



A hedge fund investing in  
Nordic Equities

## Information Memorandum 4<sup>th</sup> February 2020

This Information Memorandum has been prepared in accordance with the Act (2013:561) on managers of alternative investment funds, LAIF, and the Financial Supervisory Authority (FFFS 2013:10) on managers of alternative investment funds.

### **Fund Management Company**

Adrigo Asset Management AB  
Corporate identity number: 556716-4719  
Date of incorporation: 2<sup>nd</sup> October 2006  
The company's legal form: Limited  
Share capital: 1 652 300 SEK  
The Company's registered office and head office: Stockholm

### **Board Of Directors**

Chairman:

#### **Håkan Filipson**

Håkan Filipson is founder of Adrigo Asset Management and has worked as an analyst and stockbroker since 1985 with, among others, Enskilda, CAI Cheuvreux and his own firm A-Brokers. Håkan has held the position of Managing Director of CAI Cheuvreux Nordic and Head of Marketing for CAI Cheuvreux in Europe.

Other Board Members:

#### **Anna Elam**

Anna Elam has worked in marketing at P&G and L'Oreal and then founded the Event Factory which successfully developed marketing events in the funds industry. Anna now works in the East Capital Group.

#### **Stefan Gavelin**

Stefan Gavelin is the Managing Director of Adrigo Asset Management AB and has worked within the financial industry since 2004.

#### **Anders Klintorph**

Anders Klintorph has previously been Head of Trading at SEB Asset Management.

### **Senior executives**

Managing Director:

#### **Stefan Gavelin**

### **Auditors**

PricewaterhouseCoopers AB

Helena Kaiser de Carolis is the Auditor in charge.

The auditor examines, among other things, the accounts that are the basis for the annual reports of the Fund.

### ***The Fund Management Company manages the following funds***

Special Fund Adrigo Hedge

Special Fund Adrigo Small & Midcap L/S

### ***Please note!***

***This document is a translation of the Swedish original. In the event of any discrepancies, the Swedish original version shall be considered the sole authentic version.***

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Separate supplement – Current Fees

## **Adrigo Hedge**

The name of the Fund is Adrigo Hedge. It has been managed by Adrigo Asset Management AB since 1 January 2009. The Fund was launched on 1 December 2006 and was managed from inception by the same fund manager, but through another company.

The Fund is open for subscription and redemption of fund units on every banking day. Requests to buy or sell fund units should be given in writing no later than 2 pm (10 am on banking days when the Stockholm Stock Exchange closes at 1pm) on the bank day for subscription/redemption, to Adrigo Asset Management AB which will also report the latest Net Asset Value per unit ("NAV").

The Net Asset Value is calculated each banking day and published at the latest 5 banking days thereafter.

Adrigo Hedge is a hedge fund focusing on investments in Nordic equities.

The Fund is a special fund ("Specialfond") according to the Swedish Managers of Alternative Investment Funds Act (2013:561) ("LAIF"), which means that there are fewer investment restrictions compared to a standard mutual fund. The Fund Articles, which are incorporated in this Information Memorandum, have been approved by the Swedish Financial Supervisory Authority, which also supervises the Fund.



## **Depository and Primary Broker**

The Fund's assets are held by a Depository, approved by the Swedish Financial Supervisory Authority, whose function is to hold and safeguard the Fund's assets and to ensure that the valuation, subscription and redemption of fund units takes place in accordance with applicable laws, regulations and the Fund Articles.

The Fund's depository and primary broker is SEB, Skandinaviska Enskilda Banken AB (publ).

## Adrigo Asset Management AB

Adrigo Hedge is managed by Adrigo Asset Management AB, a Swedish fund management company that is supervised by the Swedish Financial Supervisory Authority. Adrigo Asset Management AB has eight employees and is owned as to 45% by Mexab Industri AB (100% owned by Melker Schörling), Mikael Ekdahl AB (100% owned by Mikael Ekdahl and family) and Carl-Henric Svanberg and as to 55% by the employees and Board members.

The senior executives of Adrigo Asset Management AB have worked with Nordic equities in leading Swedish and international investment banks for approximately 25 years.

The investment team undertakes numerous visits to companies each year, but also searches actively for information from other industrial contacts, including suppliers, consultants and customers of the companies that are analysed. The stock selection is based on fundamental analysis, and investments are mainly made in more liquid Nordic listed companies. The market risk is reduced through the ability to sell borrowed shares ("short selling").



**Håkan Filipson**, (Founder and Chairman of the Board) has worked as an analyst and stockbroker since 1985 with, among others, Enskilda, CAI Cheuvreux and his own firm A-Brokers. Håkan has held the position of Managing Director of CAI Cheuvreux Nordic and Head of Marketing for CAI Cheuvreux in Europe.

**Stefan Gavelin**, (CEO) holds a BSc in Business & Economics from Lund University and has worked in the financial industry since 2004. Prior to joining Adrigo in November 2014 Stefan worked as a Risk Manager at JRS Asset Management. Stefan has also previously worked as a risk analyst at Wahlstedt & Sageryd and five years in the UK, including at London & Capital Asset Management and at PAM Global Investments.

**Staffan Östlin**, (Portfolio Manager) has approximately 30 years experience from the Nordic Equity markets. Staffan has a broad and successful background as an analyst and stockbroker with, among others, Carnegie, SEB Enskilda and Handelsbanken. As an Engineering Sector Analyst Staffan was rated one of the best in Sweden. In 2004, after 7 years in New York as Equity Research Sales at SEB Enskilda, Staffan assumed responsibility for the Equity Strategy product at Handelsbanken. During the years 2006 until 2013 Staffan ran his own business with investments and corporate finance. Staffan is the Portfolio Manager of Adrigo Small & Midcap L/S and Adrigo Hedge. Staffan works at East Capital (from feb 2020).

## **Our Philosophy and Methodology**

Our philosophy is to manage other people's money "as if it were our own". Consequently, we have invested a significant amount of our own capital in the Fund. Our aim is that investors should achieve a good absolute return at a lower risk than the stock market.

We believe that equities provide an attractive asset class. Good investment alternatives can be found in most market conditions and we try continuously to create a good return at a limited risk by selecting the right shares.

