

# PROSPECTUS

## CARNEGIE FUND III

Société d'Investissement à capital variable  
à compartiments multiples

Containing the following Sub Funds

Carnegie Fund III - Carnegie Worldwide Long/Short Fund

Carnegie Fund III - Carnegie Medical Hedge Fund

Subscriptions can only be received on the basis of this prospectus accompanied by the latest annual report as well as by the latest semi-annual report published after the latest annual report.

These reports form part of the present prospectus. No information other than that contained in this prospectus, in the periodic financial reports, as well as in any other documents mentioned in the prospectus and which, may be consulted by the public may be given in connection with the offer.

Shares of CARNEGIE FUND III may be neither bought nor held directly or indirectly by investors who are residents or citizens of the United States and its sovereign territories nor is the transfer of shares to those persons permitted.

**As in the case of any investment, the Company cannot guarantee future performance and there can be no certainty that the investment objectives of the Company's individual Sub Funds will be achieved.**

**Investment in the Company is a high-risk investment. Investors may lose a substantial portion or all of the money they invest in the Company. Investment in the Company is only suitable for sophisticated investors who can afford the risks involved. Only capital that the investor can afford to lose should be invested in a fund of this nature and investors are recommended to consult their financial advisers before investing in the Company.**

R.C.S. LUXEMBOURG B 92 747

September 2011

VISA 2011/78845-3533-0-PC

L'apposition du visa ne peut en aucun cas servir  
d'argument de publicité

Luxembourg, le 2011-10-06

Commission de Surveillance du Secteur Financier



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LUXEMBOURG  
Chairman of the Board of  
Directors
2. Bruno FREREJEAN  
Co-Managing Director  
BANQUE CARNEGIE  
LUXEMBOURG S.A.  
LUXEMBOURG  
Director
3. Vincent GRUSELLE  
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CARNEGIE FUND  
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LEGAL COUNSEL

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## INTRODUCTION

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CARNEGIE FUND III, (hereafter the "Company"), described in this prospectus is a company established in Luxembourg with a variable capital, société d'investissement à capital variable comprising separate "Sub Funds". The Company has been established as an open ended investment fund adopting alternative investment strategies under Part II of the Luxembourg Law of December 20, 2002 on undertakings for collective investment at the initiative of BANQUE CARNEGIE LUXEMBOURG S.A. and now is subject to Part II of the Luxembourg Law of December 17, 2010 on undertakings for collective investment and is promoted by CARNEGIE ASSET MANAGEMENT HOLDING DANMARK A/S.

The objective of the Company is to achieve long-term, risk adjusted capital appreciation through an investment programme utilising a broad range of conventional and alternative investment and trading strategies including short selling, the use of derivatives for hedging and speculative purposes and the use of leverage.

**As in the case of any investment, the Company cannot guarantee future performance and there can be no certainty that the investment objectives of the Company's individual Sub Funds will be achieved.**

**Investment in the Company is a high-risk investment. Investors may lose a substantial portion or all of the money they invest in the Company. Investment in the Company is only suitable for sophisticated investors who can afford the risks involved. Only capital that the investor can afford to lose should be invested in a fund of this nature and investors are recommended to consult their financial advisers before investing in the Company.**

For the moment, the Company contains the following Sub Funds.

**Carnegie Fund III - Carnegie Worldwide Long/Short Fund (the "Carnegie Worldwide Long/Short Fund")**

**Carnegie Fund III - Carnegie Medical Hedge Fund (the "Carnegie Medical Hedge Fund").**

Carnegie Medical Hedge Fund has not yet been opened for subscription.

The reference currencies (the "reference currencies") of the above mentioned Sub Funds are:

Euro for the **Carnegie Worldwide Long/Short Fund** and  
Euro for the **Carnegie Medical Hedge Fund**.

However, the Board of Directors may decide at any time to create new Sub Funds. At the opening of such additional Sub Funds, a supplement to the Prospectus shall be issued providing the investors with all information on those new Sub Funds and the present prospectus shall be adapted accordingly.

Furthermore, in case of Sub-Funds created which are not yet opened for subscription the Board of Directors is empowered to determine at any time the initial period of subscription and the initial subscription price; at the opening of a Sub-Fund, the present prospectus shall be adapted accordingly.

## **THE COMPANY**

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The Company was incorporated in the Grand-Duchy of Luxembourg on March 31, 2003. It is organised as a variable capital company (société d'investissement a capital variable "SICAV") under the law of August 10, 1915 relating to commercial companies and Part II of the law of December 17, 2010 relating to collective investment undertakings (hereafter referred to as the "Law of December 17, 2010"). As such the Company is registered on the official list of collective investment undertakings maintained by the Luxembourg regulator. It is established for an undetermined duration from the date of the incorporation.

The registered office of the Company is at Centre Europe, 5, place de la Gare, L-1616 Luxembourg. The articles of incorporation (the "Statutes") of the Company were published in the Mémorial, Recueil des Sociétés et Associations, (hereafter referred to as the "Mémorial") on April 30, 2003. The registered number of the Company is R.C. Luxembourg B 92 747. The Statutes, together with the mandatory Legal Notice have been deposited with the Register of the Tribunal d'Arrondissement of Luxembourg where they are available for inspection and where copies thereof can be obtained.

The fiscal year of the Company starts on January 1st and ends on December 31st of each year (the "Fiscal Year").

Shareholders' meetings are to be held annually in Luxembourg at the Company's registered office or at such other place as is specified in the notice of meeting. The Annual General Meeting will be held on the third Friday in March each year, at 14.00 local time. If such day is a legal bank holiday in Luxembourg, the Annual General Meeting shall be held on the next following bank business day in Luxembourg. Other meetings of shareholders may be held at such place and time as may be specified in the respective notices of meetings. Notices of meetings will be published in the Mémorial, in such Luxembourg newspaper and in such other newspaper of general circulation as the Board of Directors may determine from time to time. Resolutions concerning the interests of the shareholders of the Company shall be taken in a general meeting and resolutions concerning the particular rights of the

shareholders of one specific Sub Fund shall in addition be taken by this Sub Fund's general meeting.

## **CAPITAL STOCK**

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The capital of the Company shall at all times be equal to the value of the net assets of all the Sub Funds of the Company.

The minimum capital of the Company shall be the equivalent of EUR 1.250.000,- (one million two hundred and fifty thousand EURO). For the purpose of determining the capital of the Company, the net assets attributable to each Sub Fund, if not expressed in Euro, will be converted into Euro at the then prevailing exchange rate in Luxembourg.

The Board of Directors is authorised, without limitation and at any time, to issue additional shares at the respective Net Asset Value per share determined in accordance with the provisions of the Company's Statutes, without reserving to existing shareholders a preferential right to subscribe for the shares to be issued.

On issue, all shares have to be fully paid up. The shares do not have any par value. Each share carries one vote, regardless of its Net Asset Value and of the Sub Fund to which it relates.

Shares are only available in registered form. No share certificates will be issued in respect of registered shares unless specifically requested; registered share ownership will be evidenced by confirmation of ownership and registration on the share register of the Company.

If the capital of the Company becomes less than two-thirds of the legal minimum, the directors must submit the question of the dissolution of the Company to the general meeting of shareholders. The meeting is held without a quorum, and decisions are taken by simple majority. If the capital becomes less than one quarter of the legal minimum, a decision regarding the dissolution of the Company may be taken by shareholders representing one quarter of the shares present. Each such meeting must be convened not later than 40 days from the day on which it appears that the capital has fallen below two-thirds or one quarter of the minimum capital, as the case may be.

## **INVESTMENT OBJECTIVE AND POLICY**

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### **General Investment Guidelines**

The objective of the Company is to achieve long-term, risk adjusted capital appreciation through an investment programme utilising a broad range of

conventional and alternative investment and trading strategies including short selling, the use of derivatives for hedging and speculative purposes and the use of leverage.

In contrast with traditional asset management, some of the defining characteristics of alternative asset management strategies can be summarised as follows:

- Whereas traditional asset management will focus on building a portfolio of long securities, essentially equities and bonds, alternative asset management will use both long and short positions. In addition, the use of derivatives, both for hedging and speculative purposes, might also be employed.
- Alternative asset management strategies can and often will use leverage.
- A portfolio managed according to traditional asset management principles often aims to outperform a benchmark, an index, or industry median. Performance, therefore, is measured on a relative basis. Alternative asset management, on the other hand, seeks to capture absolute gains at all times, whether in a rising, static, or falling market.
- Traditional asset management strategies often generate returns that are more highly correlated to major market indices than that of alternative asset management strategies.

The Company cannot, however, guarantee that it will achieve its goals given financial market fluctuations and the other risks to which investments are exposed.

Each Sub Fund shall pursue an independent investment policy, which is set out hereinafter.

