

# The Rules for PYN Elite Fund (non-UCITS)



**THE BOARD OF DIRECTORS** of PYN Fund Management Ltd has approved the rules on 1st of November 2022. The rules have been notified to the Finnish Financial Supervisory Authority in accordance with the Act on Common Funds on 2nd of November 2022. The rules are in force as of 9 December 2022. This document was originally prepared in Finnish. Should there be any inconsistency between the Finnish language document and the document in another language, the Finnish language document shall prevail.

## 1§ Fund

The name of the fund is PYN Elite Erikoissijoitusrahasto, PYN Elite Specialplaceringsfond in Swedish and PYN Elite Fund (non-UCITS) in English (hereinafter referred to as “the Fund”). The Fund is an alternative investment fund (“AIF”) and a special common fund within the meaning of the Act on Alternative Investment Fund Managers (Finlex: 162/2014).

### **The Fund is a special common fund (non-UCITS), because**

- Units can only be subscribed for and redeemed on a monthly basis; and
- Risk in the Fund does not, pursuant to the rules, need to be diversified as broadly as with UCITS funds.

When investing the Fund’s assets, the Fund Manager may deviate from the provisions of the Act on Common Funds (Finlex: 213/2019; “ACF”) as specified in Section 5 herein.

## 2§ Fund Manager

The manager of the Fund is PYN Fund Management Ltd (hereinafter the Fund Manager). The Fund Manager represents the Fund in its own name and acts on its behalf in matters concerning the Fund, as well as exercises rights relating to the assets in the Fund. The Fund Manager may use external management and advisory services for the purposes of managing the Fund. External services shall be specified in the Fund prospectus. Expenses arising from the use of external services shall be included in the management fee referred to in Section 11 herein.

## 3§ Custodian

The custodian for the securities belonging to the Fund shall be Skandinaviska Enskilda Banken AB

(publ), Helsinki branch, which shall act as the Fund’s custodian (hereinafter the Custodian) in accordance with the custodian agreement between the Fund Manager and the Custodian. The Custodian may use companies specializing in custodian services supervised by the Financial Supervisory Authority or corresponding foreign regulatory body for the purposes of assisting with its duties.

## 4§ Purpose of the Fund’s Investment Activity

The purpose of the Fund’s investment activities is to provide unit holders in the long term with maximum return on invested capital at a carefully considered risk level. The purpose of the Fund’s investment activities is to seek significant increases in value through substantial company and market exposure, by investing the Fund’s assets in the stock markets of countries with weak development due to economic reasons. In the event it is impossible or not appropriate to invest in the above mentioned markets or such markets do not exist, the Fund may invest its assets in other objects as specified in Section 5 herein.

Regarding equity instruments, the Fund’s risk position is monitored daily on the basis of total exposure, and regarding derivative agreements on the basis of the collateral requirement and the delta ratio of the exposure.

## 5§ Investment of the Fund’s Assets

The scope of the Fund is the entire world. The Fund Manager maintains an up-to-date list of marketplaces used by the Fund. The list shall be available at the Fund Manager. The Fund invests in securities and money market instruments that are traded publicly on the official list of a securities exchange or another recognised, regulated market which operates regularly and is open to the public. Securities means shares and share-based instruments, and, as specified below, bonds or other corresponding instruments. **The Fund deviates from the diversification requirements of the ACF to the extent that**

- i. The Fund may own a maximum of 20% of the shares issued by any one issuer;
- ii. the Fund’s investments in any single issuer’s securities may not exceed 20% of the Fund’s assets; and

- iii. there may be a maximum of two (2) investments in any single issuer's securities that exceed 10% of the Fund's assets.

It is possible to temporarily deviate from the restriction in point iii. if the limitation has been exceeded for a reason beyond the control of the Fund Manager or due to the exercise of subscription rights. In this case, the excess is to be corrected in a way that fulfills the interests of the Fund unit holders.

However, the Fund's assets must at all times be invested in securities of at least eight (8) different issuers.

- The Fund may also invest in securities that are not publicly traded. At maximum 15% of the Fund's assets, at the time of the investment, may be invested in such securities.

