

1 February 2022 | PYN Elite Fund  
(non-UCITS)

# Fund Prospectus



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This English Prospectus is a translation from the original Finnish Prospectus (“Rahastoesite”). In the event of any inconsistency between the English and the Finnish versions, the Finnish version shall prevail.

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## General information on PYN Elite Fund (non-UCITS)

The Finnish name of the NON-UCITS FUND is PYN Elite Fund (non-UCITS) (hereinafter "Fund"). The Fund commenced operations on 1 February 1999. The Fund commenced operations on 1 February 1999. The updated rules of the Fund are in force as of 1 February 2022. The Fund is an alternative investment fund (AIF) and a non-UCITS fund as referred to in the Act on Alternative Investment Fund Managers (162/2014). The Fund is a non-UCITS fund because units may be subscribed and redeemed only once every month; and under its rules, the Fund's risk need not be diversified as widely as in ordinary mutual funds.

The Fund may invest its assets in deviation of the provisions of the Act on Common Funds as specified in more detail under section 5.

The Fund is divided into fund units of equal size, which entitle its unit holders to equal right to the assets of the Fund. The persons and companies invested in the Fund own the assets of the Fund in proportion to the number of units they own. The Fund is not a separate legal entity, and the Fund Manager represents the Fund.

### Alternative investment fund manager

The Fund is managed by PYN Fund Management Ltd (hereinafter "Fund Manager"), an alternative investment fund manager, which is registered in the trade register maintained by the Finnish Patent and Registration Office with the business identification number 0665275-5. The Fund Manager was founded on 29 September 1998 and it is domiciled in Helsinki. The Fund Manager acts as the fund manager in accordance with the Act on Alternative Investment Fund Managers.

The share capital of PYN Fund Management is EUR 151,369.14. The Fund Manager is an independent company owned by its management. The Fund Manager invests assets acquired from the public on behalf of fund unit holders in accordance with the rules of the Fund. The Fund Manager acts in its own name on behalf of the Fund and exercises rights pertaining to the assets of the Fund.

The Chief Executive Officer of the Fund Manager is Eino Laitinen, and his deputy is Tuija Tötterström. The portfolio manager of the Fund is Petri Deryng.

### The Board of Directors of PYN Fund Management Ltd

- Kimmo Myllymäki, (Chair), MSc (Tech.), Toip Oy
- Petri Deryng, portfolio manager, PYN Fund Management Ltd
- Markku Ellilä, D.Sc. (Tech.), CEO, Technology Academy Finland
- Jussi Savonen, Attorney, Partner, DLA Piper Finland Ltd

### Custodian

The custodian of the Fund is Skandinaviska Enskilda Banken AB (publ), Helsinki branch, address Eteläesplanadi 18, PO Box 630, 00101 Helsinki (hereinafter the "Custodian"). The Custodian is engaged in banking operations, and it is domiciled in Stockholm, Sweden.

The Custodian is responsible for ensuring that the operations of the Fund and the Fund Manager are conducted in compliance with the law, the rules of the Fund and official regulations, as well as for any other duties of the Custodian pursuant to Finnish law. For the purpose of carrying out its responsibilities, the Custodian may use companies specialised in custody services supervised by the Finnish Financial Supervisory Authority or a similar foreign authority (hereinafter "the Sub-custodian"). The Custodian will to the best of its ability ensure that the assets of the Fund are segregated from the assets of the Custodian and Sub-custodians, if any, in the event of potential insolvency of the Custodian or Sub-custodian. More detailed information on the Sub-custodians used by the Custodian is available from the Fund Manager.

The assets of the Fund shall be segregated from the assets of the Fund Manager and the Custodian. The finances of the Fund Manager must be completely separated from the assets of the Fund, and the assets of the Fund cannot be used to cover the liabilities of the Fund Manager or the Custodian.

Unless otherwise provided in the Act on Alternative Investment Fund Managers, the Custodian shall compensate the Fund and its investors on the basis of strict liability (i.e. regardless of negligence or lack thereof) for damage caused due to loss of a financial instrument in its custody. The Custodian shall primarily compensate the loss by returning a financial

instrument of identical type or corresponding amount of money to the Fund or Fund Manager. The Custodian is liable to compensate for damage it has caused wilfully or out of negligence to the Fund and its unit holders by engaging in activities or neglecting its duties in violation of the Act on Common Funds or the Act on Alternative Investment Fund Managers or provisions or orders issued under said acts.

However, the Custodian shall not incur liability if it can prove that the damage was caused by an external, unusual and unexpected event that the Custodian could not prevent and the effects of which it could not reasonably have avoided despite all due diligence. In the event damage is caused due to loss of financial instruments in the custody of a Sub-custodian, the Custodian can avoid liability if it has appointed the Sub-custodian with due diligence and in compliance with the applicable legislation to take custody of the financial instruments, and has furthermore agreed in writing to transfer liability to said Sub-custodian and, furthermore, the Fund and/or the Fund Manager can under said written agreement make a claim against said Sub-custodian to compensate damage incurred due to the loss of the financial instrument.

Skandinaviska Enskilda Banken (publ), Helsinki branch provides custodian services to its own and external clients. This may lead to conflicts of interest. In order to manage and avoid conflicts of interest, appropriate segregation of business operations has been taken into account in arranging the custodian services and fund operations. Custodian services are conducted separately from the Custodian's own fund operations.

### **Auditors**

The auditor of the Fund and the Fund Manager is audit firm PricewaterhouseCoopers Oy, with Taru Mäenpää, Authorised Public Accountant, as the responsible auditor.