### **Carnegie Worldwide Long/Short Fund**

#### *Investment objectives*

To generate high absolute returns from long and short investment positions in global equities and related financial instruments such as financial futures and related options and swaps, and, over time, exhibit low correlation to the global equity markets.

#### *Investment approach*

Returns are sought using Carnegie Asset Management's stock picking methodology, consisting of a top-down trend based view, coupled with a bottom-up methodology.

The portfolio will consist of positions taken on pairs of stocks as well as individual stock positions.

Market exposure will vary, spanning from negative, over neutral to positive, and will largely depend on investment opportunities and the volatility of the global equity markets.

The investment universe is based on equity, derivative and fixed income products globally. The Sub Fund may retain cash or cash equivalents as and when considered appropriate.

In order to enable the Sub Fund to obtain the desired market exposure and to construct the investment portfolio in an efficient manner, the Sub Fund may borrow up to 150% of its net assets from highly rated professionals specialised in these type of transactions and within the limits laid down in the section entitled "Investment Restrictions".

Short sales will usually be carried out by selling borrowed securities in the market place. Alternatively, short sale exposure can be obtained using swap agreements should that be more cost efficient.

Unwanted risk is hedged, using individual stocks long/short or by using written or bought derivatives on markets, sectors or individual stocks. Bought or written derivative instruments can furthermore be used to enhance returns.

Moreover, Carnegie Worldwide Long/Short Fund may, on an ancillary basis, invest in other undertakings for collective investment subject to the limitations set out in the section entitled "Investment Restrictions".

#### *Leverage and positions*

Total leverage cannot be greater than 1.5 times the net assets, also expressed as a maximum gross exposure of 250%. Maximum net exposure, the amount of the Sub Fund's net assets that can be positively or negatively exposed to the market, is limited to 150% long (positive) the market and 50% short (negative) the market.

### **Carnegie Medical Hedge Fund**

#### *Investment objectives*

The objective of the fund is to generate high absolute returns from long and short investment positions in healthcare related equities and financial instruments such as financial futures and related options and swaps, and over time exhibit low correlation to the global equity markets. "Healthcare related" should be interpreted in a broad way such as companies with significant exposure to products in pharmaceuticals, biotechnology, medical technology, or with distribution businesses of healthcare products, or insurance businesses related to healthcare or pharmaceutical products, or companies

which through investment or ownership are meaningfully exposed to any of the above businesses.

#### *Investment approach*

Returns are sought using Carnegie Asset Management's stock picking methodology, with thorough in-depth analysis of products, technologies, business ideas and competitive landscape coupled with a bottom-up methodology.

The portfolio will consist of positions taken on pairs of stocks as well as individual stock positions.

Market exposure will vary, spanning from negative over neutral to positive, and will largely depend on investment opportunities and the volatility of the global equity markets.

The investment universe is based on equity, derivative and fixed income products globally. The Sub Fund may retain cash or cash equivalents as and when considered appropriate.

In order to enable the Sub Fund to obtain the desired market exposure and to construct the investment portfolio in an efficient manner, the Sub Fund may borrow up to 150% of its net assets from highly rated professionals specialised in these type of transactions and within the limits laid down in the section entitled "Investment Restrictions".

Short sales will usually be carried out by selling borrowed securities in the market place. Alternatively, short sale exposure can be obtained using swap agreements should that be more cost efficient.

Unwanted risk is hedged, using individual stocks long/short or by using written or bought derivatives on markets, sectors or individual stocks.

Bought or written derivative instruments can furthermore be used to enhance returns.

Moreover, Carnegie Medical Hedge Fund may invest, on an ancillary basis, in other undertakings for collective investment subject to the limitations set out in the section entitled "Investment Restrictions".

#### *Leverage and positions*

Total leverage cannot be greater than 1.5 times the net assets, also expressed as a maximum gross exposure of 250%. Maximum net exposure, the amount of the Sub Fund's net assets that can be positively or negatively exposed to the market, is limited to 250% long (positive) the market and 50% short (negative) the market.

### *Risk Factors*

The frequent price fluctuations of companies in the technology sector and/or life sciences sector, as applicable, are a consequence of the early stages of the development of these sectors. The valuations of these companies are based on estimations for the future earnings and small changes can have a significant influence on the valuation of the security.

Within the Biotechnology sector there are many new or recently formed companies with very small capitalisation but some of these companies can grow rapidly and produce attractive returns for early stage investors. Because the Sub-Fund may acquire up to 10% of the securities of the same kind issued by the same issuer, the Sub-Fund may have a greater exposure to some micro cap stocks. The Investment Manager does not however intend that it or the Sub-Fund should seek to exercise control over the management of such companies and will avoid any form of representation on the board of directors or any involvement in the strategic or operational management of these companies.

### **Investment restrictions**

#### **Short Sales**

In carrying out short sales, the Company, in respect of each Sub Fund, will not be entitled to hold:

- (a) a short position on transferable securities which are not admitted to official stock exchange listing nor dealt in on another regulated market which operates regularly and is recognised and open to the public; however, a Sub Fund will be entitled to hold short positions on non listed or non traded transferable securities provided their value does not exceed 10% of the assets of the Sub Fund and that those non listed or non traded transferable securities are highly liquid;
- (b) a short position on transferable securities which represent more than 10% of securities of the same nature issued by the same issuer;
- (c) a short position on transferable securities issued by the same issuer (i) when the sum of the market prices thereof represents more than 15% of the assets of the Sub Fund, or (ii) when this short position represents a commitment of more than 5% of the assets of the Sub Fund.

Commitments arising from short sales on transferable securities at a given time are equal to the aggregate non realised losses resulting at that time from the short sales made by the Company. The non realised loss resulting from a short sale is equivalent to the positive amount equal to the market price at

which the uncovered position can be covered less the price at which the uncovered sale was effected.

The aggregate commitments arising from short sales cannot, at any moment, exceed 50% of the assets of the Sub Fund. When the Company enters into short sales transactions it must have the necessary assets, permitting it, at any moment, to close the positions resulting from these short sales.

Short positions on transferable securities for which the Sub Fund is adequately covered are not taken into account for the calculation of the aggregate commitments referred to above.

Each Sub Fund may carry out securities lending transactions as a borrower with highly rated professionals specialised in these types of transactions. The counterparty risk resulting from the difference between (i) the value of the assets assigned as security by the Sub Fund to a lender in the context of a securities lending transaction, and (ii) the value of the sums due by the Sub Fund to the lender cannot be greater than 20% of the assets of the Sub Fund. It is to be noted that each Sub Fund may, in addition, grant guarantees in the context of systems of guarantees which do not result in a transfer of ownership or which limit the counterparty risk by other means.

### **Borrowings**

Each Sub Fund may borrow, on a permanent basis, for investment purposes from highly rated professionals specialised in these type of transactions.

Each Sub Fund may borrow amounts of up to 200% of its net assets.

The counterparty risk resulting from the difference between (i) the value of the assets assigned as security by the Sub Fund to a lender and (ii) the value of the debts due by the Sub Fund to the lender, cannot be greater than 20% of the assets of the Sub Fund. It is to be noted that each Sub Fund may, in addition, grant guarantees in the context of systems of guarantees which do not result in a transfer of ownership or which limit the counterparty risk by other means.

This counterparty risk together with the one referred to above in the context of securities lending transactions cannot exceed, per lender, 20% of the assets of the Sub Fund.

### **Investment in other Undertakings for Collective Investment**

Each Sub Fund will not be entitled to invest more than 20% of its net assets in securities of another undertaking for collective investment. For the purpose of this limit, each sub fund of an umbrella undertaking for collective investment is considered as a distinct target undertaking for collective investment on the condition that the principle of segregation of the commitments of the different sub funds against third parties is assured.

Each Sub Fund may hold more than 50% of the securities of another undertaking for collective investment on the condition that if the target undertaking for collective investment is an umbrella fund, the investment by the sub Fund in the legal entity constituting the target undertaking for collective investment is less than 50% of the net assets of the Sub Fund.

These restrictions are not applicable to the acquisition of units of open ended undertakings for collective investment that are subject to risk diversification requirements similar to those applicable to Luxembourg Part II funds and if these undertakings for collective investment are subject in their country of origin to permanent supervision performed by a supervisory authority set up by law to ensure the protection of investors. This may not result in an excessive concentration of investments by the Company in one undertaking for collective investment it being understood that for the purposes of this limit each sub fund of an umbrella undertaking for collective investment is considered as a distinct target undertaking for collective investment on the condition that the principle of segregation of the commitments of the different sub funds against third parties is assured.

The Company must ensure that the portfolios of the undertakings for collective investment in which the Company invests have sufficient liquidity to allow it to fulfil its repurchase obligations.