When the stock market strengthens we can increase our equity exposure, but at the same time maintain a lower risk than the underlying market. During periods of considerable stock market uncertainty, we may have more short positions, i.e. we may have sold shares that we have borrowed. We may opt for higher liquidity, or use derivative strategies or fixed income instruments to protect the Fund's value.

When looking at individual equities, we place emphasis on fundamental analysis, and we always aim to establish our own understanding of a company's management and business model through, among other things, extensive contact with the company, and often its customers and competitors. We invest in undervalued shares where we have identified favourable prospects for a future appreciation in value. We do not take into account index weightings.

The sector or size of a company is not decisive for our investment process, but rather the quality of the investment opportunity and the risk reward ratio. The trading liquidity in a stock is important and we invest mainly in stocks in large or mid cap companies. We have a focused management model, and the portfolio will normally be more concentrated than in a traditional equity fund.

We do not invest in companies where we do not understand the business model or the share valuation. This may, in certain circumstances, result in a lower return relative to a comparable equity index, but we are convinced that we avoid unnecessary risk through this practice.

Our operations are focused on the Nordic markets where we have very long experience and considerable knowledge of the companies and investment conditions.

The Fund's return is not compared with a market index, but rather the risk-free interest rate, here defined as the STIBOR 30 day rate.

## **Investment Strategy**

The Fund's main investment focus is listed financial instruments in the Nordic countries, primarily equities and equity related instruments. The Fund may to a lesser extent, but to no more than 10 % of the Fund's value, invest in unlisted financial instruments issued by companies registered in the Nordic countries.

The Fund may invest in the asset class transferable securities (equities), money market instruments, derivatives, fund units and accounts with credit institutions.

The Fund may at times have high liquidity, it may borrow to achieve leverage and it may use shorting strategies, i.e. to sell shares that have been borrowed.

Full information on the Fund's investment scope and regulations is given in the Fund Articles.





## Risk Profile



**An investment in the Fund may both increase or decrease in value and there is no guarantee of recovering all of the capital invested.**

The Fund will mainly invest in Nordic equities and equity related instruments. The Fund may also borrow to leverage its positions, take short positions and use derivative strategies as part of the investment strategy. Such investment alternatives may in certain market conditions lead to a higher level of risk than, for example, a traditional equity fund. However, it is the intention of the Fund Managers to use such investment alternatives so that the Fund's risk level over time (measured as the standard deviation in the return of the Fund) is lower than the risk level in the stock markets where the Fund invests.

The Fund Articles, which determine the rules applied to the Fund's investments, include, among others, the following investment restrictions:

- No single holding may exceed 30% of the Fund's value.
- The total gross exposure (the sum of long and short positions) is to be in the range 50 to 250 % of the Fund's value, and the net exposure in the range 0 to 150%.
- Securities borrowing may not exceed 100% of the Fund's value.
- Cash borrowing from a bank or credit institution may not exceed 100% of the Fund's value.
- The proportion of unlisted holdings may not exceed 10% of the Fund's value.

In most investment circumstances the Fund's investments will be well within these upper limits.

Full details of the Fund's investment restrictions are detailed in the Fund Articles.



## **Management Fees**

The Fund will pay a fixed management fee of a maximum of 1% of the Fund's value to the Management Company. The fee will be based on the closing value of the Fund daily with 1/365 percent and will be debited on the last day of the month.

In addition, the Fund will, on the last banking day of each month, pay the Management Company, as a performance related management fee, a maximum of 20% of that part of the Fund's return that exceeds the reference interest rate, the STIBOR 30-day rate. This fee will be calculated daily on a collective basis. Before any performance related fee is paid the fixed management fee will be deducted together with any previous period's negative returns relative to the reference interest rate.

Information on current management fees can be found in a separate supplement to this Information Memorandum and from Adrigo Asset Management AB or at [www.adrigo.se](http://www.adrigo.se).

Full information of the Fund's management fees can be found in the Fund Articles.

At the back of this Information Memorandum (before the Fund Articles) is a calculation example of the Fund's management fees.



## **Subscription and Redemption of Fund Units**

Subscription and redemption of fund units takes place on each banking day by sending a written request to Adrigo Asset Management AB no later than 2 pm (10 am on banking days that the Stockholm Stock Exchange closes at 1 pm). The form for subscription or redemption of fund units can be obtained from Adrigo Asset Management AB or from the Fund's website, [www.adrigo.se](http://www.adrigo.se).

Adrigo Asset Management AB, on its website [www.adrigo.se](http://www.adrigo.se), publishes information on the latest NAV for the Fund. It is not allowed to put limits on orders to buy or sell fund units.

The Fund may apply a subscription fee of a maximum of 5% of the fund unit value at the time of purchase and a redemption fee of a maximum of 0.2% of the fund unit value at the time of sale.

The fees that are currently applicable will be listed in a separate supplement to this Information Memorandum. They will also be published on the website, [www.adrigo.se](http://www.adrigo.se), and can be requested from Adrigo Asset Management AB.

## **Delegated functions**

Adrigo Asset Management has entered into delegation agreements in respect of the provision of;

- Risk function with RPM AB
- Internal audit with BDO Mälardalen AB.
- Compliance with Apriori law firm
- Administration with Wahlstedt & Sageryd Financial Services AB.
- Portfolio Management with East Capital Financial Services AB

## **Primary broker**

SEB constitutes the primary broker for the fund and Adrigo Asset Management has entered into an agreement with SEB regarding the services that SEB will provide in its capacity of primary broker. SEB disposes over some of the fund's assets in that SEB administers securities regarding the fund's trade in OTC derivatives.

In that SEB provides administration of securities regarding trade in OTC derivatives, and valuation services, is the fund's depository and is one of the Adrigo Asset Management's primary brokers, potential conflicts of interest have been identified. The potential conflicts of interest consist of SEB, in its capacity as depository, controls services that SEB provides within the scope of the other services.

Since the services in question are provided by different, separated departments in SEB and that there is no interaction between these departments with regard to the services (i.e. that the departments are independent in relation to one another), Adrigo Asset Management considers the potential conflicts of interest to be handled and prevented in an effective manner. Adrigo Asset Management thereby judges that Adrigo Hedge's unit holders will not be negatively impacted by the engagement relationships with SEB.