### **Financial period, closing date and reporting**

The financial period of the PYN Fund Management Ltd and the Fund is the calendar year. The annual report of the Fund Manager and the Fund will be sent, upon request, to unit holders within three months of the ending of the financial period. The information referred to in Chapter 12, sections 5 and 6 of the Act on Alternative Investment Fund Managers, such as risk profile and information on possible leveraging, will be made available in the

key investor information document of the Fund.

### **General Meeting of unit holders**

A general meeting of fund unit holders shall be held at the initiative of the Board of Directors of the Fund Manager or if an auditor or fund unit holders who together hold at least one-twentieth of all fund units in circulation so demand in writing for the handling of a matter specified by them. The written demand must be itemised and presented to the Fund Manager.

The fund manager shall convene a meeting no later than two (2) weeks before the date of the meeting. The notice of the general meeting will be published on the Fund Manager's website and will be sent to unit holders by e-mail or in another manner agreed with the unit holder.

#### **A general meeting of unit holders shall**

1. elect the chair of the meeting, who shall appoint a secretary of the meeting who shall draw up the minutes;
2. draw up and approve a register of votes;
3. elect two inspectors of the minutes and two vote counters;
4. confirm that the meeting has been legally convened and has the necessary quorum; and
5. discuss the other matters mentioned in the notice to convening the meeting.

Unit holders who have made themselves known to the Fund Manager no later than on the date of the registration indicated in the notice of the meeting and in the manner referred to in the notice have the right to participate in the general meeting of unit holders. In the general meeting of the fund unit holders, one fund unit entitles to one vote. Fractions of fund units also entitle to voting rights in proportion to the fractions held. In the event that a unit holder holds less than one whole unit, he/ she shall nevertheless have one vote at the general meeting of fund unit holders.

At a meeting of fund unit holders, the opinion that has been supported by more than half of the votes cast or, in the event of a draw, the opinion that the chairman agrees with will be adopted. In elections, the person receiving the most votes will be elected. In the event of a draw, the election will be decided by lot.

### External services

The Fund Manager may use external management and advisory services for the purpose of conducting alternative investment fund operations. The Fund Manager uses accounting, legal, internal audit and ICT services, for example. In addition, the Fund Manager uses agents for the purpose of receiving orders for subscription or redemption of fund units. Compensation may be payable to an agent based on an agreement between the Fund Manager and the agent. Said compensation will not be added to expenses borne by investors but is instead included in the management and performance fees charged from the Fund by the Fund Manager. The purpose of the cooperation is to improve the quality of service by enabling the Fund to offer its services to a broader investor base. Information on the counterparties to the outsourcing agreements concluded by the Fund Manager is available from the Fund Manager.

The Fund does not use a prime broker, and therefore does not have conflicts of interest relating thereto.

### Merger history of the Fund

On 30 September 2013, the non-UCITS fund Populus, managed by the Fund Manager, merged into the Fund.

### Supervising authority

The PYN Fund Management Ltd and the PYN Elite Fund (non-UCITS) are supervised by the Finnish Financial Supervisory Authority, Snellmaninkatu 6, PO Box 103, 00101 Helsinki, Finland, tel. +358 (0)9 183 51, kirjaamo@finanssivalvonta.fi.

## Investment operations of the Fund

The long-term aim of the Fund is to achieve significant increases in value through substantial company and market exposure, and to provide unit holders with a maximum return on invested capital through controlled risk with active portfolio management. The Fund seeks significantly higher profits than funds with more broadly diversified investments.

### Investment strategy and investment restrictions

The scope of the Fund is the whole world, but the Fund aims to concentrate all investments in a maximum of three countries at the same time. The Fund's investments are currently in Asia, principally in Vietnam. The Fund deviates in its investment policy from the restrictions set forth in the Act on Common Funds as specified in the Fund's rules. The Fund Manager will make investments in accordance with the rules of the Fund on its independent view.

The key factors taken into account in the Fund's investment decisions are the expected significant potential for increase in value of the share price of the target company and the of the relevant market, which on the other hand includes a risk relating to expected value, i.e. uncertainty regarding the timing of the potential increase.

#### Essential factors when contemplating an investment are:

- an inexpensive market;
- focusing equity analysis resources on identifying, in an inexpensive market, on the most exceptionally undervalued companies and their shares; and
- the targeted company-specific returns.

The Fund primarily invests its assets into publicly traded shares and share-based instruments. As part of its investment operations, the Fund may also invest in shares that are not publicly traded, bonds and OTC forward foreign exchange contracts, among other instruments. The Fund may use forward foreign exchange contracts for both hedging and investment. The base currency of the Fund is the euro.

The Fund may also invest assets in fixed-income securities and money market instruments, in the event a securities market meeting the Fund's investment strategy criteria cannot be found for the purpose of allocating assets. Fixed-income securities may be issued by corporations, governments or other parties. Issuers' credit ratings have not been limited.