#### **Supplementary investment restrictions**

Each Sub Fund will not be entitled to:

- (a) invest more than 10% of its assets in transferable securities which are not listed on a stock exchange or not negotiated on another regulated market, which operates regularly, is recognised and is open to the public;
- (b) acquire more than 10% of securities of the same nature issued by the same issuer;
- (c) invest more than 20% of its assets in securities issued by the same issuer.

The restrictions set out in (a) to (c) above are not applicable to securities issued or guaranteed by an OECD Member State or its local authorities or by other supranational organisations.

The restrictions set out in (a) to (c) are not applicable to securities issued by other undertakings for collective investment.

If the limits referred to above are exceeded for reasons beyond the control of the Company or as a result of the exercise of subscription rights, the Company must adopt as a priority objective for its sales transactions the remedying of that situation taking due account of the interests of its shareholders.

## **Techniques and Instruments:**

The Company may use financial derivative instruments including, inter alia, options, financial futures and related options and swaps entered into by private agreements relating to all types of financial instruments as well as techniques such as securities lending operations, repurchase transactions (*opérations à réméré*) and reverse repurchase transactions (*opérations de mise en pension*).

The financial derivative instruments must be negotiated on an organised market or entered into by private agreements with highly rated professionals who specialise in these types of transactions.

The aggregate of the commitments arising from short sales on transferable securities together with the commitments arising from the financial derivative instruments traded on an organised market or entered into by private agreement may not exceed the value of the assets of the Company.

The counterparty risk resulting from the difference between (i) the value of the assets assigned as security by the Sub Fund to a counterparty in the context of financial derivative instruments, and (ii) the value of the sums due by the Sub Fund to the counterparty cannot be greater than 20% of the assets of the Sub Fund. This counterparty risk together with the ones referred to above in the context of securities lending transactions, borrowings and any other transactions cannot exceed, per counterparty, 20% of the assets of the Sub Fund.

### a) Restrictions regarding the use of Financial Derivative Instruments:

Margin deposits relating to financial derivative instruments negotiated on an organised market and commitments arising from those entered into by private agreements cannot exceed 50% of the assets of the Company. Premiums paid for the acquisition of outstanding options are included in this limit. The Company must hold a liquid asset reserve equal to at least the margin deposits it made. The term "liquid assets" includes term deposits, money market instruments regularly negotiated and with a maturity of less than 12 months, treasury bills, debt securities issued by OECD member states or their local authorities or by other supranational organisations and debt securities admitted to official stock exchange listing or negotiated on a regulated market which operates regularly, is recognised and is open to the public issued by first rate issuers and having a high degree of liquidity.

The Company may not borrow in order to finance margin deposits. Nor can it enter into contracts relating to commodities other than futures contracts relating thereto. However, the Company can acquire, for cash, precious metals, which are negotiated on an organised market.

The Company must ensure an adequate distribution of risk by sufficient diversification.

The Company may not hold an open position on a single contract relating to a financial derivative instrument negotiated on an organised market nor a single contract relating to a financial derivative instrument entered into by private agreement for which the required margin, or the commitment, as the case may be, represents 5% or more of the assets except in the case of key market indices where the required margin may not represent more than 20% of the assets.

The premiums paid for the acquisition of outstanding options having identical characteristics cannot exceed 5% of the Company's assets.

The Company cannot hold an open position on financial derivative instruments relating to a single commodity or a single category of futures relating to financial instruments for which the required margin (for financial derivative instruments negotiated on an organised market) as well as the commitment (for financial derivative instruments entered into by private agreement) represents 20% or more of the assets.

The commitment relating to a transaction on a financial derivative instrument entered into by the Company by private agreement is equal to the unrealised loss resulting, at that moment, from the said transaction.

b) Securities Lending:

The Company may for each Sub Fund only lend securities through a standardised lending system organised by a recognised clearing institution or through a first class financial institution specialising in this type of transaction. As part of lending transactions, the Company must in principle receive a guarantee, the value of which at the conclusion of the contract must be at least equal to the global valuation of the securities lent. This guarantee must be given in the form of liquid assets and/or in the form of securities issued or guaranteed by a member state of the OECD, or by their local authorities, or by supranational institutions and undertakings of a community, regional or world-wide nature, and blocked in the name of the Sub Fund until the expiration of the loan contract.

Securities lending transactions may not exceed 50% of the global valuation of the total securities of a Sub Fund. A securities lending transaction may not extend beyond a period of 30 days. This limitation does not apply where the Sub Fund is entitled at all times to cancellation of the contract and the restitution of the securities lent

c) Repurchase Agreements and Reverse Repurchase Agreements:

The Company may, from time to time enter into repurchase agreements or reverse repurchase agreements either as a purchaser or a vendor. Such transactions may only be entered into with highly rated professionals specialising in these types of transactions. The Company cannot sell securities, which are the object of the contract, either before the right to repurchase these securities has been exercised by the counterparty, or the

repurchase term has expired unless the Company has other means of covering its obligations. The Company must at all times ensure that the level of purchased securities, subject to a repurchase obligation, is such that it is able, at all times, to meet its obligation to redeem its own shares. These conditions also apply to a reverse repurchase agreement where the Company acts as Purchaser.

Where the Company is the vendor in a reverse repurchase agreement it cannot, throughout the life of the agreement assign, pledge to a third party nor make subject to another reverse repurchase agreement, in any other form, the securities subject to that reverse repurchase agreement. The Company must have at the term of the reverse repurchase agreement, the necessary assets to pay, as the case may be, the price for the retrocession to the purchaser.

The Company will indicate in its financial reports the total value of outstanding repurchase and reverse repurchase transactions outstanding at the date of the report.

### **Special Risk Considerations**

Prospective investors should give careful consideration to the following factors in evaluating the merits and suitability for investment in the shares of the Company:

- (i) The value of the Shares may fall as well as rise. There is no guarantee that the Company will meet its objectives.
- (ii) Investment in the Company is a high-risk investment. Investors may lose a substantial portion or all of the money they invest in the Company. Investment in the Company is only suitable for investors who can afford the risks involved. Only capital that the investor can afford to lose should be invested in a fund of this nature and investors are recommended to consult their financial advisers before investing in the Company.
- (iii) While the Shares are listed on the Luxembourg Stock Exchange and may be listed on the Copenhagen Stock Exchange there can be no assurance that there will be a liquid market for the Shares.
- (iv) The Company is not the subject of any statutory compensation scheme.
- (v) The performance of the Company may be adversely affected by exchange rate movements. Changes in exchange rates can affect the value of the Company's investments, which will generally be denominated in local currencies.
- (vi) The past performance of the Investment Manager and its principals is not necessarily a guide to the future performance of the Company.
- (vii) The services of the Directors and Custodian are not to be deemed exclusive to the Company. No provision of this Prospectus shall be

construed to preclude the Directors and Custodian or any affiliate thereof from engaging in any other activity whatsoever and receiving compensation for providing services in the performance of any such activity. The Investment Manager, its officers, employees, agents and affiliates, or shareholders, and if any of the above are bodies corporate, any of its officers, employees, agents and affiliates or shareholders ("Interested Parties") may be involved in other financial, investment or other professional activities which may on occasion cause conflicts of interest with the Company. The Investment Manager may, for example make investments on its own behalf or for other clients. The Company will be offered and will be able to participate (local regulations permitting) in all potential investments identified by the Investment Manager as falling within the investment policy of the Company, if it is then reasonably practicable for it to do so.

- (viii) The valuation of the Company's investments in other investment funds is determined by the managers or administration of those funds, normally based on unaudited interim valuations. Such valuations may be subject to adjustment (upward or downward) upon audit or at other times. Such funds are likely to have different valuation dates to those of the Company and such valuation dates may be less frequent than those of the Company. Accordingly, the net asset value of the Company may itself be subject to subsequent adjustment by reason of factors unrelated to the performance of the underlying investment.
- (ix) Use of derivatives: The Company may participate in both the on-exchange and OTC derivatives markets to protect or enhance the returns from the underlying assets. Derivatives contracts may involve the Company in long term performance or financial commitments, which may be magnified by leverage and changes in the market value of the underlying assets.

When in the on-exchange and OTC derivatives markets the Company will be exposed to:

- market risk, which is the risk of adverse movements in the value of a derivative contract in consequence of changes in the price or value of the underlying;
- liquidity risk, which is the risk that a party will be unable to meet its current obligations; and
- managerial risk, which is the risk that a party's internal risk management system is inadequate or otherwise may fail to properly control the risks of transacting in derivatives.

OTC market participants are exposed to counter-party credit risk. This is a central risk factor in the OTC market, given that, in most instances, each party must rely on the continuing ability of the counter-party to meet its obligations. By contrast, counter-party credit risk can be dealt with in the on-exchange markets through clearing arrangements to transfer counter-

party credit risk from the Company to the clearing house. Participants in the OTC market also incur the risk that a counter-party's performance may be legally unenforceable.