## **Register of Fund Unit Holders**

Wahlstedt Sageryd Financial Services AB manages, as agent for Adrigo Asset Management AB, the register of all fund unit holders' holdings of units in the Fund. Registration of units will be made without delay after the subscription of, or redemption of, fund units. Such registration determines the right to fund units and any consequential rights.

## **Administrative Agent**

Adrigo Asset Management AB has appointed Wahlstedt Sageryd Financial Services AB to manage back office functions on behalf of the Fund. This assignment includes, among other things, management of the register of fund unit holders, calculation of the NAV, settlement and administration of securities, risk controls and reporting to relevant authorities.

In addition, Adrigo Asset Management AB has agreements with Advokatfirman Apriori (compliance services), BDO (internal audit), RPM AB (risk control) and East Capital Financial Services AB (portfolio management).

## **Potential conflicts of interest because of outsourcing**

The Fund management company regularly evaluates how conflicts of interest can be avoided and, in the event that of conflicts of interest are identified, how they should be managed.

## **Distribution Agreements**

Adrigo Asset Management AB has distribution agreements with a number of distributors of Fund units. This group includes Avanza Bank, Nordnet Bank, Skandinaviska Enskilda Banken, MFEX and NASDAQ OMX.

## **Annual Report and Unit Value (NAV)**

The Fund Management will submit an annual report for the fund within four months from the end of the fiscal year.

The report shall be sent free of charge to shareholders who request the information and will be available upon request from the Fund Manager and the Depositary. Unit value (NAV) is published on the Fund Manager's website, but may also be made public through other media.

## **Investor Information**

Annual and semi-annual Fund reports are provided to all unit holders who have not given written notice that they do not wish to receive such information. Unit holders may, if they wish, also receive an electronic monthly Fund report that contains the Fund's monthly NAV as well as comments on the Fund's management and development. The receipt of a monthly report is dependent on the Fund unit holder providing a valid email address.

## **Changes in the fund articles**

Amendment of fund articles may only be made after a decision of the Board of the Fund Management Company and is subject to approval from the Swedish Financial Supervisory Authority. After approval the decision is available at the Fund Management Company and the Depositary and is published according to the directives from the Swedish Financial Supervisory Authority. Any changes may affect the fund's characteristics, such as fees and risk profile.

## **Tax rules**

Since January 1, 2012 fund unitholders are subject to an annual tax on the value of their fund holdings. The tax applicable to private individuals is based on a calculated income equivalent to 0,4% of the value of the fund holdings at the beginning of the year. This income is accounted for in the yearly tax return as Capital Income and is taxed at a rate of 30%.

Consequently the tax amounts to 0,12% of the value of the fund holdings. Any calculated income deriving from this which is below SEK 200 is not subject to tax as long as there is no other capital income. The yearly calculated income is transmitted to the Swedish Tax Agency. However no automatic tax deduction is carried out. Upon redemption of fund units profit is subject to 30% capital gains tax and a loss may be deducted. The capital gain or loss is reported to the Swedish Tax Agency, but there is no automatic tax deduction at the point of redemption.

**For legal entities and foreign taxpayers, other rules may apply. The tax may depend on individual circumstances and those who are uncertain about potential tax consequences should consult a tax professional.**

## **Funds to cover liability**

To cover the risk of liability arising from fault or negligence of the activities from the business the Fund Manager conducts according to

Chapter 3, 1 § LAIF sufficient extra funds are kept in the capital base of the Fund Management Company.

### **Equal right and legal consequences of investing in the fund**

All unit holders in the fund are treated equal meaning that the units in the fund are equally large and entail equal rights to the property included in the fund.

The Fund falls within Swedish jurisdiction and is subject to Swedish law. This means that rules concerning recognition and enforcement of judgements in compliance with Council Regulation (EC) No 44/2001 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters (the "Brussels I-Regulation"), Convention on jurisdiction and the enforcement of judgments in civil and commercial matters (the "Lugano Convention"), Council regulation (EC) No 1346/2000 on insolvency proceedings (the "Insolvency Regulation"), Convention between Denmark, Finland, Iceland, Norway and Sweden regarding bankruptcy (the "Nordic Bankruptcy Convention") or the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the "New York Convention") may be applicable.

### **Limited Liability**

The Fund Manager, or the Depositary, is not liable for any damages arising from Swedish or foreign legislation, Swedish or foreign government action, acts of war, strikes, blockades, boycotts, lockouts or other similar circumstances. The reservation in respect of strikes, blockades, boycotts and lockouts apply even if the Fund Manager or the Depositary is subject to or take such action. Losses incurred in other cases shall not be compensated by the Fund Manager or the Depositary, if they have exercised normal due care. The Fund Manager, or the Depositary, is not liable for indirect damage, unless the indirect damage caused by the Fund Manager or the Depositary was due to gross negligence. Nor shall the Fund Manager or the Depositary be liable for damage caused by the unit holder or anyone else breaking the law, a directive, any regulation or the fund rules. Unitholders are hereby made aware that they are responsible for ensuring that documents provided to the Fund Manager are correct and duly signed and that the Fund Manager should be informed of any changes to the information provided.

The Fund Manager, or the Depositary, is not liable for any damage caused by Swedish or foreign regulated exchange or other marketplace, sub-Depositary, central securities depository, clearing organization, or others providing similar services, nor of principals that the Fund Manager or the Depositary with due care have hired or which have been assigned to the Fund Manager. The same applies to any damage caused by an insolvency of any of the above organizations or contractors. The Fund Manager or the Depositary is not liable for losses incurred by the Fund, the unitholders of the Fund or others, as a result of a restriction of disposal that can be applied against the Fund Manager or the Depositary in respect of financial instruments.

In the event that the Fund Manager or the Depositary fully or partially are prevented from enforcing measures according to an agreement as a result of the circumstances mentioned above, then the measures may be postponed until the impediment has ceased. If the Fund Manager or the Depositary as a result of such a circumstance is prevented from making or receiving a payment, the Fund Manager or Depositary as well as the unitholder not be required / obliged to pay interest. Similar exemption from the obligation to pay interest applies even if the Fund Manager pursuant to § 10 of the Fund

Articles temporarily postpone the date of valuation, subscription and redemption of units.