The Fund's investment operations are subject to the restrictions set forth in Section 5 of the Fund's rules: the Fund may own a maximum of 20% of the shares in circulation of any single issuer;

- the Fund's investments in any single issuer's securities may not exceed 20% of the Fund's assets;

- there may be a maximum of two (2) investments in any single issuer's securities that exceed 10% of the Fund's assets;
- the Fund's assets must at all times be invested into securities of at least eight (8) different issuers;
- the Fund may also invest a maximum of 15% of the Fund's assets, at the time of making the investment, in securities that are not publicly traded;
- the maximum counterparty risk caused by the counterparty of a forward foreign exchange contract must not exceed 10% of the Fund's assets;
- the collateral requirement of forward foreign exchange contracts may not exceed 30% of the value of the Fund;
- the nominal value of forward foreign exchange contracts in the currency being sold must not, at the time of concluding contracts, exceed the value of the Fund in this currency nor shall the use of foreign exchange contracts be consequential to over-hedging at the time of concluding contracts;
- the nominal value of forward foreign exchange contracts may not, at the time of entering into the contract, exceed the value of the Fund;
- investments in any single issuer's bonds and money market instruments may not exceed 20% of the assets of the Fund;
- the Fund's ownership of a bond may not be more than 20% of the whole issued principal of the bond.
- the Fund may acquire a maximum of 10% of any single issuer's bonds and money market instruments;
- the Fund may have at maximum two (2) investments in bonds and money market instruments of a single issuer exceeding 10% of the Fund's assets;
- irrespective of the above, 100% of the Fund's assets may be invested in bonds or money market instruments of any single issuer or underwriter if the issuer or underwriter is a Member State of the European Union or the

European Economic Area. In the event that more than 35% of the assets are invested in the bonds or money market instruments of any single issuer, they must in that case be derived from at least six (6) different issuances, and no more than 30% of the Fund's assets may be invested in any one issuance;

- in total, a maximum of 30% of the Fund's assets may be invested in the securities, money market instruments and deposits of any single issuer, or in the forward foreign exchange contracts of any single issuer that will cause a counterparty risk to the Fund with respect to the issuer in question; and
- the Fund must always have sufficient cash reserves required for its operations;
- at maximum 30% of the Fund's assets may be kept in deposits.

The Fund will not use leveraging in its investment operations to a significant extent. However, the Fund Manager may temporarily take out a loan on behalf of the Fund for the purposes of the Fund's operations, which shall not exceed 10% of the net assets of the Fund. The Fund may also use derivatives contracts as part of its investment activity. As collateral for derivatives contracts the Fund manages cash or other assets. The collateral has to be secured, taking into account the respective counterparty. Cash is valued at face value and other assets are valued at a specified value. The funds may be used as part of the Fund's investment activities. The total investment ratio of the Fund may not exceed 200 per cent by decision of the Board of Directors of the Fund Manager.

The Board of Directors of the PYN Fund Management Ltd will decide on amending Fund's investment strategy. Amendments to the rules of the Fund do not require confirmation by the Finnish Financial Supervisory Authority, but the rules will nevertheless be submitted to the Financial Supervisory Authority and the fund unit holders will also be notified of the amendments before they enter into force in the manner set forth in the rules of the Fund.

In accordance with the rules of the Fund, the Fund may use its assets as collateral for its loans or other obligations. In order to promote effective asset management, loans or buyback agreements can be concluded for securities and money market instruments that are part of the Fund's assets,

provided that they are cleared by a settlement agent referred to in the Act on the Book-Entry System and Settlement Activities or foreign settlement agent. In the event clearing takes place elsewhere, the counterparty of the agreement must be an investment firm in accordance with the Act on Investment Firms or a similar party offering investment services, and the terms of the agreement must be standard and generally known in the markets.

### Portfolio manager

The portfolio manager of the Fund is Petri Deryng (b. 1961), who has acted as the Fund's portfolio manager since its founding in 1999. Petri Deryng has on numerous occasions been recognised as one of the most successful portfolio managers in Finland and Europe by Citywire, Morningstar and the Finnish Arvopaperi magazine, for example. He has 30 years of experience of strategic, successful equity investments. Before becoming a fulltime portfolio manager, Deryng worked in investment and as a media entrepreneur producing radio and TV programmes. Petri Deryng has studied for economics and business administration at university level. From 2003, Petri Deryng has lived in Asia, where the target markets of the Fund are located.

### Targeted investor group and equal treatment

The Fund is a high-risk fund intended for long term investments for demanding investors who are very familiar with the financial markets. The Fund is not necessarily suitable for investors who intend to redeem their fund units within ten years of subscription. The Fund Manager treats investors equally. The Fund Manager has internal guidelines for possible conflicts of interest in accordance with Chapter 7, sections 6 and 8 of the Act on Alternative Investment Fund Managers, and thereby seeks to ensure that the unit holders of the Fund are treated equally. The investor is solely responsible for the Fund being suitable for the investor's purposes, and the investor is expected to carefully inspect this prospectus, the key investor information document and the rules. The Fund Manager does not provide asset management, investment advice or other investment services.

### Investor letter

The Fund Manager publishes a quarterly investor letter, in which it shares its views of the markets and briefly introduces the investments and objectives.

### Fund return history

The value of an investment in the Fund may rise or fall, and when redeeming his or her share, an investor may receive less money than he or she originally invested into the Fund. Past fund performance is not a guarantee of future performance. The Fund is not covered by the Investors' Compensation Fund or the Deposit Guarantee Fund. The value of one fund unit was EUR 10 when the Fund was founded on 1 February 1999. The latest published value of a fund unit as well as the Fund return history can be viewed on the webpage of the Fund Manager.

### Profit information per 31 December 2020

12 months	3 years	5 years	From founding p.a.
31,8%	22,1%	74,3%	18,1%

## Subscription and redemption of fund units

Units of the fund can be subscribed every month on the last Finnish banking day of the calendar month. Subscription orders must be submitted to the Fund Manager at the latest on the subscription date. Subscription can also be carried out using the on-line service at [www.pyn.fi](http://www.pyn.fi) with electronic authentication. A subscription notification binding upon the unitholder is made by paying the subscription fee, including a subscription fee in the form of a reward, if any, into the Fund's bank account in accordance with the instructions provided by the Fund Manager. We request that you provide the information requested on the subscription form in conjunction with subscriptions. The Fund Manager has the right to reject subscriptions if the required information on the subscriber or the ultimate beneficiary and his or her identity has not been submitted or the information is insufficient.