To hedge the Fund's assets from foreign exchange risks or as a part of the investment activities, the assets may be invested in forward foreign exchange contracts. When investing in forward foreign exchange contracts, eligible to act as counterparties are only credit institutions and investment firms in the European Economic Area or that are active in the market, are supervised by a recognized supervision authority and have sufficient credit rating. The counterparty risk caused by the counterparty of a forward foreign exchange contract may be at maximum 10% of the Fund's assets. The collateral requirement of forward foreign exchange contracts may not exceed 30 % of the value of the Fund.

At the time of entering into the contract the use of forward foreign contracts may not cause the Fund to be over-hedged.

The value and development of the Fund's forward foreign exchange contracts shall be monitored on a daily basis by means of market contacts. The Fund may invest its assets in fixed income securities and money market instruments, such as debt instruments, bonds and certificates of deposit, in the event no securities exchange meeting the investment strategy criteria of the Fund is found for the purpose of allocating assets into shares or share-based instruments.

**Investments can be made in fixed income securities and money market instruments with the following restrictions:**

- Investments in any single issuer's bonds and money market instruments may not exceed 20 % of the assets of the Fund;
- The Fund may not own an amount of bonds exceeding 20 % of the total bond capital issued
- The Fund may acquire at maximum 10 % of any

single issuer's bonds and money market instruments; and

- 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.

However, the Fund's assets must in any case be invested in bonds and money market instruments of at least eight (8) different issuers.

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 of the European Union or the European Economic Area. In the event 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 securities, money market instruments and deposits of any single issuer, or in forward foreign exchange contracts that will cause a counterparty risk for the Fund with respect to the issuer in question. The Fund must at all times have sufficient cash reserves required for its operations. At maximum 30 % of the Fund's assets may be kept in deposits.

The Fund does not use leverage in its investment operations to a significant extent. The Fund Manager may however temporarily raise a loan in the name of the Fund for the purposes of the Fund's investment operations, which loan shall not to exceed 10 % of the net assets 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 clearing organization referred to in the Act on the Book-Entry System and Clearing Operations or foreign clearing organization of the kind. In the event clearing takes place elsewhere, the counterparty of the agreement must be an investment firm according to the Act on Investment Firms or similar party offering investment services, and the terms of the agreement must be standard and generally known in the markets.

## 6§ Profit distribution

The Fund operates as a growth fund, and does not distribute a share of the profit. The profits of the Fund shall be reinvested as provided in the rules of the Fund.

## 7§ Fund Units

Fund units shall be divided into fractions; each Fund unit shall consist of ten thousand (10,000) fractions of equal size. Fund units are of equal size and carry equal rights to the Fund's assets.

The board of directors of the Fund Manager may establish different series of Fund units, each with a different management fee and/or performance-based fee. For each series of fund units, the board of directors of the Fund Manager shall determine the applicable minimum subscription as well as any other subscription requirements, such as the applicable investor classification. Any such requirements shall be presented in the Fund prospectus currently valid at the time. The Fund shall contain only growth units.

## 8§ Value of the Fund and the Fund Units

The value of the Fund shall be calculated by deducting the Fund's debts (accumulated compensation under Section 11 herein and other debts) from the Fund's assets (securities, cash assets and other assets and receivables). The value is calculated on every Finnish banking day (hereinafter the Valuation Day).

Securities belonging to the Fund shall be valued at their market value as of 4 PM Finnish time on the Valuation Day. The market value shall be the latest trading price of the security, or if such price is not available, the latest purchase quotation. If such quotations do not exist or they, in the opinion of the Fund Manager, considerably deviate from the level at which the security was traded during that day, the Fund Manager can determine the value based on objective grounds.

As a rule, fixed income securities belonging to the Fund shall be valued at the bid price of fixed instruments available at 4 PM Finnish time from interbank markets and published through public price monitoring systems. However, money market instruments with a maximum remaining maturity of one year shall be valued at the Euribor interest rate quoted on the Valuation Day for a period corresponding to the remaining term to maturity.

In the event a fixed income security is not quoted on the interbank market, it shall be valued in accordance with valuation principles applied by the Fund Manager at a given time.