Unitholders are still, notwithstanding what is stated above, in some cases eligible for compensation for damages according to what is specified in Chapter 8, §§ 28-31, and Chapter 9, § 22 LAIF .

### **Transfer or Dissolution of Fund**

The Fund may be dissolved or transferred following a Board resolution by the Management Company, or if the Depositary, having taken over the management of the Fund, makes such a decision. The Depositary shall take over the management if the Swedish Financial Supervisory Authority withdraws the Management Company's licence, or if the Management Company enters into liquidation or is placed in bankruptcy. A transfer of the Fund requires the approval of the Swedish Financial Supervisory Authority. If the Fund is to be dissolved, investors will be notified in writing at least three months in advance. If the Fund is to be transferred, investors will be notified in writing at the latest in connection with the transfer.

### **Sustainability Information**

- Sustainability aspects are considered in the management of the fund.
- Sustainability aspects are not considered in the management of the fund.

#### *Sustainability aspects considered in the management of the fund*

- Environmental aspects (eg companies impact on environment and climate)
- Social aspects (eg human rights, labour rights and equal treatment).
- Corporate governance aspects (eg shareholders' rights, issues regarding remuneration to senior executives and counter-corruption).
- Other sustainability aspects

#### *Methods used for sustainability work*

##### **The Fund selects**

- Sustainability aspects are crucial for the manager's choice of company.

The Fund has specific and explicit criteria for selecting companies based on environmental, social and business ethics issues. Analysis of the companies' work with sustainability is crucial for the selection of companies in the fund.

The Fund company's comment:

- The fund's managers consider sustainability issues.

Sustainability aspects are considered in financial corporate analyses and investment decisions, which impacts the investment decision but does not have to be decisive for which companies that are selected in the fund.

The fund company's comment:

Adrigo always strives to deliver the best possible risk-adjusted return for our unit holders by assessing the investment towards our sustainability guidelines in order to reduce unjustified risk. There are investments that require extra caution, as the expected return does not always justify the risk. Such companies can be very profitable, but are at the same time associated with operational risks and may thus be subject to stricter regulation in the future. We attach importance to circumstances that may be of major importance to the value of the company, either directly or indirectly, such as a deterioration of reputation.

Adrigo sees in its analysis that active CSR work at the companies is not only a cost but a way to improve and develop the companies for the benefit of shareholders and thus a component that contributes to a better future return for unit-holders in Adrigo. Our guidelines are an integral part of the analysis process, both before and after an investment in a company. We believe that each investment opportunity must be valued independently and based on its distinctive nature, and we attach greater importance to the company's intentions and current actions than its history.

Other

Other method used by the fund to select investments.

#### **The Fund deselects**

The fund does not invest in companies that are involved in the following products and services. A maximum of five percent of the turnover in the company where the investment takes place may relate to activities that are attributable to the specified product or service.

Products and services

- Cluster bombs, landmines
- Chemical and biological weapons
- Nuclear weapons
- Weapons and / or war material
- Alcohol
- Tobacco
- Commercial gambling
- Pornography
- Coal
- Uranium

International Standards

The Fund avoids investing in companies involved in violations of international norms and conventions (at least the UN Global Compact and OECD Guidelines for Multinational Enterprises) on environment, human rights, working conditions and business ethics.

The Fund avoids investing in all identified companies that do not comply with international standards.

### **☒ The Fund Company Affects**

The fund company uses its ownership influence to influence companies in sustainability issues.

The fund company has contact with companies in order to influence them in a more sustainable direction.

#### **☒ Company impact on its own**

The fund company's Comment: We continuously meet with the companies we invest in to discuss and monitor their sustainability work in these meetings.

#### **☒ Company impact in cooperation with other investors**

The fund company's comment: As part of our participation in UNPRI, we spread the message of our sustainability work when we meet investors.

#### **☒ Company impact through external suppliers / consultants**

The fund company's comment: The company addresses the issue of sustainability work with the companies we have outsourced work to.

### ***Follow-up of sustainability work***

Follow-up of sustainability work and the relevant issues raised during the previous year will be included in the Funds Annual Report or in a separate report.

### **Further Information**

Further information can be found on the Fund's website [www.adrigo.se](http://www.adrigo.se)



# Fund Articles

## Adrigo Hedge

Adopted at a Board Meeting of ADRIGO ASSET MANAGEMENT AB  
on 25<sup>th</sup> July 2018

**PLEASE NOTE: This document is a translation of the Swedish original. In the event of any discrepancies, the Swedish original version shall be considered the sole authentic version.**

### § 1 Fund's title and legal status

The name of the fund is ADRIGO HEDGE, herein called the "Fund".

The Fund is a "Specialfond" according to the Swedish Managers of Alternative Investment Funds Act (2013:561) chapter 12, herein called the "LAIF". The Swedish Financial Supervisory Authority has granted exemption from certain sections in the above named Act.

The Fund is open to the general public.

The Fund's assets are owned jointly by the fund unit holders, and each fund unit carries the same rights to ownership of the Fund's property. The Fund Management Company represents the fund unit holders in all issues that relate to the Fund. The Fund cannot acquire rights or take on liabilities.

The business is conducted in accordance with these Fund Articles, the Articles of the Fund Management Company, the LAIF and other relevant rules.

These Fund Articles are in addition to a separate Information Memorandum. The Information Memorandum can be ordered from the Fund Management Company or obtained from the Fund Management Company's website, [www.adrigo.se](http://www.adrigo.se)

### § 2 Fund Management Company

The Fund is managed by ADRIGO ASSET MANAGEMENT, registration no. 556716-4719, (herein called the Fund Management Company), a fund management company supervised by the Swedish Financial Supervisory Authority and operating under the LAIF.

### § 3 Custodian

The Fund's Custodian is Skandinaviska Enskilda Banken AB (publ), registration no. 502032-9081.

The Custodian acts independently of the Fund Management Company and shall implement decisions regarding the Fund taken by the Fund Management Company, if these are not in conflict with the LAIF, the (2004:46) Investment Funds Act, herein called LVF, or these Fund Articles.

