Share of Class D, being the greater of the Net Asset Value per Share of Class D at the time of issue of that Share and the highest Net Asset Value per Share of Class D achieved as at the end of any previous Calculation Period multiplied by one plus a hurdle percentage

equal to the 3 month LIBOR Rate during the period for which such Share has been in issue (the "**Adjusted Base Net Asset Value per Class D Share**"). The Performance Fee in respect of each Calculation Period will be calculated by reference to the Net Asset Value per Share of Class D before deduction for any accrued Performance Fee.

For each Calculation Period, the Performance Fee in respect of a Class E Share will be equal to 15% of the appreciation in the Net Asset Value per Share of Class E during the Calculation Period above the adjusted base Net Asset Value per Share of Class E, being the greater of the Net Asset Value per Share of Class E at the time of issue of that Share and the highest Net Asset Value per Share of Class E achieved as at the end of any previous Calculation Period multiplied by one plus a hurdle percentage equal to the Danish Central Bank Certificate of Deposit Rate (if such rate is negative it shall be set to zero in each instance) during the period for which such Share has been in issue (the "**Adjusted Base Net Asset Value per Class E Share**"). The Performance Fee in respect of each Calculation Period will be calculated by reference to the Net Asset Value per Share of Class E before deduction for any accrued Performance Fee.

The Performance Fee will be calculated by the Administrator and verified by the Depositary. The Performance Fee calculations will be notified to the AIFM.

The Performance Fee will normally be payable to the AIFM in arrears within 14 calendar days of the end of each Calculation Period. However, in the case of Shares redeemed during a Calculation Period, the accrued Performance Fee in respect of those Shares will be payable within 14 calendar days after the date of redemption.

If the AIFM Agreement is terminated before 31 March, 30 June, 30 September or 31 December in any calendar year, the Performance Fee in respect of the then current Calculation Period will be calculated and paid as though the date of termination were the end of the relevant period.

#### *Adjustment of Performance Fee*

If an investor subscribes for Shares at a time when the Net Asset Value per Share is other than the Peak Net Asset Value per Share of the relevant Class, certain adjustments will be made to reduce inequities that could otherwise result to the subscriber or to the AIFM. The Peak Net Asset Value per Share of the relevant Class ("**Peak Net Asset Value per Share**") is the greater of (i) the initial issue price at which the relevant Class of Shares were issued; and (ii) the Net Asset Value per Share of the relevant Class in effect immediately after the end of a Calculation Period in any subsequent calendar quarter in respect of which a Performance Fee (other than a Performance Fee Redemption, as defined below) was charged. For these purposes Shares acquired in the secondary market will be treated as if they were redeemed (by the transferor) and subscribed for (by the transferee) on the date of the transfer at the most recent subscription price.

- (A) If Shares are subscribed for at a time when the Net Asset Value per Share is less than the Adjusted Peak Net Asset Value per Share of the relevant Class, the investor will be required to pay a Performance Fee with respect to any subsequent appreciation in the value of those Shares in excess of the Adjusted Base Net Asset Value per Share. The Adjusted Peak Net Asset Value per Share is the Peak Net Asset Value per Share of the relevant Class multiplied by one plus a hurdle percentage equal to the 3 month EURIBOR Rate in respect of Class A, the 3 month LIBOR Rate in respect of Class B and Class D, the 3 month STIBOR Rate in respect of Class C and the Danish Central Bank Certificate of Deposit Rate (if such rate is negative it shall be set to zero in each instance) in respect of Class E. With respect to any appreciation in the value of those Shares from the Net Asset Value per Share at the date of subscription up to the Adjusted Peak Net Asset Value per Share, the Performance Fee will be charged at the end of each Calculation Period by redeeming at par value (which will be retained by the Sub-Fund) such number of the investor's Shares of the relevant Class as have an aggregate Net Asset Value (after accrual for any Performance Fee) equal to 15% in the case of Class A, Class B, Class D or Class E, and 20% in respect of Class C of any such appreciation in excess of the Adjusted Base Net Asset Value per Share (a "**Performance Fee Redemption**"). An amount equal to the aggregate Net Asset Value of the Shares so redeemed will be notified to, and paid to the AIFM as a Performance Fee. The Sub-Fund will not be required to pay to the investor the redemption proceeds of the relevant Shares, being the

aggregate par value thereof. Performance Fee Redemptions are employed to ensure that the Sub-Fund maintains a uniform Net Asset Value per Share of each Class. As regards the investor's remaining Shares, any appreciation in the Net Asset Value per Share of those Shares above the Adjusted Base Net Asset Value per Class A Share, the Adjusted Base Net Asset Value per Class B Share, the Adjusted Base Net Asset Value per Class C Share, the Adjusted Base Net Asset Value per Class D Share or the Adjusted Base Net Asset Value per Class E Share will be charged a Performance Fee in the normal manner described above.