The deposits of the fund shall be valued by adding the accrued interest to the capital in accordance with the schedule determined by the board of directors of the Fund Manager.

When determining the value of the Fund, the Fund

Manager shall, as a rule, apply the foreign exchange rates for each Valuation Day confirmed by the European Central Bank, or, alternatively, by the decision of the board of directors of the Fund Manager, foreign exchange rates published by a commercial bank incorporated in the European Economic Area or other reliable source. Foreign exchange forward contracts shall be valued based on the relevant currencies' spot rate, interest rate submissions and forward points or, alternatively, based on the forward rate quoted by a commercial bank incorporated in the European Economic Area. In the event such rates or quotations are not available, or, in the view of the Fund Manager, significantly deviate from the trading level on the Valuation Day, the Fund Manager may define the applicable rate or quotation based on objective grounds.

The board of directors of the Fund Manager shall provide more specific instructions for the calculation of the value of the Fund. The value of a Fund unit is the value of the Fund calculated in the above-mentioned way, divided by the number of units of the Fund in circulation.

The Fund Manager shall confirm and publish the value of a Fund unit for each Finnish banking day. The value of the Fund shall be calculated and published with a delay of one banking day. Information on the Fund unit value shall be available to the public at the Fund Manager or on the webpage of the Fund Manager. All values of the Fund shall be calculated and published in euro denomination.

## 9§ Subscription and Redemption of Fund Units

Fund units can be subscribed for and redeemed once a month, on the last Finnish banking day of each calendar month (hereinafter the Subscription Day, the Redemption Day). The board of directors of the Fund Manager can decide on permitting subscriptions for Fund units on dates other than those mentioned above. When deciding on an alternative subscription date, the board of directors of the Fund Manager shall declare such additional Subscription Day.

Fund units shall be subscribed for by placing a subscription order with the Fund Manager, and by paying the subscription amount including subscription fee, if any, to the bank account of the Fund, following the instructions given by the Fund Manager.

The placing of a subscription order is binding for the unit holder. The subscription payment shall reach the Fund's bank account on the Subscription Day by 6 PM (Finnish time) at the latest. The subscription for Fund units shall be carried out at the Fund unit value confirmed for that Subscription Day in such a way that

the number of Fund units subscribed for is calculated by dividing the subscription amount, less the subscription fee, if any, by the value of a Fund unit on the Subscription Day.

In order for a subscription to be confirmed, the Fund Manager shall have received the subscription payment in a manner approved by the Fund Manager on behalf of the Fund as well as the Fund has or is provided without delay appropriate and sufficient information concerning the subscriber and his/her identity. The Fund Manager shall have the right to reject a subscription order or to delay fulfilment of such order in the event the Fund Manager does not have sufficient information concerning the subscriber or his/her identity. Should the equal treatment of Fund unit holders or a compelling interest thereof so require, the Fund Manager may, by a decision of the Fund Manager's Board of Directors, temporarily suspend the fulfillment of subscription orders. Examples of such circumstances include: cases where it is not in the best interest of the existing Fund unit holders for the Fund to receive additional investments; the value of Fund units cannot be reliably calculated; an exceptional event disrupts the operation of the applicable financial markets; or it becomes difficult to invest assets accrued from Fund unit subscriptions due to circumstances prevailing in the financial markets.

The holders of Fund units have the right to request redemption of their Fund units for the value on the applicable Redemption Day. Such a request shall be made in writing to the Fund Manager at the latest on the 15th day of the month, or, if this is not a Finnish banking day, on the previous Finnish banking day. Fund units shall be redeemed to the [Net Asset] value effective on the applicable Redemption Day. In the event cash funds for redemption must be acquired by selling securities of the Fund, such a sale shall take place without undue delay, however no later than two (2) weeks after the intended Redemption Day. In such an event, the redemption shall take place once the assets from the sale of securities have been received on the bank account of the Fund. The redemption value of the Fund units shall then be their value on that date.

Redemption orders shall be fulfilled in the order in which they are received. On special grounds, the Financial Supervisory Authority may grant permission to exceed the two-week period for selling securities specified in the applicable rules and regulations. A request for redemption can be cancelled only in the event the Fund Manager agrees to the cancellation.