The Custodian receives and safeguards the assets of the Fund, and is responsible for deposits and withdrawals relating to the Fund. Furthermore the Custodian will also ensure:

- that the subscription and redemption of fund units is managed according to the Fund Articles and the LVF,
- that the Fund's net asset value is calculated according to the Fund Articles and the LVF,
- that the assets of the Fund are received by it without delay,

- that the assets of the Fund are invested according to the Fund Articles and the LVF.

The Custodian shall also ensure that the assets of the Fund are brought into the Fund without delay.

### § 4 Fund characteristics

The objective of the Fund is to achieve a good absolute return at a lower risk than the equity markets in which the Fund invests. The Fund is a special fund, known as a hedge fund, and has as its goal to achieve, with a good spread of risk, a development in value that exceeds the risk free interest rate, here defined as the STIBOR 30-day rate. The Fund invests mainly in Nordic equities.

### § 5 Investment strategy and restrictions

The Fund's assets can be invested in:

- transferable securities
- money market instruments
- derivative instruments
- fund units and
- accounts with credit institutions

The Fund may invest in financial instruments that are listed on regulated markets. The Fund may also invest a smaller amount, at most 10% of the Fund's value, in unlisted financial instruments, i.e. such financial instruments as are referred to in the LVF chapter 5, § 5.

The Fund may sell financial instruments that it does not currently own but has at its disposal, by means of securities borrowing, using the assets of the Fund as security. Such borrowing shall be on normal industry conditions with or via a clearing organization, securities institution or foreign financial institution able to enter into such agreements, and supervised by the authorities or other responsible body and is generally recognized in the market. Securities borrowing may not exceed 100% of the Fund's value.

The assets and liabilities of the Fund may be hedged against currency exposures through the buying and selling of currency futures and options.

The Fund is a so called "Specialfond" and differs on the following points from the LVF and from the Swedish Financial Supervisory Authority's Regulations relating to Securities Funds (FFFS 2013:9).

- As an exception from the LVF chapter 5, § 6, the first section, the second section third point, and the third section, the Fund may invest in financial instruments issued by

one company, or by several consolidated companies, up to at most 30% of the Fund value. The Fund's two largest net exposures may together not exceed 50% of the Fund value, the four largest may together not exceed 60%, the six largest may together not exceed 70% and the eight largest net exposures may together not exceed 80% of the Fund value.

- As an exception from the LVF chapter 5, § 11, the Fund may place up to 35% on an account with Swedish banks and foreign banks with a head office within the EEA and with other foreign banks if these are covered by supervisory rules that correspond to those that are set by EU legislation.
- As an exception from the LVF chapter 5, § 13, the second section the Fund may have a gross exposure (the sum of long and short positions) in the range 50–250% and a net exposure in the range 0–150%.
- As an exception from the LVF chapter 5, § 23, the first section first point the Fund Management company can, on behalf of the Fund as part of the Fund Management operations, take out loans using the assets of the Fund as security up to a maximum of 100% of the Fund value
- As an exception from the FFFS 2013:9 chapter 25, § 21, the third section, the Fund may lend securities up to a maximum of 50 % of the Fund value.

The Fund's risk is measured as its standard deviation (the spread in the Fund's return around its average return). The target is to have a standard deviation lower than that of the stock markets where the Fund invests. In a historical comparison this would mean a standard deviation for the Fund in the range of 5-10 %, measured on a yearly basis.

If required or recommended by the Swedish Financial Supervisory Authority, other risk measures may be applied.

#### **§ 6 Markets**

The Fund may invest in financial instruments listed for trading on regulated markets in Sweden, Norway, Finland, Denmark and Iceland or which are the subject of trading in other markets in Sweden, Norway, Finland, Denmark and Iceland that are regulated and open to the general public.

The amount that the Fund may invest in unlisted financial instruments (see §§ 5 and 7) is limited to investment in companies in the corresponding countries.

#### **§ 7 Particular investment strategies**

The Fund may invest in such transferable securities as are referred to in the LAIF chapter 5, § 5.

The Fund may not invest in such money market instruments as are referred to in the LAIF chapter 5, § 5.

The Fund invests in derivative instruments as part of its investment strategy. The Fund may not invest however in OTC derivatives.

The Fund may apply such techniques and instruments as are referred to in chapter 25, § 21, first section of the FFFS 2013:9

in order to reduce costs and risks in the Fund or in order to increase the return and create leverage in the Fund.

#### **§ 8 Valuation**

The value of the Fund is calculated by deducting from the Fund's assets the Fund's liabilities, including taxes and accrued management fees.

Transferable securities and other financial instruments are valued at current market price, normally the latest traded price, or, if no such price exists, the latest bid price (in the case of a positive exposure) or the latest offer price (in the case of a negative exposure).

If such market value does not exist, or the price is obviously misleading, these assets may be valued at a value decided on objective grounds by the Fund Management Company.

Unlisted transferable securities are valued at a value that can be supported by a sales transaction on market conditions to a third party. If such a value does not exist, or is inappropriate, the valuation should instead be supported by a written confirmation from an independent valuer, for example an authorized auditor.

The value of a fund unit is calculated using the net asset value of the Fund divided by the number of outstanding fund units. When calculating the fund unit value, numbers are rounded to two decimal points (upwards if the third digit is five or above, otherwise downwards).

The net asset value will be computed as of the close of business on the each banking day and published no later than on the fifth banking day thereafter.

The Fund Management Company has the right, according to § 9, last section, to temporarily postpone the calculation and publication of the net asset value.

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

##### *Subscription of fund units*

The subscription price for a fund unit is based on the value of the fund unit on the subscription date, calculated according to § 8.

The subscription date is the each banking day.

Notification of subscription shall be made to the Fund Company in writing no later than 14:00 on the bank day of subscription. On banking days when the Stockholm Stock Exchange closes at 13, the request for subscription must be received no later than 10:00 on the day of sale in order for the subscription to be made on the same date. Otherwise, the subscription will take place on the following banking day.

For issuing fund units the subscription amount must be received by the Fund Management Company no later than 14:00 on the subscription date. On banking days when the Stockholm Stock Exchange closes at 13.00, the application for subscription and the subscription amount must reach the Fund Company no later than 10:00 on the bank day on which the subscription will take place.