The minimum subscription amount is EUR 10,000. The minimum additional subscription is EUR 2,000. Agents using their fee reimbursement may make an additional subscription that are less than EUR 2,000.

The subscription fee will be paid well in advance so that the funds will arrive on the Fund's account on the subscription date by 6.00 pm Finnish time. A

subscription fee, if any, will be deducted from the subscription amount. A written confirmation of subscription shall always be sent to the fund unit holder.

**Fund’s subscription accounts:**

Bank	BIC	IBAN
Nordea	NDEAFIHH	FI60 1572 3000 3842 97
OP	OKOYFIHH	FI73 5710 0420 1368 89
SEB	ESSEFIHX	FI48 3301 0001 1300 20

Under Finnish law, minors and persons under guardianship generally need the permission of the Digital and Population Data Services Agency to make subscriptions in non-UCITS funds. According to law, a fund unit holder or a person intending to become a fund unit holder do not have a statutory right to cancel a subscription/redemption order. More detailed information on subscribing for fund units can be found in the rules of the Fund.

**Redemption of Fund units**

Fund units can be redeemed every month on the last Finnish banking day of the calendar month. The redemption order must be submitted to the Fund Manager no later than on the 15th day of the month or, insofar as this is not a Finnish banking day, on the preceding Finnish banking day. Redemption orders must be submitted in writing using a redemption notification form, signed and sent to the Fund Manager by mail, fax or e-mail (info@pyn.fi). Redemption orders may also be submitted online at www.pyn.fi. A fund unit holder may simultaneously redeem all or a part of his or her fund units. A redemption order can only be cancelled with the consent of the Fund Manager.

In the event a unit certificate has been issued for fund units to be redeemed, a redemption order can be executed only when both the written redemption form and the original unit certificate for the units to be redeemed have been received.



Example: A unit holder submits a redemption order to the Fund Manager on 13 March. The redemption will be carried out based on the Fund valuation of 31 March and paid to the account of the unit holder in early April. As a rule, the Fund will pay out redemptions at the value of fund units on redemption day from its cash funds.

If the funds for redemption must be acquired by selling the Fund's securities, the sale must take place without undue delay, but no later than within two (2) weeks from the relevant Redemption Date.

Redemption will take place once the funds from the sale of securities have been received in the Fund's bank account. The redemption value of a fund unit is then determined according to the value of the securities on the day on which the sale occurs.

The Fund Manager will always send written confirmation of completed redemption to unit holders. More detailed information on the redemption of fund units can be found in the rules of the Fund.

The Fund Manager may decide to restrict redemptions if the number of redemption orders issued exceeds 10% of the Fund's net assets. If the amount of redemption orders exceeds 10% of the Fund's net assets, the Fund Manager may transfer the exceeding portion of the redemptions to the following redemption date or, if necessary, to more than one subsequent redemption date. The Fund Manager may decide on the restriction even after the redemption orders have been submitted to the Fund Manager.

Fund Manager may, on his/her own initiative, redeem the fund units of a unit holder in situations specified in the Fund's regulations.

**Determination of subscription and redemption price of fund units**

Subscriptions and redemptions are carried out at the fund unit value calculated and confirmed on the next Finnish banking day following the subscription or redemption date by deducting the debts of the Fund, if any, and fees payable to the Fund Manager from the market value of investments of the Fund on the subscription/redemption date and dividing the outcome (net value) by the number of the fund units in circulation. The values applicable from time to time will be posted on the webpage of the Fund Manager, and a subscription confirmation will be sent to fund unit holders who have subscribed fund units by post or e-mail.

The cut off dates for subscription and redemption orders and the valuation dates for investments into the Fund are presented in the rules of the Fund.

**Suspending subscription and redemption orders**

In certain circumstances set forth in law, the Financial Supervisory Authority has the right to suspend the redemption of fund units. The Board of Directors of PYN Fund Management Ltd can temporarily suspend the redemption of fund units if, in the view of the Fund Manager, the equal treatment of fund unit holders or

other weighty interest so require, for example in a situation where the value of fund units cannot be reliably calculated or calculation is prevented, or an exceptional event disrupts the operation of the financial markets, or if due to circumstances on the financial markets, investment of funds received by the Fund from subscriptions has become difficult, or if it is not in the interest of existing unit holders of the Fund to accept additional investments in the Fund.

The fund units are not subject to public trading in any regulated marketplace.

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## Fund unit valuation, publication of values, reports, and valuation calculation errors

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### Valuation of fund units and publishing value

The Fund Manager will calculate and confirm the value of fund units for each Finnish banking day in the manner described in the rules of the Fund. The value of the Fund is calculated in such a way that the debts of the Fund (compensation pursuant to the rules to the Fund Manager and other debts) are subtracted from the assets of the Fund (securities, cash funds and other assets and receivables). The value of fund units is calculated and published with a delay of one business day.

Information on the value of a fund unit can be accessed on the website of the Fund Manager ([www.pyn.fi](http://www.pyn.fi)) and the Mutual Fund Report service of Investment Research Finland Ltd (<https://www.rahastoraportti.fi/?lang=en>). The value of a fund unit is calculated and published in euros to the accuracy of one thousandth of a euro.