There can be no assurance that the objective sought to be obtained from the use of derivatives will be achieved.

- (x) Trading in Futures and Options: The value of exchange-traded and OTC derivative instruments and those entered into by private agreement can be extremely volatile. Payments made pursuant to swap agreements also may be highly volatile. Price movements of commodities, futures and options contracts and payments pursuant to swap agreements are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programmes and policies of governments and national and international political and economic events and policies. Foreign currency contract prices are influenced by, among other things, political events, changes in balances of payments and trade, domestic and international rates of inflation, international trade restrictions and currency devaluations and re-evaluations. Precious metals contract prices can be affected by all of such factors and by the effects of production. In addition, governments from time to time directly intervene in certain markets, particularly those in currencies, financial instrument futures and options. Such intervention is often intended to influence prices and may, together with other factors, cause all of such markets to move rapidly in the same direction because of, among other things, interest rate fluctuations.

The Company may engage in the trading of options. Options may be more volatile than their underlying securities and therefore, on a percentage basis, an investment in options may be subject to greater fluctuations than an investment in the underlying security. If the Company buys an option the Company will be required to pay a "premium" representing the market value of the option. Unless the price or the volatility of the futures contract or instrument underlying the option changes and it becomes profitable to exercise or sell the option before it expires, the Company will lose the entire amount of the premium. The risk of writing (selling) options is unlimited in that the writer of the option must purchase (in the case of a put) or sell (in the case of a call) the underlying security at a certain price upon exercise. There is no limit on the price the Company may have to pay to meet its obligations as an option writer. As potentially wasting assets having no value at their expiration, options can introduce a significant additional element of leverage and risk to the Company's market exposure. The use of certain options strategies can subject the Company to investment losses that are significant even in the context of positions for which the Company has correctly anticipated the direction of market prices or price relationships. Together with the significant leverage inherent in the Company's capital structure, the leverage derived from the use of options and other derivatives subject the Company to extreme volatility and significant risk of loss.

- (xi) Short Selling: The Company may sell securities short. Short selling exposes the seller to theoretically unlimited risk due to the lack of an upper limit on the price to which a security may rise. Brokers may also force the Company to “cover” a short position at an inappropriate time. Further, margin calls from short selling can result in both lost opportunity costs and increased interest costs.
- (xii) Hedging: The Company may in certain cases employ various hedging techniques to reduce the risk of investment positions. Hedging against a decline in the value of a portfolio position does not eliminate fluctuations in the value of portfolio positions or prevent losses if the values of such positions decline, but establishes other positions designed to gain from those same developments, thus moderating the decline in the portfolio positions’ value. Such hedge transactions also limit the opportunity for gain if the value of the portfolio position should increase. Moreover, it may not always be possible for the Company to execute hedging transactions, or to do so at prices, rates or levels advantageous to the Company.

The success of the Company’s hedging transactions will be subject to the movements in the direction of securities prices and currency and interest rates, and stability or predictability of pricing relationships. Therefore, while the Company may enter into such transactions to seek to reduce currency exchange rate and interest rate risks, unanticipated changes in currency or interest rates may result in poorer overall performance for the Company than if it had not engaged in any such hedging transaction. In addition, the degree of correlation between price movements of the instruments used in a hedging strategy and price movements in the portfolio position being hedged may vary. Moreover, for a variety of reasons, the Company may not be able to, or may not seek to, establish a perfect correlation between such hedging instruments and the portfolio holdings being hedged. Such imperfect correlation may prevent the Company from achieving the intended hedge or expose the Company to risk of loss. The successful utilisation of hedging and risk management transactions requires skills complementary to those needed in the selection of the Company’s portfolio holdings.

- (xiii) Leverage: The Company may borrow funds in order to increase the amount of capital available for investments. The amount of borrowings which the Company may have outstanding at any time may be large in relation to its equity capital. Consequently, the level of interest rates generally, and the rates at which the Company can borrow in particular, will affect the operating results of the Company. In particular interest charges payable in respect of borrowings may be greater than the profit and capital gains generated by the assets of the Company. Leverage may also be created using exchange traded and over the counter derivatives.

Leverage has the effect of magnifying both the expected returns as well as exposure to uncorrelated fluctuations in relative spreads and to

adverse prepayment experience. Accordingly, a relatively small price movement in a position may result in immediate and substantial losses to the Company. For example, if at the time of establishing a futures contract position 5% of the total contract value is deposited as margin, a 5% decrease in the price of the contract would, if the contract is then closed out, result in a total loss of the margin deposit before any deduction for brokerage commissions. A decrease of more than 5% would result in a loss of more than the total margin deposit. Thus, like other leveraged investments, any trade of the Company may result in losses significantly in excess of the amount invested. The use of leverage exposes the Company to increased operational and market risks. In addition, from an operations standpoint, it is difficult to manage a leveraged portfolio of complex instruments not only because the positions must be monitored for asset performance, but prices must be determined and valuation disputes with counterparties must be resolved to assure adequate maintenance of collateral for hedging or funding contracts. Failure to do so can lead to defaults on margin maintenance requirements and can expose the Company to the withdrawal of credit lines necessary to fund asset positions.

In general, the Company's use of short-term margin borrowings will result in certain additional risks to the Company. For example, should the securities pledged to brokers to secure the Company's margin accounts decline in value, the Company could be subject to a "margin call", pursuant to which the Company must either deposit additional funds with the broker, or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. In the event of a sudden precipitous drop in the value of the Company's assets, the Company might not be able to liquidate assets quickly enough to pay off its margin debt.

(xiv) While every effort will be made by the Company to comply with redemption requests as and when made, there is no assurance that the liquidity of the Sub Funds will always be sufficient to meet such redemption requests. Redemption requests may be postponed in exceptional circumstances including if a lack of liquidity may result in difficulties to determine the Net Asset Value of the Shares of the Company.

## **DISTRIBUTION POLICY**

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The Annual General Meeting shall decide, on recommendation of the Board of Directors, on the distribution (if any) of each Sub Fund's profits. At present, no distributions are contemplated in relation to any of the Sub Funds and all trading gains and net investment income of the Sub Funds will be automatically reinvested.

Decisions regarding the annual dividend are taken by the Annual General Meeting, and regarding the semi-annual dividends - interim dividends - by the

Board of Directors. The dividend, if any, will be paid in the reference currency of the respective Sub Fund.

No distribution may be made as a result of which the minimum capital of the Company falls below EUR 1.250.000,- or its equivalent in any other currency.

## **NET ASSET VALUE**

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The net asset value of each Sub Fund will be expressed in the reference currency of the respective Sub Fund as a per share figure, and shall be determined on any Valuation Date (as defined below), by Carnegie Fund Management Company S.A. (the "Administration Agent") which has delegated this function to Carnegie Fund Services S.A. (the "Sub-Administration Agent") by dividing the value of the net assets of the Sub Fund, being the value of the assets of that Sub Fund less its liabilities, on the Valuation Date, by the number of shares then outstanding (the "Net Asset Value").

The net asset valuation will take place on the last Luxembourg bank business day of each month (each a "Valuation Date"). In calculating Net Asset Value, the Performance Fee (as defined in the section entitled "Investment Manager") is accrued daily as an expense until it is paid to the relevant Investment Manager, if earned, at the end of the Fiscal Year or, in the case of Carnegie Worldwide Long/Short Fund until it is paid to the relevant Investment Manager, if earned, at the end of each Calendar Quarter.

### **Suspension of the calculation of Net Asset Value and of the Issue and Repurchase of Shares.**

The calculation of the Net Asset Value of the shares of any Sub Fund and the issue and redemption of the shares of any Sub Fund may be suspended in the following circumstances:

- during any period (other than ordinary holidays or customary weekend closings) when any market or stock exchange is closed, which is the main market or stock exchange for a significant part of the Sub Fund's investments, or in which trading therein is restricted or suspended; or
- during any period when an emergency exists as a result of which it is impossible to dispose of investments which constitute a substantial portion of the assets of a Sub Fund; or it is impossible to transfer monies involved in the acquisition or disposition of investments at normal rates of exchange; or it is impossible for the Company fairly to determine the value of any assets in a Sub Fund; or
- during any breakdown in the means of communication normally employed in determining the price of any of the Sub Fund's investments or of current prices on any stock exchange; or

- when for any reason the prices of any investment owned by the Sub Fund cannot, under the control and liability of the Board of Directors, be reasonably, promptly or accurately ascertained; or
- during the period when remittance of monies which will or may be involved in the purchase or sale of any of the Sub Fund's investments cannot, in the opinion of the Board of Directors, be carried out at normal rates of exchange; or
- following a possible decision to liquidate or dissolve the Company or one or several Sub Funds; or
- whenever exchange or capital movement restrictions prevent the execution of transactions on behalf of the Company or in case purchase and sale transactions of the Company's assets are not realisable at normal exchange rates;

The suspension of the calculation of the Net Asset Value and of the issue and redemption of the shares shall be published in a Luxembourg newspaper and in one newspaper of more general circulation.