In certain situations, set forth in the law, the Financial Supervisory Authority has the right to suspend redemption of Fund units. The board of directors of the Fund Manager can temporarily suspend redemption

of Fund units if, in the view of the Fund Manager, the equal treatment of Fund unit holders or other weighty interest so requires for example in a situation where the value of the Fund units cannot be reliably calculated or calculation is obstructed, or if an exceptional event disrupts the operation of the financial markets. If the overall value of redemption orders is in excess of 10% of the Fund's net assets, the Fund Manager may place restrictions on redemption. If the overall value of redemption orders is in excess of 10% of the Fund's net assets, the Fund Manager may postpone payment for any excess redemption orders until the following Redemption Day or, if necessary, divide the payments across several future Redemption Days. The Fund Manager may place such restrictions even after redemption orders have been submitted to the Fund Manager.

The Fund Manager may, at their own initiative, redeem a Fund unit holder's Fund units on serious grounds, such as the unit holder's relocation to a state where the regulatory framework would place substantial additional administrative obligations or expenses on the Fund Manager, or the unit holder's (who may be a natural person or legal entity or ultimate beneficial owner of a legal entity) placement on a sanction list or lists which, if not complied with, would likely result in significant inconvenience for the Fund Manager's operations. In such case, the Fund units shall be redeemed to the Net Asset Value effective on the date of the redemption decision. The Fund Manager shall immediately inform the unit holder of such redemption and the grounds thereof.

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### 10§ Subscription and Redemption Price

The subscription price for a Fund unit shall be the Fund unit value calculated in accordance with Section 8 herein on the subscription date plus the potential subscription fee set by the Fund Manager at a given time. The redemption price of a Fund unit shall be equal to the [Net Asset] value per unit calculated in accordance with Section 8 herein, effective on the applicable Redemption Day. The Fund Manager reserves the right to decide on the minimum subscription amount.

A fee can be charged for subscription, the amount of which shall not exceed 5% of the subscription amount. The board of directors of the Fund Manager shall decide on the size 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 to the Fund by a unit holder, 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 applicable) is not divisible

into 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 net assets of the Fund. More detailed information on the fee applicable at a given time shall be provided in the key investor information document and the Fund prospectus, available at the Fund Manager. No fee shall be charged for redemption.

### **11§ Compensation to the Fund Manager and the Custodian**

Compensation for the management of the Fund shall be paid to the Fund Manager from the assets of the Fund. A management fee of 1.0 % of the value of the Fund shall be paid to the Fund Manager on an annual basis.

The fee is charged every calendar month after the end of the month, and shall be calculated from the value of the Fund on the last Finnish banking day of each calendar month (value of Fund x the number of banking days between the last Finnish banking day of the calendar month and the last Finnish banking day of the preceding calendar month / 365 x management fee percentage). The management fee payable to the Fund Manager shall also include the compensation payable to the Custodian in accordance with the terms of the custodian agreement.

In addition with the management fee, the Fund Manager shall be paid a performance fee. The performance fee is determined on each Valuation day from the difference between the value of the Fund unit on the Valuation day (after deducting the management fee but before deducting the performance fee) and the benchmark. The performance fee is taken into account

on each Valuation day when calculating the value of the Fund unit.. The performance fee is paid monthly on the value of the Fund unit on the last Finnish banking day of the month.

**In order for a performance 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 plus the return on the world stock market for ten years.

HWM value means the value of a Fund unit on the Valuation day on which the performance fee was last charged (High Watermark principle). The index used to describe the performance of the world stock market is stated in the current Prospectus.

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

- i.** The return between the value of the Fund unit on the Valuation day and the HWM-value; 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, plus the return on the world stock market for the same period.

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

The performance fee is at maximum 12% of the return figure defined above for each Fund unit. The performance fee can never be negative.

In addition to the above, all essential expenses relating to the investment activities of the Fund, as well as transaction fees of the Custodian and securities exchanges, banking expenses and other expenses incurred due to trading in investment objects shall be paid from the Fund's assets.