### Reporting

The Fund Manager publishes the Rules, Prospectus, and Key Information Document of the Fund. The Fund's Rules and Prospectuses are available from the Fund Manager and on the webpage of the Fund Manager ([www.pyn.fi](http://www.pyn.fi)). The Fund Manager shall prepare a financial statement, an annual report, and

a half-yearly report, which are available from the Fund Manager within three (3) months of the end of the financial period. The Rules, Prospectus, Key Information Document, Financial Statement, half-yearly report and both the financial statement and annual report of the Fund shall be sent free of charge to unitholders or aspiring unitholders upon request. The financial statement and annual report of PYN Fund Management Ltd shall be kept available and can be requested from the Fund Manager. Unitholders of the Fund will be sent a report on their ownership of the fund units and the changes in the value of the units on a quarterly basis.

### Correcting substantial NAV valuation errors

The margins set forth in a recommendation of the Financial Supervisory Authority shall be complied with in correcting substantial valuation errors. According to this recommendation, the minimum amount of an error that must be corrected depends on the volatility of the fund. At the moment, the annual volatility of the Fund is over 10% and the margin for a substantial error is 0.5% of the value of the Fund. The Fund Manager will notify the Financial Supervisory Authority of substantial and non-substantial errors in valuation. A list, available at the Fund Manager, shall be kept of substantial errors in valuation. The margin for a substantial error shall be reviewed annually.

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## Fees and expenses

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### Fees for subscription and redemption of fund units

A fee can be charged on subscriptions and redemptions of fund units, the amount of which shall not exceed 5% of the subscription amount. The Board of Directors of PYN Fund Management Ltd shall decide on the amount of the subscription fee. The subscription fee shall be paid to the Fund. The subscription fee, if any, shall be deducted from the subscription amount paid by a unit holder to the Fund, and the remaining amount shall be used to subscribe for fund units for the unit holder. In the event the subscription amount minus the subscription fee, if any, is not equally divisible by the value of fund units and their fractions, the number of fund units shall be rounded down to the closest fund unit fraction, and the remainder shall be added to the assets of the Fund. Paid subscription fees will be added to the assets of the Fund on the relevant subscription day.

The board of directors of the Fund Manager will confirm the amount of the subscription fee and the principles of its application from time to time. In accordance with the price list confirmed by the Board of Directors of PYN Fund Management Ltd (10 March 2021), the subscription fee shall only be charged on one-time subscriptions exceeding EUR 6,000,000.

The amount of the subscription fee for such subscriptions shall be 5% of the subscription amount. If the subscription is related to an ownership arrangement of the fund units where the net effect of the arrangement is below the above-mentioned subscription limit, then there will be no subscription fee. No fees shall be charged for redemption of fund units.

### Management fee

The Fund Manager shall be paid a management fee of 1.0% of the value of the Fund annually. The fees payable to the Custodian are also included in the management fee. The management fee shall be paid every calendar month in arrears directly from the cash funds of the Fund. The accrued management fee shall be taken into account in the daily valuation of the Fund.

### Performance-based fee

The performance-based fee shall be determined on each Valuation Day from the yield spread which is the difference between the value of the fund unit on the Valuation Day (after deducting the fixed management fee prior to deducting the performance fee) and the reference value. The performance-based fee is taken into account on each Valuation Day when calculating the value of the fund unit, but the fee is paid subsequently on a monthly basis according to the value of the last Finnish banking day of the calendar month.

**In order for the performance-based fee to be charged, the following two conditions must be met:**

- 1)** the value of the fund unit exceeds the HWM value; and
- 2)** the value of the fund unit exceeds the value of the fund unit ten years ago together with the ten-year global stock market return.

HWM value means the value of the fund unit on the Valuation Day on which the performance-based fee was last charged (High Watermark principle). The return on the MSCI ACWI Net Total Return EUR

Index is used to describe the return of the global stock market.

**If both conditions 1) and 2) above are met, two return figures are calculated:**

- i.** The return between the value of the fund unit on the Valuation Day and the value of the HWM; and
- ii.** The return between the value of the fund unit on the Valuation Day and the value of the fund unit ten years ago together with the return of the global stock market for the same period.

The lower of the two return figures is chosen as the basis for charging a performance-based fee.

The amount of the performance-based fee is a maximum of 12% of the return figure defined above for each fund unit. The performance-based fee can never be negative.

Discounts on fees can be granted taking into account the total customer base. Further information on exceptions is available by contacting the Fund Manager.

### An example of the calculation of the performance-based fee:

**31 December:** The value of the fund unit is EUR 90.00, and this creates a new HWM value (performance-based fee will be charged from December).

**31 January:** The value of the fund unit before the performance-based fee is EUR 100.00. The value of the fund unit ten years ago has been EUR 20.00 (fund return 400.0%). The return of the MSCI ACWI index for ten years is 300.0%, so the reference value according to the index for calculating the performance-based fee is EUR 80.00 (EUR 20.00 + 300% \* EUR 20.00). The return figure in relation to the HWM value is therefore EUR 10.00 (EUR 100.00 - EUR 90.00) and the return figure in relation to the reference value calculated on the basis of the index is EUR 20.00 (EUR 100.00 - EUR 80.00). The lower of these (i.e., EUR 10.00) is chosen and the performance fee to be charged is thus 12% \* EUR 10.00, i.e., EUR 1.20 per fund unit. At the same time, a new HWM value of EUR 98.80 (EUR 100.00 - EUR 1.20) will be created.

**28 February:** The value of the fund unit before the performance-based fee is EUR 95.00. This is below the current HWM value (EUR 98.80) and thus no performance-based fee is charged. The HWM value remains at EUR 98.80.