Any such suspension shall be notified to the investors or shareholders affected, i.e. those who have made an application for subscription or redemption of Shares for which the calculation of the net asset value has been suspended.

Suspended subscription and redemption applications shall be processed on the first Valuation Date after the suspension ends.

Suspended subscription and redemption applications may be withdrawn by means of a written notice, provided the Company receives such notice before the suspension ends.

In the case where the calculation of the net asset value is suspended for a period exceeding 1 month, all shareholders will be personally notified.

**The net asset value of the Shares shall be assessed as follows:**

- I. The Company's assets shall include:
  1. all cash at hand and on deposit, including interest due but not yet collected and interest accrued on these deposits up to the Valuation Date.
  2. all bills and demand notes and accounts receivable (including the result of the sale of securities that have not yet been received).

3. all securities, units, shares, debt securities, option or subscription rights and other investments and transferable securities owned by the Company.
4. all dividends and distribution proceeds declared to be received by the Company in cash or securities insofar as the Company is aware of such.
5. all interest due but not yet received and all interest yielded up to the Valuation Date by securities owned by the Company, unless this interest is included in the principal amount of such securities.
6. all other assets of whatever nature, including prepaid expenses.

The value of these assets shall be determined as follows:

- (a) the value of any cash at hand or on deposit, bills and demand notes and accounts receivable, prepaid expenses, dividends and interests declared or due but not yet collected will be deemed to be the full value thereof, unless it is unlikely that such values are received in full, in which case the value thereof will be determined by deducting such amount the Directors consider appropriate to reflect the true value thereof.
- (b) securities listed on a stock exchange or traded on any other regulated market will be valued at the last available price on such stock exchange or market. If a security is listed on several stock exchanges or markets, the last available price on the stock exchange or market, which constitutes the main market for such securities, will be determining.
- (c) securities not listed on any stock exchange or traded on any regulated market will be valued at their last available market price.
- (d) securities for which no price quotation is available or for which the price referred to in (a) and/or (b) is not representative of the fair market value, will be valued prudently, and in good faith on the basis of their reasonable foreseeable sales prices.
- (e) investments in investment funds of the open ended type are taken at their latest net asset values reported by the administrator of the relevant investment fund.
- (f) swaps are valued at fair value based on the last available closing price of the underlying security.
- (g) Equity securities futures contracts are valued on the basis of the required negative or positive margins as quoted on the exchange on which they are traded on the last trading day therefor;

- (h) Equity securities options contracts are valued on the basis of the last available trade price;
- (i) Foreign exchange futures contracts are valued on the basis of the positive or negative margins as quoted on the exchange on which they are traded on the last trading day therefor;
- (j) Interest futures contracts are valued on the basis of a) the required positive or negative margins accrued thereon and b) the number of business days which remain in the contract period including the business day on which the value of such contracts is determined.
- (k) contracts for which no price quotation is available or for which the price referred to in (g), (h), (i) and/or (j) is not representative of the fair market value, will be valued prudently, and in good faith on the basis of their reasonable foreseeable sales prices.

Assets expressed in a currency other than the currency of the relevant Sub Fund shall be converted on the basis of the rate of exchange ruling on the relevant business day in Luxembourg.

For the calculation of the net asset value, the Company hereby instructs the Administration Agent to use such pricing sources for the Company's securities prices as reflected in a separate price source authorisation agreed between the parties from time to time. The Company agrees that the Administration Agent is entitled to rely, subject to performing agreed upon tolerance checks, on data provided by the pricing sources selected by the Company. The Company further agrees that the Administration Agent shall have no liability for improper data provided by the said pricing sources, except as may arise from the Administration

Agent's lack of reasonable care in:

- performing agreed upon tolerance checks as to the data furnished;
- calculating the respective net asset values of shares in accordance with the data furnished to the Administration Agent;

In circumstances where one or more pricing sources fails to provide valuations to the Administration Agent, the latter may be unable to calculate a net asset value and as a result may be unable to determine subscription and redemption prices. The Directors shall be informed immediately by the Administration Agent should this situation arise. The Directors may then decide to suspend the net asset value calculation, in accordance with the procedures set out in the section entitled "Net Asset Value".

II. The Company's liabilities shall include:

1. all borrowings, bills matured and accounts due.
2. all liabilities known, whether matured or not, including all matured contractual obligations that involve payments in cash or in kind

(including the amount of dividends declared by the Company but not yet paid).

3. all reserves, authorised or approved by the Directors, in particular those that have been built up to reflect a possible depreciation on some of the Company 's assets.
4. all of the Company's other liabilities, of whatever nature with the exception of those represented by shares in the Company. To assess the amount of these other liabilities, the Company shall take into account expenditures to be borne by it including without any limitations; fees payable to the Investment Managers, the cost of Custodian and correspondent agents, domiciliary agents or other mandatories, the costs for legal assistance, the auditing of the Company's annual reports, the costs of printing the annual and interim financial reports, the cost of convening and holding shareholders' meetings the costs of registration statements, all taxes and duties charged by governmental authorities and stock exchanges, the costs of publishing the issue and repurchase prices as well as any other running costs, including financial, banking and brokerage expenses incurred when buying or selling assets or otherwise.
5. The Company shall not be liable for incorporation expenses.

For the valuation of the amount of these liabilities, the Company shall take into account pro-rata temporis the expenses, administrative and other, that occur regularly or periodically.

- III. Each of the Company's shares in the process of being redeemed shall be considered as a share issued and outstanding until the close of business on the Valuation Date applicable to the redemption of such share and its price shall be considered as a liability of the Company from the close of business on this date until the price has been paid.

Each share to be issued by the Company in accordance with subscription applications received shall be considered as issued from the close of business on the Valuation Date of its issue and its price shall be considered as an amount owed to the Company until it has been received by the Company.

- IV. As far as possible, all investments and disinvestments decided by the Company must, in order to be taken into consideration, be transmitted and confirmed by the broker to the Custodian by 06:00 p.m. (Luxembourg time) on the business day preceding the day on which the investments and disinvestments are to be effected.

Whenever a foreign exchange rate is needed in order to determine the Net Asset Value of a Sub Fund, the applicable foreign exchange rate on the respective Valuation Date will be used.

In addition, appropriate provisions will be made to account for the charges and fees charged to the Sub Funds as well as accrued income on investments.

In the event it is impossible or incorrect to carry out a valuation in accordance with the above rules owing to particular circumstances, such as hidden credit risk, the Board of Directors is entitled to use other generally recognised valuation principles, which can be examined by an auditor, in order to reach a proper valuation of each Sub Fund's total assets.

## ISSUE OF SHARES

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The Directors reserve the right to reject any application in whole or in part, without giving the reasons therefore.

Shares shall be subscribed during the initial subscription period at a price such as determined by the Company.

Carnegie Medical Hedge Fund has not yet been opened for subscription.

After the initial offering period, the shares are offered for sale monthly on each Valuation Date except in case of suspension of the Net Asset Value determination as under the section entitled "Net Asset Value". The Board of Directors may, if it thinks appropriate, close a Sub-Fund to new subscriptions. Upon such a decision being made an addendum to the prospectus shall be issued.

Shares of the Sub Funds will be issued at a subscription price based on the relevant Net Asset Value per Share determined on each Valuation Date (see "Net Asset Value" section).

However, when Shares are subscribed for during the course of a Fiscal Year ("Interim Period") or at the beginning of the Fiscal Year when there is a Loss Carryover<sup>1</sup>, certain adjustments are necessary. This is done so that (i) the Performance Fee paid to the Investment Manager is charged only to those Shares which have appreciated in value since their acquisition, (ii) all Shareholders will have the same amount per Share at risk and (iii) all Shares will have the same Net Asset Value.

The adjustments referred to below are calculated by reference to the Fiscal Year or part thereof, however, with respect to Carnegie Worldwide Long/Short Sub-Fund these adjustments are calculated by reference to the Calendar Quarter or part thereof.

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<sup>1</sup> The Loss Carryover per unit at the beginning of any year or quarter shall be the Loss Carryover per unit at the beginning of the preceding year or quarter plus an amount equal to the decrease in the Net Asset Value per unit during the preceding year or quarter or minus an amount equal to the increase in Net Asset Value during the preceding year or quarter.