As stated in Section 10 below, the Fund may, on certain banking days, be temporarily closed for subscription and redemption. The fund company does not calculate fund value if the fund is closed for subscription and redemption based on the conditions stated in this provision.

In addition to the subscription price there may be a subscription fee of no more than 5% of the subscription price, payable to the Fund Management Company.

#### *Redemption of units*

The redemption price for a fund unit is based on the value of the fund unit on the redemption date, calculated according to § 8. The redemption date is each banking day. In addition to the redemption price, there may also be a redemption fee of no more than 0.2% of the redemption price, payable to the Fund to cover the Fund's costs, including commissions etcetera, in connection with the redemption.

Requests for the subscription or redemption of fund units are to be made in writing to the Fund Management Company, alternatively by another method that has been accepted by the Fund Management Company in advance. Requests for redemption must be submitted to the company no later than 14:00 on the banking day at which redemption will take place. On banking days when the Stockholm Stock Exchange closes at 13.00, the request for redemption must be received no later than 10:00 for redemption on the redemption date. Otherwise, redemption will take place next redemption date.

This procedure means that the redemption price is not known by the unit holder at the time that a redemption request is made.

Any request to redeem fund units may only be withdrawn on the approval of the Fund Management Company.

Redemption will take place within five banking days from the date the fund unit value is determined, if it is possible to do so without disposing of any of the Fund's holdings, by payment to the fund unit holder's nominated bank account.

In the event that the Fund is required to dispose of a holding to raise cash this will be implemented as soon as possible and the redemption payment made as soon as the Fund has received settlement. If any such sale would significantly disadvantage the interests of other fund unit holders, then the Fund Management Company, after informing the Swedish Financial Supervisory Authority, may postpone any sale.

Information about the latest published fund unit value may be obtained from the Fund Management Company on any banking day.

"Banking day" is defined as a day that is not a Saturday, Sunday or Bank holiday, and when banks in Sweden are normally open.

#### **§ 10 Extraordinary Circumstances**

In the event that trading in any financial instrument that the Fund is exposed to, is stopped due to extreme market circumstances or extraordinary events that prevent the determination of the fund unit value on objective grounds, the Fund Management Company, after having

informed the Swedish Financial Supervisory Authority, may postpone the day for calculation and publication of the fund unit value and may also postpone the day for any subscriptions or redemptions of fund units until such trading resumes.

#### **§ 11 Fees and Expenses**

Management fees are payable by the Fund to the Fund Management Company. A fixed management fee is applicable as well as a collective performance related management fee

Commission and other costs incurred in buying and selling transferable securities and other financial instruments are paid by the Fund.

Any subscription of fund units may carry a subscription fee of a maximum of 5% of the subscription price, calculated according to § 8. This fee will be paid to the Fund Management Company.

On the redemption of fund units, a charge of a maximum of 0.2% of the redemption price, calculated according to § 8, may be incurred. This will be paid to the Fund.

#### *Fixed management fee*

The Fund Management Company may, mainly to cover costs for the management of the Fund, and its marketing and administration, including costs for safekeeping, supervision and auditing, charge an annual fee of a maximum of 1% of the Fund's value. The fee is calculated on the Fund's value daily with  $1/365^{\text{th}}$  of a percent and is debited to the Fund on the last day in each month.

#### *Performance related management fee*

A performance related fee is calculated according to a collective model. The performance related management fee may be equal to a maximum of 20% of the total return that exceeds the reference interest rate, 30-day STIBOR.

Total return is calculated each day and is defined as the percentage change in the value of a fund unit during each day, taking into account any dividend payments and after the deduction of the fixed management fee referred to above. The total return of the day is compared to the reference interest rate, 30-day STIBOR on the last banking day of the previous month.

The performance related fee is only paid when the total return exceeds the reference interest rate. If the total return in any day falls below the reference interest rate the fund unit holder will not be repaid any performance fees from previous periods already paid.

For days when the total return exceeds the reference interest rate, the performance related fee will only be paid when the accumulated shortfall in the return from previous days has been made up.

The fund unit value on which the performance related fee is to be paid (high water mark) is to be increased by the reference interest rate. The performance related fee is calculated daily and debited to the Fund on the last day of the month.

If a fund unit holder redeems his fund units when he has an accumulated shortfall in his return there is no repayment of previously paid performance based fees.

When calculating fees (subscription fees, redemption fees, fixed and performance related management fees) numbers are rounded to two decimal points (upwards if the third digit is five or above, otherwise downwards).

#### **§ 12 Dividend**

The Fund can pay a dividend to fund unit holders as decided by the Board of the Fund Management Company.

The amount available as dividend, if no other decision is taken by the Fund Management Company, is calculated on the Fund's net profit before tax for the last completed financial year.

Any dividend is to be paid during the sixth month after the end of the financial year.

The amount of dividend due on any fund unit, after the deduction of tax due, will be reinvested in the Fund.

The dividend is payable to fund unit holders who are registered in the Fund's Register of fund unit holders on the payment date.

#### **§ 13 Financial year**

The financial year for the Fund is the calendar year.

#### **§ 14 Annual and Semi-annual reporting and Changes to Fund Articles**

The Fund's annual report will be published within four months of the close of the financial year.

The Fund's semi-annual report for the first six months will be published within two months of the close of the first half-year.

Annual and semi-annual reports will be sent to the Swedish Financial Supervisory Authority and to all fund unit holders, who have not requested otherwise, as well as being available from both the Fund Management Company and the Custodian.

In the event that the Board of Directors of the Fund Management Company decides to make changes to these Fund Articles, then the amendments will be submitted the Swedish Financial Supervisory Authority for approval. Any change will be published in the subsequent annual report or semi-annual report and in any form decided upon by the Swedish Financial Supervisory Authority, as well as being available from both the Fund Management Company and the Custodian. The changes shall apply to all unit holders

#### **§ 15 Pledge of fund units**

Should a fund unit holder wish to pledge his fund units, the unit holder (the pledgor) and/or the pledgee must notify the Fund Management Company of the pledge in writing. This notice should indicate the following:

- who the fund unit holder/ pledgor is
- who the pledgee is
- which fund units are covered by the pledge
- any limitations on the extent of the pledge
- the magnitude of the pledge

The notice should be signed by the fund unit holder.