**31 March:** The value of the fund unit before the performance-based fee is EUR 105.00. The reference value calculated on the basis of the ten-year development of the MSCI ACWI index is EUR 106.00, which exceeds the value of the fund unit. Therefore, no performance-based fee is charged, even though the value of the fund unit exceeds the HWM value (EUR 98.80), since the fund's ten-year return is lower than the global stock market return for ten years. No new HWM value is generated.

**30 April:** The value of the fund unit before the performance-based fee is EUR 107.00. The reference value calculated on the basis of the ten-year development of the MSCI ACWI index is EUR 104.00. The return figure calculated on the basis of the HWM value (EUR 98.80) is EUR 8.20 (EUR 107.00 - EUR 98.80) and the return figure calculated on the basis of the reference return of the index is EUR 3.00 (EUR 107.00 - EUR 104.00). The lower of these figures is chosen and the performance fee is 12% \* EUR 3.00, i.e., EUR 0.36 per fund unit. At the same time, a new HWM value of EUR 106.64 (EUR 107.00 - EUR 0.36) is generated.

### Custodian fee and expenses related to investment activities

All expenses materially related to the investment activities of the Fund will be paid from the Fund's assets, as well as the transaction fees of the Custodian and of securities brokers, banking expenses and other expenses incurred from trading with investment objects, and taxes. The fees of the Custodian are based on the custody agreement between the Fund Manager and the Custodian and are included in the management fee payable to the Fund Manager.

### The Fund's expenses and portfolio turnover rate

The Fund's TER (Total Expense Ratio), ongoing charges and the portfolio turnover rate for recent financial years are:

Year	TER	Ongoing charges	Portfolio turnover rate
2020	4.02%	1.03%	77.88%
2019	1.01%	1.01%	52.67%
2018	1.08%	1.01%	24.14%

The TER figure includes the management fee and the performance-based fee but does not include the trading expenses paid by the Fund. Ongoing

charges and the portfolio turnover rate have been calculated in accordance with the recommendations of the European Commission. Ongoing charges do not include the performance-based fee, or the trading expenses paid by the Fund. The formulae for the calculations quoted above are available at the Fund Manager.

### Return distribution

The Fund operates as a growth fund and does not distribute a share of the return. The Fund reinvests the sales profits, interest, and dividends that it receives. Any return to unit holders will be realised upon the redemption of their fund units. The fund units are divided into fractions so that each unit is divided into ten thousand (10,000) equal parts. A fund unit entitles to an undivided right of ownership to the assets of the Fund in proportion to the number of fund units held.

The risk class of the fund is based on the historical volatility of the fund unit and, as such, provides an inadequate picture of the fund's future risk level. The fund's risk-return profile and risk class may not be constant and may change over time. As volatility increases, the potential for gain and loss increases.

## Integration of sustainability risks and adverse impacts on sustainability factors

According to EU Regulation 2019/2088 on the sustainability-related disclosures in the financial sector ("SFDR"), the Fund Manager is required to publish information on how sustainability risks are taken into account when making investment decisions and how sustainability risks are assessed to affect the Fund's performance.

In the sustainability risk analysis, sustainability risks are taken into account with the available information and means when selecting the Fund's investment targets and especially when assessing the long-term return potential of the investments as a whole. The assessment pays attention to the management of the target company and the impact of the company's

operations and products on the environment. In addition, the way in which the target company handles social and social responsibility in relation to local and applicable international standards is assessed.

The portfolio manager is responsible for taking sustainability risks into account when making investment decisions in accordance with the internal checklist and process, and for monitoring risks subsequent to having carried out the investments (ESG integration). The Fund also seeks, through open dialogues with the management of the target company, to address situations where significant deficiencies in the operations of the target company have been identified in terms of governance, taking care of environmental issues, or social responsibility (ownership influence). If, after the discussion, the sustainability risks are found to be too high, the Fund will assess the possibility of exiting the investment and may, if necessary, relinquish the investment (exclusion). Similarly, certain sectors may be completely excluded or subject to special monitoring.

Sustainability risks may, upon materialisation, have a negative effect on the value of an investment for an individual investment. Thus, for the Fund as a whole, sustainability risks may reduce the Fund's long-term return. On the other hand, active portfolio management aims to reduce the negative effects related to sustainability risks.

Notwithstanding the fact that sustainability risks are taken into account when making the Fund's investments in accordance with the aforementioned description, the Fund does not take into account the principal adverse impacts of investment decisions on sustainability factors within the meaning of the SFDR. This approach has been adopted mainly due to the lack of reliable information at the moment on the Fund's current main target markets of listed companies in Vietnam regarding the reporting metrics required by the SFDR and the underlying regulatory technical standard on, for example, companies' greenhouse gas emissions, carbon footprint, energy consumption or equal treatment of staff. Therefore, in the light of current regulations and the level of development in Vietnam, it is currently practically impossible to take into account the principal adverse impacts (PAI) in the Fund's investment decisions.

## Risks and risk management associated with the Fund, investment objects and markets

Investment activities always carry financial risk. Past fund performance is not a guarantee of future performance. The value of investments and the profit accrued thereby may rise or fall, and an investor may not be able to receive his or her original investment.

Risks related to the Fund's investment activities include the following:

**Market risk:** When investing in shares, there is a risk of fluctuation in market value of the investment, and the market value of the investment can vary significantly and unfavourably. A long investment time increases the probability of a positive return and reduces the likelihood of a negative return. The Fund mainly invests in emerging and peripheral markets, where market risk is particularly high.

**Interest rate risk:** When investing in fixed-income instruments, there is a risk of fluctuation in the market value of the investment. An investment may lose value when market interest rates change.