- (B) If Shares are subscribed for at a time when the Net Asset Value per Share is greater than the Peak Net Asset Value per Share of the relevant Class, the investor will be required to pay an amount in excess of the then current Net Asset Value per Share equal to 15% in the case of Class A, Class B, Class D or Class E and 20% in the case of Class C of the difference between the then current Net Asset Value per Share of the relevant Class before accrual for the Performance Fee) and the Peak Net Asset Value per Share of the relevant Class (an "**Equalisation Credit**"). At the date of subscription the Equalisation Credit will equal the Performance Fee per Share accrued with respect to the other Shares of the same Class in the Sub-Fund (the "**Maximum Equalisation Credit**"). The Equalisation Credit is payable to account for the fact that the Net Asset Value per Share of the Class has been reduced to reflect an accrued Performance Fee to be borne by existing Shareholders of the same Class and serves as a credit against Performance Fees that might otherwise be payable by the Sub-Fund but that should not, in equity, be charged against the Shareholder making the subscription because, as to such Shares, no favourable performance has yet occurred. The Equalisation Credit ensures that all holders of Shares of the same Class have the same amount of capital at risk per Share.

The additional amount invested as the Equalisation Credit will be at risk in the Sub-Fund and will therefore appreciate or depreciate based on the performance of the relevant Class subsequent to the issue of the relevant Shares but will never exceed the Maximum Equalisation Credit. In the event of a decline as at any Valuation Day in the Net Asset Value per Share of those Shares, the Equalisation Credit will also be recalculated and reduced proportionately. Any subsequent appreciation in the Net Asset Value per Share of the relevant Class will result in the recapture of any reduction in the Equalisation Credit but only to the extent of the previously reduced Equalisation Credit up to the Maximum Equalisation Credit.

At the end of each Calculation Period, if the Net Asset Value per Share (before accrual for the Performance Fee) exceeds the prior Peak Net Asset Value per Share of the relevant Class, that portion of the Equalisation Credit equal to 15% in the case of Class A, Class B, Class D or Class E and 20% in the case of Class C of the excess, multiplied by the number of Shares of such Class subscribed for by the Shareholder, will be applied to subscribe for additional Shares of such Class for the Shareholder. Additional Shares will continue to be so subscribed for at the end of each Calculation Period until the Equalisation Credit, as it may have appreciated or depreciated in the Sub-Fund after the original subscription for Shares of the relevant Class was made, has been fully applied. If the Shareholder redeems his Shares before the Equalisation Credit (as adjusted for depreciation and appreciation as described above) has been fully applied, the Shareholder will receive additional redemption proceeds equal to the Equalisation Credit then remaining multiplied by a fraction, the numerator of which is the number of Shares of the relevant Class being redeemed and the denominator of which is the number of Shares of the relevant Class held by the Shareholder immediately prior to the redemption in respect of which an Equalisation Credit was paid on subscription.

### **Establishment Expenses of the Sub-Fund**

The establishment and organisational expenses of the ICAV and the Sub-Fund did not exceed €20,000 (inclusive of any applicable Value Added Tax and disbursements), and will be borne by the Sub-Fund and any other subsequent sub-funds of the ICAV as may be established by the ICAV prior to the end of the five year amortisation period, and amortised over the first five financial periods of the ICAV. The Directors shall determine the respective amounts of these establishment fees and expenses to be allocated to and borne by each other subsequent sub-fund of the ICAV established prior to the end of the five year amortisation period in such manner as they shall in their absolute discretion deem to be equitable.

## **Other Fees and Expenses**

The other fees and expenses of the ICAV and the Sub-Fund are set out in the Prospectus under the heading "**Fees and Expenses**".

## **SHAREHOLDER RIGHTS**

The ICAV or the AIFM may agree with certain institutional investors to afford them the right to request redemptions on short notice in order to satisfy their own regulatory requirements. In such circumstances and upon receipt of at least 6 days' prior notice, the Directors will declare an additional Redemption Day in respect of the Class and notify all relevant Shareholders in advance.

The AIFM may also provide such investors with certain informational rights, such as estimated net asset value prices, portfolio information and/or notice of proposed redemptions in respect of AIFM holdings in the Sub-Fund.

Such investors have no legal or economic links with the Sub-Fund or the AIFM. For the avoidance of doubt, these rights will be available to all Shareholders of the relevant Class, further information is available from the AIFM on request.

Any preferential treatment accorded by the AIFM to one or more Shareholders shall not result in an overall material disadvantage to the other Shareholders. Shareholders should also refer to the section of the Prospectus entitled "Preferential Treatment".