The number of Shares to be purchased will be based on the offering price per Share (the "Offering Price") as defined below. The Offering Price for each Share is calculated in the following manner:

- (1) For shares purchased at the beginning of the Fiscal Year or Calendar Quarter ("Year Beginning" or "Quarter Beginning"), the Offering Price is the Year or Quarter Beginning Net Asset Value per Share ("Beginning Value").
- (2) For Interim Purchases:

When the Net Asset Value per Share is more than the Year or Quarter Beginning Value, the Offering Price is the sum of the Net Asset Value per Share and the "Equalization Factor" as defined below. The Equalization Factor is an amount which the Shares outstanding since Year or Quarter Beginning should be charged (that is, 20% of the increase in Net Asset Value since Year or Quarter Beginning), and which the Shares subscribed for at the date of the Interim Purchase ("Interim Purchase Date") should not be charged. To the extent that the increase in value of the Shares that cause the payment of the Equalization Factor is not lost in the current year or quarter, the Equalization Factor attributable to such increase becomes payable to the Shareholder at the end of the current year or quarter. To the extent that the increase in value of the Shares that cause the payment of the Equalization Factor is lost in the year or quarter the Shares are purchased but is recovered in a subsequent year or quarter, the Equalization Factor attributable to such recovery will become payable to the Shareholder at the end of the year or quarter in which the recovery occurs. Upon redemption by a Shareholder of his Share, the same amount of the Equalization Factor will be paid to him as if the date of redemption were the last day of the Fiscal Year or Calendar Quarter in which the Shares are redeemed. Any Equalization Factor, or portion thereof, which is due to a Shareholder not redeeming his Shares will be used to purchase additional full Shares on behalf of such Shareholder as of the first day of the next succeeding Fiscal Year or Calendar Quarter.

Certain adjustments are required at the end of the Fiscal Year or Calendar Quarter if Shares are purchased during a Fiscal Year or Calendar Quarter at a time when the Net Asset Value per Share is less than the Beginning Value or if Shares are purchased at the beginning of the Fiscal Year or Calendar Quarter when there is a Loss Carryover so that the purchasers of those Shares will be charged a Performance Fee equal to 20% of the net profits allocable to those Shares. These adjustments will be effected by redeeming a sufficient number of those Shares at the end of the Fiscal Year or Calendar Quarter so that the particular Shareholder will be charged the appropriate Performance Fee.

The following tables<sup>2</sup> have been provided to illustrate the manner in which the adjustments set forth above operate.

Table I and Table III illustrate the manner in which the adjustments described above operate with respect to Shares subscribed for at the beginning and during a hypothetical Fiscal Year or Calendar Quarter where there is no Loss Carryover at the beginning of the year or Quarter. Table II and Table IV illustrate the manner in which the adjustments described above operate with respect to Shares subscribed for prior to, at the beginning and during a hypothetical Fiscal Year or Calendar Quarter where there is a Loss Carryover of EURO 20 per Share at the end of the first year or quarter as the case may be.

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<sup>2</sup> The tables assume that the Hurdle has been satisfied at all times and, therefore, does not affect calculations.

TABLE I

<u>Shareholder</u>	<u>Shareholder Subscribes for Shares at</u>	<u>NAV on Date of Purchase</u>	<u>Equalization Factor Paid</u>	<u>Offering Price</u>	<u>NAV at Year End (before 20% Performance Fee)</u>	<u>Regular 20% Performance Fee Payable at Year End</u>	<u>Additional Performance Fee Payable</u>	<u>Equalization Factor Returned to Shareholder</u>	<u>NAV at Year End (after 20% Performance Fee)</u>	<u>Number of Shares Held By Shareholder at Beginning of Year 2</u>
A	Year Beginning end Jan. NAV = EURO 100	EURO 100	EURO 0	EURO 100	EURO 140	EURO 8	EURO 0	EURO 0	EURO 132	1.00
B	Interim Date end July NAV = EURO 80	80	0	80	140	8	4**	0	132	128/132
C	Interim Purchase Date end October NAV = EURO 120 (before 20% Performance Fee)	116	4	120***	140***	8	0	4	132	136/132

\* Shareholder C's Equalization Factor returned and invested in additional shares.

\*\* Additional Performance Fee owed for increase in NAV from EURO80 to EURO100 (which is not charged to Shareholder A). Adjustment made by redeeming portion of shareholder B's shares at year-end.

\*\*\* Includes Equalization Factor.

TABLE II

<u>Shareholder</u>	<u>Shareholder Subscribes for Shares at</u>	<u>NAV on Date of Purchase</u>	<u>Equalization Factor Paid</u>	<u>Offering Price</u>	<u>NAV at Year End (before 20% Performance Fee)</u>	<u>Regular 20% Performance Fee Payable at Year End</u>	<u>Additional Performance Fee Payable</u>	<u>Equalization Factor Returned to Shareholder</u>	<u>NAV at Year 2 End (after 20% Performance Fee)</u>	<u>Number of Shares Held By Shareholder at Beginning of Year 3*</u>
A	Beginning of Year 1 NAV = 100	EURO 100	EURO 0	EURO 100	EURO 115	EURO 3	EURO 0	EURO 0	EURO 112	1.00
B	Beginning of Year 2 NAV = 80	80	0	80	115	3	4**	0	112	108/112
C	Interim Purchase Date end October Year 2 NAV = 110 (before Performance Fee)	108	2	110***	115***	3	0	2	112	114/112

\* Shareholder C's Equalization Factor returned and invested in additional shares.

\*\* Additional Performance Fee owed for increase in NAV from EURO80 to EURO100 (which is not charged to Shareholder A). Adjustment made by redeeming portion of shareholder B's shares at year-end.

\*\*\* Includes Equalization Factor.

TABLE III (Carnegie Worldwide Long/Short Sub-Fund only)

<u>Shareholder</u>	<u>Shareholder Subscribes for Shares at</u>	<u>NAV on Date of Purchase</u>	<u>Equalization Factor Paid</u>	<u>Offering Price</u>	<u>NAV at Quarter End (before 20% Performance Fee)</u>	<u>Regular 20% Performance Fee Payable at Quarter End</u>	<u>Additional Performance Fee Payable</u>	<u>Equalization Factor Returned to Shareholder</u>	<u>NAV at Quarter End (after 20% Performance Fee)</u>	<u>Number of Shares Held By Shareholder at Beginning of Quarter 2</u>
A	Quarter Beginning end Jan. NAV = EURO 100	EURO 100	EURO 0	EURO 100	EURO 140	EURO 8	EURO 0	EURO 0	EURO 132	1.00
B	Interim Date end January NAV = EURO 80	80	0	80	140	8	4**	0	132	128/132

\* Shareholder C's Equalization Factor returned and invested in additional shares.

\*\* Additional Performance Fee owed for increase in NAV from EURO80 to EURO100 (which is not charged to Shareholder A). Adjustment made by redeeming portion of shareholder B's shares at quarter-end.

C	Interim Purchase Date end February NAV = EURO 120 (before 20% Perfor- mance Fee)	116	4	120 <sup>***</sup>	140 <sup>***</sup>	8	0	4	132	136/132
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\*\*\* Includes Equalization Factor.

TABLE IV (Carnegie Worldwide Long/Short Sub-Fund only)

<u>Shareholder</u>	<u>Shareholder Subscribes for Shares at</u>	<u>NAV on Date of Purchase</u>	<u>Equalization Factor Paid</u>	<u>Offering Price</u>	<u>NAV at Quarter End (before 20% Performance Fee)</u>	<u>Regular 20% Performance Fee Payable at End</u>	<u>Additional Performance Fee Payable</u>	<u>Equalization Factor Returned to Shareholder</u>	<u>NAV at Quarter 2 End (after 20% Performance Fee)</u>	<u>Number of Shares Held By Shareholder at Beginning of Quarter 3<sup>-</sup></u>
A	Beginning of Quarter 1 NAV = 100	EURO 100	EURO 0	EURO 100	EURO 115	EURO 3	EURO 0	EURO 0	EURO 112	1.00
B	Beginning of Quarter 2 NAV = 80	80	0	80	115	3	4 <sup>**</sup>	0	112	108/112
C	Interim Purchase Date end May Quarter 2 NAV = 110 (before Performance Fee)	108	2	110 <sup>***</sup>	115 <sup>***</sup>	3	0	2	112	114/112

\* Shareholder C's Equalization Factor returned and invested in additional shares.

\*\* Additional Performance Fee owed for increase in NAV from EURO80 to EURO100 (which is not charged to Shareholder A). Adjustment made by redeeming portion of shareholder B's shares at quarter-end.

\*\*\* Includes Equalization Factor.

Shareholder B in Table I, purchasing Shares on an Interim Purchase Date when the Net Asset Value has decreased since Year Beginning, pays an Offering Price of EURO 80 per Share. Since the Performance Fee which would accrue to his Shares would be EURO 4 more than the Performance Fee which would accrue for Shares purchased by Shareholder A at Year Beginning, EURO 4 in amount of Shareholder B's Shares would be redeemed at the end of the Fiscal Year so that Shareholder B would pay the current amount of Performance Fee.