**Risk related to view and investing style:** An active fund management style may substantially affect the value of the Fund and its fluctuation. The Fund seeks to focus investments on a small number of markets and individual countries to make significant allocations in individual securities and companies, and consequently the successful or unsuccessful selection of shares invested in may substantially affect the value of fund units. The development in value of investments in an individual field of business, country or geographic area may substantially deviate from the general development in value of the securities market.

**Liquidity risk:** Only a small portion of the Fund's assets is in cash. The risk of the Fund being unable to convert investments into cash within the planned schedule and at a reasonable price therefore exists. When trading in securities is infrequent or the difference between buy and sell quotations is large or absent, the liquidity risk increases. If the

transaction is executed in such circumstances, the value of the investment may move strongly in an unfavourable direction and it will be difficult to pay redemptions or participate in other investment opportunities. In emerging and peripheral markets, liquidity can have a substantial effect on the return from investments. The Fund may also invest in securities that are not publicly traded or with restrictions relating to their assignment. These investments increase the liquidity risk of the Fund.

**Foreign exchange risk:** The assets of the Fund carry a foreign exchange risk as the Fund mainly invests in non-euro denominated currencies. For example, the value of dong-denominated investments in Vietnam will rise as Vietnam's dong strengthens against the euro and decline as the dong weakens against the euro. Currency convertibility also involves a risk in that the Fund will not be able to convert the currency into euros due to the foreign exchange regulation of the central bank of the target country or a factor related to the foreign exchange system. The Fund may from time to time aim to hedge against currency risk by, for example, using forward foreign exchange contracts.

**Extraordinary events and country-related risk:** The Fund's target markets, such as Vietnam, are subject to the risk of unforeseen events and political events, which may cause strong negative market movements. In addition, said target markets also involve risks associated with general economic development, development of local legislation, the interest rate and currency policies of their central bank, the exchangeability of currencies and developments in taxation. In the Fund's target markets, the prevention of corruption, governance, transparency, interpretation of laws, supervision, trading restrictions on the stock exchange or investor protection do not meet the same standards as those in developed markets. This can lead to unexpected events that may even target an individual company, such as sanctions, tax consequences, foreign exchange regulation, changes in companies' foreign ownership, confiscation of assets, expropriation, difficulties in and even prevention of the repatriation of assets, and other expenses.

When investing in emerging and peripheral markets, the above risks can have a substantial effect on the return from investments. Special global events such as financial crises and a general market collapse may also have an impact on the target markets of the Fund.

**Counterparty risk:** The Fund's counterparties that operate in emerging or peripheral markets are subject to a greater counterparty, clearing, credit and custody risks. For example, operating procedures, differences in procedures and operating in a different time zone pose more risks than operating in developed markets. The Fund bears the risk of the counterparty of a security transaction or issuer of a security or derivative being unable to or unwilling to honour its obligations, such as delivery or payment of securities. The Fund is at risk from assets held by a local Sub-custodian of a foreign security being lost in part or in full due to the fraudulent or negligent conduct of the Sub-custodian, insolvency or some other reason. The Fund's Custodian seeks to select local Sub-custodians with care and to monitor their operations. However, this does not preclude the risk that the Sub-custodian will perform its duties negligently or that the Fund will not suffer losses due to its insolvency.

**Operative risk:** Operative risks are risks of loss to the Fund due to insufficient internal procedures or issues relating to persons, organisation, contracting parties or systems, data protection or technology and attacks against them, as well as external events. For example, a cyber-attack against the information systems of the Fund Manager or the Custodian may, if realised, have a negative impact on trading with or clearing of a security in which the Fund invests.

**Force majeure:** Risk of force majeure means risks from an insurmountable obstacle outside the control of the Fund Manager or the counterparty in an investment to the continuation of the operations of the Fund. Such obstacles include natural disasters, pandemics, strikes, revolts, coups, wars, and other armed conflicts. If realised, force majeure risks may have a negative impact on the Fund's trading opportunities, or the prices of the securities invested in.

**Derivatives risk:** Using derivatives for hedging or risk management may decrease risk and expected profits. However, the use of derivatives, even for hedging, may for example increase counterparty and operative risks. The fund may also use derivatives as part of its investment activities. Handling collateral requirements for derivative contracts may increase the Fund's trading and thus transaction costs and related operational risks. The collateral requirement related to forward exchange contracts changes daily and cash is delivered to or received from the counterparty to settle it. As the collateral requirement related to forward exchange contracts

increases, the shares may have to be realised at a time when the price of the shares is low, in order to cover the collateral requirement.

**Sustainability risk:** Sustainability risks refer to events or circumstances pertaining to the environment, social responsibility, or governance, where the realization of such events or circumstances could have a material actual or potential negative effect on the value of an investment. The operating practices of companies operating in developing and frontier markets are not yet as mature as those in more developed markets and reliable information on the actual nature of their operations may not be as readily available. Consequently, investments in such companies may involve greater sustainability risks than investments in companies that operate in developed markets.

### **Risk management principles of the Fund Manager**

The Fund has risk management principles that have been approved by its Board of Directors, describing a set of procedures for constantly supervising and managing the risks present in the operations of the Fund Manager and Fund. The Fund Manager monitors the amount of the Fund's liquid assets in order to ensure that the Fund is duly and sufficiently solvent.

For example, the Fund Manager carries out regular stress tests in order to assess the Fund's liquidity risk, by measuring the predicted realisation period of the investments of the Fund in comparison to the portions owned by the biggest investors into the Fund. The redemption of fund units may be suspended in certain situations.

### **Covering exposure risk**

The Fund Manager has a liability insurance as referred to in Chapter 6, section 4 of the Act on Alternative Investment Fund Managers in order to cover damage for which the Fund Manager, as manager of the Fund, is legally liable for.