### **12§ Financial Period of the Fund and the Fund Manager**

The financial period of the Fund and Fund Manager shall be the calendar year.

### **13§ Publishing of Fund Prospectus, Key Investor Information Document, Financial statements and Management report and Half-yearly report**

The Fund Manager shall publish a Fund prospectus and key investor information document for the Fund. These shall be available at the Fund Manager and on the webpage of the Fund Manager. The Fund Manager shall prepare financial statements and Management report and half-yearly reports on the Fund, which are available at the Fund Manager within three (3) months after the end of the financial year.

The Fund prospectus, key investor information document, Fund financial statements and management report and half-yearly reports shall be sent to unit holders or persons intending to become unit holders upon their request free of charge. The financial statements and management report of the Fund shall be available at the Fund Manager.

### **14§ General Meeting of Unit Holders**

The general meeting of Fund unit holders shall be called at the initiative of the board of directors of the Fund Manager or by written request of an auditor or unit holders with a collective ownership of no less

than one-twentieth (1/20th) of all outstanding Fund units. Such written request shall specify the measure or matters to be considered in the meeting. The written request shall explicitly specify the relevant party's demand, and the request shall be submitted to the Fund Manager.

The Fund Manager shall give notice of the meeting at least two (2) weeks prior to the date of the meeting. The notice of the general meeting shall be published on the Fund Manager's website and delivered to Fund unit holders via e-mail or by other means agreed with each Fund unit holder.

**The general meeting of Fund unit holders shall proceed as follows:**

1. The chairperson for the meeting is elected. The chairperson appoints the secretary for the meeting, and the secretary prepares the minutes for the meeting.
2. A list of votes is prepared and adopted.
3. Two keepers of the minutes and two vote counters are elected.
4. The legality of the meeting and the presence of a quorum is confirmed.
5. Any other matters specified in the notice convening the meeting are discussed.

To be entitled to participate in the general meeting of Fund unit holders, Fund unit holders are required to register with the Fund Manager in the manner and by the registration date specified in the notice convening the meeting. Each whole Fund unit carries one vote in the general meeting of Fund unit holders. Any fractional Fund units shall carry a corresponding fractional vote. However, if a Fund unit holder holds only a fraction of a full Fund unit, the unit holder shall nevertheless be entitled to one full vote in the general meeting of Fund unit holders.

In the General meeting of Fund unit holders, all resolutions shall be adopted by a majority of more than half of the votes cast. In the event of a tied vote, the chairperson shall cast the deciding vote. In elections, the candidate obtaining the most votes shall be elected. In the event of a tied vote, the election is decided by the drawing of lots.

Any other notifications shall be made available to Fund unit holders through the Fund Manager's website and delivered via e-mail or through other means agreed with each Fund unit owner.

## **15§ Amendment to Rules**

The board of directors of the Fund Manager shall decide upon amendments to the rules of the Fund. Amendments to the rules shall be made available at the Fund Manager's premises and brought to the attention of Fund unit holders via e-mail or by other means agreed with each Fund unit owner. Fund unit owners shall be considered to have received notification of such amendment within five (5) days of posting or, if delivered via e-mail or through other electronic means, on the date of dispatch. The amendments to the rules shall enter into force at the earliest one (1) month after the amendment has been brought to the knowledge of the Fund unit holders. Upon entering into force, an amendment to the rules shall be binding upon all unit holders.

In the event the rules of the Fund are amended, the Fund is merged or demerged or responsibility for its management is transferred from the Fund Manager, Fund unit holders shall be reserved an extraordinary opportunity to redeem their units before entry into force of the above measure. The board of the Fund Manager shall decide on a possible extraordinary redemption date, and it shall be brought to the knowledge of Fund unit holders in the way provided for in the first paragraph of this Section. The Fund unit holder must notify the Fund Manager of his/her intention to exercise the right of extraordinary redemption ten (10) banking days before the extraordinary redemption date.

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## **16§ Disclosure of information**

The Fund Manager shall have the right to disclose information concerning the Fund unit holders in accordance with the legislation in force at a given time.

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## **17§ Applicable law and settlement of disputes**

Finnish law applies to the Fund Manager, the Fund's operations and these rules.

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