Shareholder C in Table I, purchasing Shares on an Interim Purchase Date when the Net Asset Value has increased since Year Beginning, pays an Offering Price of EURO 120 per Share. The Equalization Factor is returned to him at Year End and applied to the purchase of additional Shares since the Performance Fee which would accrue to his Shares would be EURO 4 less than the Performance Fee which would accrue to the Shares purchased by Shareholder A.

Shareholder B in Table II, purchasing Shares at the Beginning of Year 2 when the Net Asset Value has decreased since the Beginning of Year 1, pays an offering price of EURO 80 per Share. Since the Performance Fee which would accrue to his Shares would be EURO 4 more than the Performance Fee which would accrue for Shares purchased by Shareholder A at Year 1, EURO 4 in amount of Shareholder B's Shares would be redeemed at the end of the Fiscal Year so that Shareholder B would pay the current amount of Performance Fee.

Shareholder C in Table II, purchasing Shares on an Interim Purchase Date during Year 2 when the Net Asset Value has increased since the beginning of Year 1, pays an Offering Price of EURO 110 per Share (which includes an Equalization Factor of EURO 2) since the amount of funds he would otherwise have at risk would be EURO 2 less than the amount of funds at risk of Shareholder A. The Equalization Factor is returned to him and applied to the purchase of additional Shares at the end of Year 2 since the Performance Fee which would accrue to his Shares would be EURO 2 less than the Performance Fee which accrues to holder A.

Minimum initial investments in Carnegie Worldwide Long/Short Fund shall be €10,000 (or its equivalent in the currency of the Sub Fund) and minimum subsequent investments in Carnegie Worldwide Long/Short Fund shall be €5,000 (or its equivalent in the currency of the Sub Fund).

Minimum initial investments in Carnegie Medical Hedge Fund shall be €10,000 (or its equivalent in the currency of the Sub Fund) and minimum subsequent investments in Carnegie Medical Hedge Fund shall be €5,000 (or its equivalent in the currency of the Sub Fund).

The Board of Directors may, in its discretion, increase the minimum amount of any subscription in any Sub-Fund. Upon such an increase an addendum to the Prospectus shall be issued.

If a subscription application is to be carried out on the Net Asset Value prevailing on a Valuation Date, the application must be received by the Sub-Administration Agent by 3.00pm Luxembourg time at least one business days before the relevant Valuation Date.

Any application received after such time is, unless otherwise agreed, considered for the immediately following Valuation Date.

An issue commission, payable to financial intermediaries, of up to 5% of the Net Asset Value of the shares to which the application relates may be charged upon a subscription for shares of the Company.

In order to comply with applicable money laundering legislation, investors must submit, along with their application form, documents that prove their identity to the Sub-Administration Agent.

The subscription price of each share is payable by wire transfer only within three bank business days following the Valuation Date.

All shares will be allotted immediately upon subscription. Payments shall be made in the reference currency of the relevant Sub Fund; if payment is made in another currency than the reference currency of the relevant Sub Fund, the Company will enter into an exchange transaction at market conditions and this exchange transaction could lead to a postponement of the allotment of shares.

Shares may be issued in fractions up to four decimals. Rights attached to fractions of Shares are exercised in proportion to the fraction of a Share held.

The issue of shares of any Sub Fund shall be suspended on any occasion when the calculation of the Net Asset Value thereof is suspended.

## **REDEMPTION OF SHARES**

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Shares are redeemable on each Valuation Date on the basis of the Net Asset Value per Share of that Sub Fund calculated on the relevant Valuation Date except in case of suspension of the Net Asset Value determination (see "Net Asset Value" section).

The redemption price per Share will be the relevant net asset value per Share as of the relevant Valuation Date plus all or a portion of the Equalization factor to the extent that the increase in value of the Share that caused the payment of the Equalization factor has not been lost or has not been paid previously to the redeeming Shareholder, all as more fully set forth in the section entitled "Issue of Shares" herein. A redemption fee of up to 1% of the redemption price per Share, to be paid to the Company, will be levied upon redemptions of Shares made within six months from the date of purchase. The Board of Directors of the Company may waive this redemption fee at its discretion under the condition to apply the same redemption fee to all shareholders redeeming on the same Valuation Date.

If a redemption application is to be executed at the Net Asset Value per Share prevailing on a Valuation Date, the application form must be received by the Sub-Administration Agent by 5.00pm Luxembourg time at least 30 calendar days before the relevant Valuation Date. Any application received after such time is considered for the next following Valuation Date. The Company will redeem Shares in the order they were first purchased by the Shareholder (that is, in a "first-in first-out" basis).

In case of a material breach of the investment objective or policy of a sub-fund as disclosed in the prospectus, or in the event that the board of directors finds the Investment Manager unsuitable to continue the management of the fund due to administrative, criminal or regulatory actions against the Investment Manager, shareholders will be given the opportunity to redeem some or all of their shares as of the last business day of the month in which such breach or event occurs (unless such breach or event occurs within 5 business days of the end of the month in which case the redemption date shall be the last business day of the month following which such breach or event occurs. If such a breach or event occurs, the Board of Directors shall promptly notify the shareholders in writing.

The shares that are redeemed will be cancelled by the Company.

The redemption application must indicate the number of Shares to be repurchased as well as all useful references allowing the settlement of the repurchase such as the name in which the shares to be redeemed are registered if applicable and the necessary information as to the person to whom payment is to be made.

Except in the case of a suspension of the calculation of the Net Asset Value or in the case of extraordinary circumstances, such as, for example, an inability to liquidate existing positions, or the default or delay in payments due to the Company from brokers, banks or other persons, payment of redemptions will be made within reasonable time normally within five bank business days following the Valuation Date, provided the Sub-Administration Agent has received all the documents certifying the redemption.

All requests will be dealt with in strict order in which they are received.

Redemption proceeds will be paid in the reference currency of the respective Sub Fund.

**Investors should note that any repurchase of shares by the Company will take place at a price that may be more or less than the shareholder's original acquisition cost, depending upon the value of the assets of the Sub Fund at the time of redemption.**

The redemption of shares of any Sub Fund shall be suspended on any occasion when the calculation of the Net Asset Value thereof is suspended.

#### *Compulsory Redemption*

Shares may be compulsorily redeemed if in the opinion of the Directors, the subscription for, or holding of, the Shares is, or was, or may be unlawful or detrimental to the interest or well being of the Company, or is in breach of any law or regulation of a relevant country.

## **TAXATION**

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Under Luxembourg law, there are currently no Luxembourg income, withholding or capital gains taxes payable by the Company. The Company will, however, be subject to two taxes. The first is an incorporation tax of EUR 1,200.-. The second is an annual tax of 0.05 per cent, calculated and payable quarterly, on the aggregate Net Asset Value of the outstanding shares of the Company at the end of each quarter.

Shareholders are, at present, not subject to any Luxembourg capital gains, income, withholding, gift, estate, inheritance or other tax with respect to shares owned by them (except, where applicable, shareholders who are domiciled or reside in or have permanent establishment or have been domiciled or have resided in Luxembourg).

Prospective investors should inform themselves as to the taxes applicable to the acquisition, holding and disposition of shares of the Company and to disposition of shares of the Company and to distributions in respect thereof under the laws of the countries of their citizenship, residence or domicile. Taxation of Danish Investors is however set out below.

### **Taxation of Danish investors**

Please see Annex to this Prospectus.

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## **INVESTMENT MANAGERS**

The Directors of the Company have appointed the following Investment Manager:

Carnegie Asset Management FONDSMAEGLERSELSKAB A/S, with registered office at Dampfaergevej 26, P.O. Box 1940, DK-2100 Copenhagen as investment manager for the Carnegie Worldwide Long/Short Fund, responsible for the management of the assets and the implementation and supervision of the Sub Fund's investment policy.

The Investment Manager, in the execution of their duties and the exercise of its powers, shall be responsible for compliance with the investment policy and restrictions of the Company. The Investment Manager will further be responsible for monitoring the overall portfolio of the Company and determining the required ratios in order to keep a satisfactory level of liquidity within the Company.

The Investment Manager performs its services pursuant to an Investment Management Agreement with the Company dated April 15, 2003. The Investment Management Agreement was entered into for an undetermined duration and may be terminated at any time by either party upon 90 days prior notice or unilaterally by the Company in case of a grave fault on the part of the Investment Manager.

The Investment Manager may sub-contract at its own expense and responsibility but with the prior approval of the Company and the Luxembourg regulatory authority, partly or in total the services delivered to the Company to a third party under the terms of the Investment Management Agreement. Whenever the Investment Manager does so, this Prospectus will have to be updated.

In consideration for its services, the Investment Manager will receive a fixed monthly management fee (the "Management Fee") equal to the annual rate of 1.0% of the Net Asset Value of the relevant Sub Fund computed as of the last Luxembourg business day of each month and paid monthly.