The Fund Management Company will then enter, or arrange to enter, details of the pledge in the Register of fund unit holders.

The fund unit holder will be notified in writing of the registration in the Register and that the fund units have been pledged. Once the pledge ceases, the pledge registration is to be removed from the Register on the request of the pledgee. To cover the costs relating to the registration of pledges as provided above, the Fund Management Company has the right to charge the fund unit holder a fee of a maximum of SEK 1,500.

The fund unit holder has the right to transfer fund units to another party, after submitting a request to the Fund Management Company. To cover the costs relating to a transfer as provided above, the Fund Management Company has the right to charge the fund unit holder a fee of a maximum of SEK 1,500.

#### **§ 16 Limited liability**

In the event that the Custodian has lost financial instruments held in custody with the Custodian or its custodian bank, the Custodian shall without undue delay return financial instruments of the same type or an amount of equivalent value to the Fund. The Custodian is however not responsible for a loss of financial instruments or other damage caused by an external event beyond the Custodian's control, such as damage due to Swedish or foreign legislation, Swedish or foreign government action, acts of war, strikes, blockades, boycotts, lockouts or other similar circumstances.

The Management Company is not liable for damage caused by events outside the Fund Management Company's control. The reservation in respect of strikes, blockades, boycotts and lockouts apply even if the Custodian or the Fund Management Company is the subject of or is taking such actions.

The Custodian or the Fund Management Company is not liable for any damage caused by - Swedish or foreign - exchange or other marketplace, central securities depository or clearing house.

The Custodian or the Fund Management Company is not liable for damage arising as a result of restriction of disposal that can be applied against the Fund Management Company or the Custodian in respect of financial instruments.

The Custodian shall not be liable for any loss of financial instruments held by a Sub-Custodian Bank or other providers of similar services which the Custodian with due care has appointed for the custody of financial instruments and to which the Custodian has agreed to transfer the responsibility to the Fund Management Company to make claims directly against the Sub-Custodian Bank. Such a transfer of responsibility from the Custodian to the Sub-Custodian Bank is a result of the Custodian instructing the Sub-Custodian Bank to keep foreign financial instruments in a local market in the manner stated in the current Custodian agreement between the

Custodian and the Fund Management Company.

Losses incurred in other cases shall not be compensated by the Fund Management Company or the Custodian, if the Fund Management Company and the depository has exercised normal due care unless otherwise is stated by applicable mandatory law.

The Fund Management Company or the Custodian is however not in any case responsible for indirect losses.

In the event that the Fund Management Company or the Custodian fully or partially are prevented from enforcing measures because of the circumstances mentioned in the second paragraph, then the measures may be postponed until the impediment has ceased. In the event of a deferred payment, the Fund Management Company or the Custodian shall not pay interest on an overdue payment. If interest has been promised, the Fund Management Company or the Custodian shall pay interest according to the rate in force on the due date.

If the Custodian, due to circumstances stated in the second paragraph, is barred from receiving payment for the Fund, then the Custodian has, for the period during which the obstacle has existed, right to interest according to the conditions prevailing on the due date.

The Fund Management Company is not responsible for damage incurred by the Custodian or its Sub-Custodian Bank. Nor shall the Fund Management Company be held liable for any damage caused by a unit holder of the Fund or another else who violate the law or these fund regulations.

Unitholders are hereby made aware that they are responsible for ensuring that documents provided to the Fund Management Company are correct and duly signed and that the Fund Management Company should be informed of any changes to the information provided.

The Fund Management Company is liable pursuant to Chapter 8, §§ 28-31, LAIF. The Custodian is liable pursuant to Chapter 9, § 22, LAIF.

#### **§ 17 Permitted investors**

The fact that the fund is intended for the general public does not mean that it is

addressed to those investors whose subscription of units in the fund, or participating in other ways in the Fund, is in violation of the provisions of Swedish or foreign law or regulation. Nor is the Fund addressed to such investors whose subscription or holding of units in the Fund leads to that the Fund or the Fund Management Company is obliged to commit to a registration process or other action which the Fund or the Fund Management Company otherwise would not be obliged to commit to. The Fund Management Company has the right to refuse subscription of units from such investors referred to above in this paragraph. Unitholders are further obliged to, when applicable, notify the Fund Management Company of any change of country of domicile.

The Fund Management Company may redeem the unitholder's units of the Fund - against a dispute of the unitholder - if it proves that the unitholder subscribed to fund units in contravention of the provisions of Swedish or foreign law or regulation or if the Fund Management Company, as a result of the subscription of fund units or holding of units in the fund of a unitholder, will be required to commit to a registration process or other action for the Fund or the Fund Management Company which the Fund or the Fund Management Company would not be obliged to commit to if the unitholder would not hold units of the Fund.

## Management Fees

### A. Fees and expenses

A fixed fee as well as a performance fee are paid to the Fund Management Company.

The fixed management fee is 1% on an annual basis, which is charged daily at a rate of  $1/365$ , or 0.0027%, of the Fund's value and paid to the Fund Management Company on the last day of the month. The fixed management fee covers custody costs of the Fund's assets, supervision fees to the Swedish FSA, and audit costs. Commission and other costs incurred in buying and selling financial instruments are paid by the Fund. Each day a performance fee is also calculated. The management fee and the performance fee are both credited to the fund management company on the last day of the month.

The performance fee represents in this example 20% of the Fund's daily outperformance. Outperformance is calculated as the change in the value of the fund (after deducting the fixed management fee and adjusting for any dividend paid), ie the total return, and is compared to a reference interest rate (a "risk free interest rate", here defined as 30-day STIBOR as at the last banking day of the immediately preceding month). Should the Fund's daily total return exceed the reference interest rate, then the difference represents the outperformance. In case of a negative difference then there will be an under-performance for the day in question.

In the example given it is assumed that the reference interest rate in all days is  $2.5\%/365$  (0.0068%). The performance related management fee is calculated collectively.

A threshold, also called high watermark (HWM), is used in order to establish the accumulated total return the fund must generate for a collective performance fee to be applicable. Each day HWM is to be increased by the reference interest rate. If the fund unit value, after deduction of fixed management fees for the day, is higher than high watermark that day, then 20% of this excess return is subject to performance fee. The high watermark is then increased to this new higher level so that performance fee only applies once on outperformance.