### **Personal business transactions and conflicts of interest**

The Fund Manager's operations consist of fund management and may lead to a conflict of interest between two parties. Such a situation may arise between, for example, two investors, the Fund, the Fund Manager, an external company responsible for an out-sourced activity, the Fund Manager or an employee of an external company and an investor or

the Fund. The Fund Manager has a written conflicts of interest policy and has taken structural and administrative steps to identify and manage identified conflicts of interest. Conflicts of interest may arise despite preventive measures taken by the Fund Manager. In such a case, the Fund Manager will notify the investors that are party to the conflict of interest of the nature or reasons for the conflict of interest before carrying out a transaction on behalf of the investor.

## **The Fund's ownership steering principles and other forms of exercising influence**

The objective of the Fund Manager is to manage the Fund's assets in such a way as to generate the highest possible long-term returns for unitholders by operating diligently, independently, and professionally.

The Fund primarily acts as a passive investor in its target companies. Accordingly, the most important decision concerning investments is the decision to buy or sell a security. Pursuant to its rules, the Fund can hold up to 20 percent of an issuer's shares. The Fund aims to primarily hold liquid equities for which a divestment decision may be made quickly based on their potential long-term returns. Unlisted investments may represent at most 15 percent of the Fund's net assets.

In the event that the Fund holds shares with voting rights and the Fund Manager deems it necessary for the interest of unitholders to participate in a shareholders' meeting, voting rights at such meetings shall be used to promote the target company's transparency, active dividend policy, the fair treatment of minority shareholders, good corporate governance and sustainable development. Decisions on participation in an individual shareholders' meeting are made by the Portfolio Manager.

The selection of investments is primarily based on in-depth company analysis and the monitoring of target companies. As part of company analysis, efforts are always made to meet with the company's management to evaluate its quality as well as

otherwise learn more about the company's business and operating environment on-site. Company-specific and industry-specific sustainability risks are also assessed as part of this analysis. The Fund Manager may also use external partners for this purpose.

In the event that the Fund Manager observes material deficiencies in a target company's operations with regard to governance, environmental issues or social responsibility, the aim is to influence the situation primarily through direct and genuine dialogue with the company's executive management to convince them of the importance of rectifying the situation. The aim is to support the company in reaching its objectives and achieving success as well as to safeguard and improve the long-term returns on investment for shareholders. Secondly, if such dialogue does not lead to the desired outcome, the decision may be taken to divest the holdings in the company in question.

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## Taxation of the Fund and unit holders

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The Fund is a non-UCITS fund registered in Finland. A non-UCITS fund registered in Finland is exempt from income and property taxation. However, withholding tax in accordance with the applicable tax treaty and local legislation shall be payable on sales, dividend, and interest income from abroad. The Fund may also have to pay asset transfer, financial market or value added tax on its transactions or on the services it has purchased.

Sales profit from the sale of fund units by fund unit holders (natural persons with general tax liability in Finland) are deemed capital gains, for which tax is payable regardless of the duration of ownership. The Fund Manager shall notify the tax authorities of fund unit ownership as of the end of the year, and of redemptions of fund units carried out during the year. The tax authorities send information they receive to foreign tax authorities (CRS and FATCA cooperation). However, fund unit holders must declare their capital gains or losses incurred through redemption of fund units in their tax return or as a supplement to their tax proposal. When a unit holder redeems only a part of its units, the units shall be deemed to be redeemed in their order of acquisition in such a way that the first fund units to

be acquired shall be redeemed first. However, the fund unit holder can in conjunction with redemption notify the Fund Manager which fund units he or she is redeeming, in which case the acquisition cost shall be determined based on these fund units.

More detailed information and the tax rates applicable from time to time can be found at [www.vero.fi](http://www.vero.fi). Due to individual circumstances, each investor should separately confirm the taxation applicable to him or her with a competent tax authority or tax advisor.

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## Additional information concerning distance sales

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The information herein has been provided in accordance with Chapter 6a of the Finnish Consumer Protection Act (38/1978). Information and services relating to the Fund are provided in the Finnish language. Consumers shall not have the right of cancellation of distance sales of fund units of the kind referred to in Chapter 6a of the Consumer Protection Act.

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## Legal remedies

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In the event of a dispute between the Fund Manager and a unit holder relating to an investment in the Fund which cannot be resolved through negotiations, the fund unit holder may bring the matter before the Securities Complaints Board using a free-form application. More information on the procedure can be obtained from the customer service of the Finnish Financial Ombudsman Bureau, tel. +358 (0)9 6850 120, and online at [www.fine.fi](http://www.fine.fi). The operations of the Fund Manager and the Fund are governed by Finnish law. Finnish legislation includes provisions on recognising and enforcing judgments, for example the Brussels I Regulation of the EU on international recognition and enforcement of judgments in civil and commercial matters.

### Restriction concerning US customers

Persons contemplating an investment into the Fund should be aware that fund units are neither registered nor will they be registered in accordance

with the securities legislation of the US, Canada, Japan, Australia or New Zealand or elsewhere outside Finland. PYN Fund Management Ltd has not taken any measures to ensure that purchase of units in the Fund may take place according to applicable law in any other country than Finland. The Fund will therefore only be marketed in Finland to Finnish investors and in a targeted manner in those countries in which the Fund Manager has separately applied for a sale and/or marketing authorisation for the Fund. In particular, investors residing in the United States (US) cannot invest in the Fund nor can the Fund be marketed, offered or sold directly or indirectly in the US, to US citizens or to US companies or on their behalf.

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# PYN Fund Management