Should the total return a certain day be below HWM then no performance fee is applicable until the fund unit value again is higher than HWM.

If anyone invests into the fund after a period of underperformance then no performance fee will be applicable until the fund as a whole has recovered that underperformance.

For the purposes of calculating fees numbers are rounded to two decimal points (upwards if the third digit is five or above, otherwise downwards). To make the example illustrated below clearer certain calculations have been rounded up to whole numbers, which will explain why there may be small rounding differences in the example.

In the example given below the Fund is open for subscription and redemption of fund units on every banking day. Subscription and redemption fees are zero.

The example below illustrates how the performance-based fee to Adrigo Asset Management AB is

calculated. In the example it is assumed that the fixed fee and costs for the management of the Fund, such as costs for buying and selling securities already have been deducted, and that subscription is made on a banking day when a performance fee has been paid. The example assumes that investor A subscribes to units in Adrigo Hedge for the amount of SEK 1 million on 31 August. As all unit holders are treated equally only one investor is used as an example.

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## B. Calculation example of performance fee

### 1. Day 1

On the first trading day the Fund's value increases by 0.1 per cent. The hurdle rate is 2.5 per cent (per annum). The table below shows the calculation of the performance fee and the unit-holder's fund value after payment of the performance fee.

A's initial investment  
1 000 000 kr

A's value before payment of performance-based fee  
 $1\,000\,000 * (1 + 0.1\%) = 1\,001\,000$  kr

A's high watermark  
 $1\,001\,000 * (1 + 2.5\% / 365) = 1\,000\,068$  kr

Basis for debiting performance fee  
 $1\,001\,000 - 1\,000\,068 = 932$  kr

Performance fee  
 $20\% * 932 = 186$  kr

A's value after deduction of performance fee  
 $1\,001\,000 - 186 = 1\,000\,814$  kr

### 2. Day 2

On the second day the Fund's value declines by 0.7 per cent. As the Fund applies the principle of high watermark, the hurdle rate is calculated on the fund value on the latest occasion when a performance fee was paid. No performance fee is paid for this day.

A's value before payment of performance fee  
 $1\,000\,814 * (1 - 0.7\%) = 993\,808$  kr

A's high watermark  
 $1\,000\,814 * (1 + 2.5\% / 365) = 1\,000\,883$  kr

Basis for debiting performance fee  
 $993\,808 - 1\,000\,883 = -7075$  kr

Performance fee  
 $20\% * 0 = 0$  kr

A's value after deduction of performance fee  
 $993\,808 - 0 = 993\,808$ kr

### 3. Day 3

On the third day the Fund's value increases by 0.5 per cent. At the end of the day the high watermark is still higher than the unit-holder's fund value. In accordance with the principle of high watermark the unit-holder does not pay a performance fee in spite of a positive return during the day.



A's value before payment of performance fee  
 $993\,808 * (1 + 0.5\%) = 998\,777$  kr

A's high watermark  
 $1\,000\,883 * (1 + 2.5\% / 365) = 1\,000\,952$  kr

Basis for debiting performance fee  
 $998\,777 - 1\,000\,952 = -2\,175$  kr

Performance fee  
 $20\% * 0 = 0$  kr

A's value after deduction of performance fee

$998\,777 - 0 = 998\,777$  kr

#### **4. Day 4**

On the fourth day the Fund's value increases by 1 per cent. The unit-holder's fund value exceeds the high watermark and a performance fee is thus paid.

A's value before payment of performance fee  
 $998\,777 * (1 + 1\%) = 1\,008\,765$  kr

A's high watermark  
 $1\,000\,952 * (1 + 2.5\% / 365) = 1\,001\,021$  kr

Basis for debiting performance fee  
 $1\,008\,765 - 1\,001\,021 = 7\,744$  kr

Performance fee  
 $20\% * 7\,744 = 1\,549$  kr

A's value after deduction of performance fee

$1\,008\,765 - 1\,549 = 1\,007\,216$  kr

# Adrigo Hedge

## FEES

Below are the fees relating to the fund Adrigo Hedge, applicable from the date given at the top of this page. In the event that the fees are amended thereafter, a new Appendix will be published to supplement the Information Memorandum. Any revised information will replace any previous information.

The fees which are applicable will be available on the Fund's web site [www.adrigo.se](http://www.adrigo.se) and can also be ordered from Adrigo Asset Management AB.

### Subscription fee

At the time of purchasing fund units, a subscription fee of maximum 5% of the fund unit value, calculated according to § 9 of the Adrigo Hedge Fund Regulations, may be debited. The fee is payable to the Fund Management Company. The current subscription fee is 0 %.

### Redemption fee

The redemption of fund units may result in a redemption fee of, at most, 0.2% of the fund unit value, calculated according to § 9 of the Adrigo Hedge Fund Regulations. This fee is payable to the Fund. The current redemption fee is 0 %.

### Transfer fee

If a fund unit holder transfers fund units to another party the Fund Management Company has the right to charge the fund unit holder a fee of a maximum of SEK 1,500.

### Fixed management fee

The Fund Management Company can, in accordance with § 11 of the Adrigo Hedge Fund Regulations, charge an annual fixed management fee from the Fund of, at most, 1 % of the Fund value. This fee is calculated daily with 1/365 per cent and is payable monthly to the Fund Management Company.

### Performance related management fee

The Fund Management Company can, on a daily basis, in accordance with § 11 of the Adrigo Hedge Fund Regulations, over and above the fixed management fee, charge a performance related fee of, at most, 20% of the excess return on the previous day. This is defined as the change in the value of the Fund after deduction of the fixed fee and the comparative interest rate (STIBOR 30 day rate) together with a reduction for previous periods accumulated underperformances compared to the comparative interest rate. The current performance related management fee is 20 %. The Board of Directors of the company have decided to apply a floor of the benchmark rate at 0 percent instead of a negative interest rate.

For a precise definition of fixed and performance related management fees please refer to § 11 of the Adrigo Hedge Fund Regulations. For a definition of the Funds value see § 8 and for subscription and redemption fees see § 9 of the Adrigo Hedge Fund Regulations.



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