A performance fee (the "Performance Fee") will accrue daily and will be due from the relevant Sub Fund's assets to the Investment Manager as of the end of each Fiscal Year

or Calendar Quarter in the case of Carnegie Worldwide Long/Short Fund. The Performance Fee for any Fiscal Year or Calendar Quarter is an amount equal to 20% of the net realised and unrealised appreciation, if any, in the Net Asset Value of the shares (adjusted for the sale and redemption of shares) during each Fiscal Year or Calendar Quarter of the relevant Sub Fund, but only in the event the relevant Sub Fund's Net Asset Value has increased for that Fiscal Year or Calendar Quarter and cumulatively since the issuance of the shares above a hurdle rate. The hurdle rate is defined as the EURIBOR 3 month average rate capped at 8.0%. Meaning that the hurdle rate never can exceed 8% for any given time period it is calculated. The hurdle is calculated after taking into account the annual Management Fee and is pro rated for a partial year. For a description of the manner in which the Performance Fee is borne by each Share, see the section entitled "Issue of Shares" and Tables I, II, III and IV herein.

If a share has a Net Loss (as defined below) allocable to it during any Fiscal Year or Calendar Quarter and during a subsequent Fiscal Year or Calendar Quarter there is a Net Profit allocable to the share there will be no Performance Fee payable with respect to the share until the amount of the Net Loss previously allocated to the share has been recouped.

For purposes of this Prospectus, "Net Profit" means, with respect to any Fiscal Year or Calendar Quarter, the excess of (i) the aggregate revenue, income and gains (realised and unrealised) earned on an accrual basis by the relevant Sub Fund during the Fiscal Year or Calendar Quarter from all sources and (ii) any reserves released during the Fiscal Year or Calendar Quarter over (a) the expenses and losses (realised and unrealised) incurred on an accrual basis by the relevant Sub Fund during the Fiscal Year or Calendar Quarter and (b) any reserves established by the relevant Sub Fund during the Fiscal Year or Calendar Quarter.

For purposes of this Prospectus, "Net Losses" means, with respect to any Fiscal Year or Calendar Quarter, the excess of (i) the expenses and losses (realised and unrealised) incurred on an accrual basis by the relevant Sub Fund during the Fiscal Year or Calendar Quarter and (ii) any reserves established by the relevant Sub Fund during the Fiscal Year or Calendar Quarter over (a) the aggregate revenue, income and gains (realised and unrealised) earned on an accrual basis by the relevant Sub Fund during the Fiscal Year or Calendar Quarter from all sources and (b) any reserves released during the Fiscal Year or Calendar Quarter.

With respect to Carnegie Medical Hedge Fund if shares are redeemed on a date other than the last Valuation Date of a year, a Performance Fee calculation with respect to the redeemed shares will be made on the Valuation Date and if a Performance Fee has accrued, it will be payable from the relevant Sub Fund's assets to the Investment Managers. The calculation of the Performance Fee will be made as if the Valuation Date was the end of the Fiscal Year, in other words the performance fee will still be 20%.

## **ADMINISTRATION AGENT-CUSTODIAN BANK**

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### **Custodian**

J.P. Morgan Bank Luxembourg S.A. has been appointed to act as the custodian of the Company's assets (the "Custodian") by the Company pursuant to an agreement made on October 1, 2006 between the Company, the Custodian, UBS AG (the "Prime Broker") and

Carnegie Asset Management Fondsmæglersekskab A/S. The Custodian has been appointed for an undetermined duration.

The Custodian has been entrusted with the custody of the assets of the Company and is responsible for ensuring that where a third party is appointed to act as correspondent such third party is reputable, competent and has sufficient financial resources. Pursuant to the agreement referred to above, the Prime Broker has been appointed as correspondent.

The Custodian will:

- a) ensure that the sale, issue, repurchase and cancellation of securities effected by the Company or on its behalf takes place in conformity with the law or in conformity with the Statutes of the Company;
- b) ensure that in those transactions concerning the assets of a Company consideration is transmitted to the Custodian within the customary market period;
- c) ensure that the income produced by the Company is allocated in a manner that conforms to the Statutes.

The Custodian shall, in compliance with Luxembourg law, be liable to the shareholders for any loss suffered by them as a result of its wrongful failure to perform its obligations or its wrongful improper performance thereof. The Custodian or the Company may at any time, subject to advance notice of at least 90 days from one party to the other, terminate the Custodian's duties, it being understood that the Company is under a duty to appoint a new Custodian who shall assume the functions and responsibilities defined by the Law of December 17, 2010 and the Statutes.

Pending its replacement, which must take place within two months from the time the notice shall have elapsed, the Custodian shall take all necessary steps for the safekeeping of the interests of the shareholders.

J.P. Morgan Bank Luxembourg S.A. was incorporated as a société anonyme under the laws of the Grand Duchy of Luxembourg on 16 May 1973 and has its registered office at 6, route de Trèves, L-2633 Senningerberg. It is licensed to engage in all banking operations under Luxembourg law. Its consolidated and regulatory own funds as at December 31, 2005 amounted to USD 184,311,596.17.

### **Administration Agent**

CARNEGIE FUND MANAGEMENT COMPANY S.A. has been appointed as the Company's administration agent, domiciliary agent, registrar and transfer agent and paying agent (the "Administration Agent") pursuant to an agreement made on November 1, 2005 with the Company. In such capacity Carnegie Fund Management Company S.A. is responsible for the furnishing of administrative and clerical services delegated to it, including registration and transfer agent services and activities as a paying agent for the shares in each Sub Fund of the Company. It is further responsible for the assistance in the preparation of and filing with the competent authorities of financial reports. The Administration Agent is appointed for an undetermined duration. The Administration Agent or the Company may each terminate the Administration Agency Agreement subject to three months prior notice.

CARNEGIE FUND MANAGEMENT COMPANY S.A. was incorporated under the laws of Luxembourg on December 5, 1995 for an unlimited duration. On October 28, 2005 (effective as of November 1, 2005) it merged with Carnegie Fund II Management Company S.A. and Carnegie Global Healthcare Fund Management Company S.A. On the same date the shareholders of CARNEGIE FUND MANAGEMENT COMPANY S.A. approved the amendment and restatement of its articles of incorporation thereby transforming the company to a management company pursuant to chapter 13 of the Law of December 20, 2002. CARNEGIE FUND MANAGEMENT COMPANY S.A. has been authorised by the CSSF as a management company pursuant to chapter 15 of the Law of December 17, 2010.

The subscribed capital of CARNEGIE FUND MANAGEMENT COMPANY S.A. is EUR 1,000,000.-.

### **Sub-Administration Agent**

The Administration Agent has sub-delegated its functions as the Company's administration agent and registrar and transfer agent pursuant to an agreement made on August 18, 2011 with CARNEGIE FUND SERVICES S.A. In its capacity as sub-central administration agent, CARNEGIE FUND SERVICES S.A. carries out net asset value calculation activities, furnishes administrative and clerical services, including registration and transfer agent services and assists in the preparation of and filing with the competent authorities of financial reports. CARNEGIE FUND SERVICES S.A. shall further act as accounting agent of the Company.

CARNEGIE FUND SERVICES S.A. has been incorporated on January 13, 2011 under the laws of Luxembourg for an unlimited duration. It is authorised pursuant to chapter 15 of the Law of December 17, 2010. The subscribed share capital of CARNEGIE FUND SERVICES S.A. is EUR 500,000.

CARNEGIE FUND SERVICES S.A. remuneration is described under "Charges and Expenses".

## **MONEY LAUNDERING PREVENTION**

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Pursuant to the Luxembourg law of July 7, 1989 to combat drug addiction, to the Luxembourg law of April 5, 1993 on the financial sector, to the Luxembourg law of August 11, 1998 related to money laundering crime, to IML Circular 94/112 as amended and supplemented from time to time on the fight against money laundering and the prevention of the use of the financial sector for money laundering purposes and to the law of November 12, 2004 on the fight against money laundering and against the financing of terrorism, as amended, obligations have been imposed on all professionals of the financial sector to prevent the use of the undertakings for collective investment for money laundering purposes.

In order to contribute to the fight against money laundering of funds, subscription requests by prospective investors in the Company must include a certified copy (by one of the following authorities: embassy, consulate, notary, police, commissioner) of (i) the investor's identity card in the case of individuals, and (ii) the articles of incorporation as

well as an extract of the register of commerce for corporate entities in the following cases:

- a) Direct subscriptions to the Company,
- b) Subscription via a professional of the financial sector who is domiciled in a country in which it is not legally obliged to use an identification procedure equivalent to the Luxembourg laws in the fight against the laundering of funds through the financial system,
- c) Subscription via a subsidiary or a branch of which the parent company is subject to an identification procedure equivalent to the one required by Luxembourg law if the law applicable to the parent company does not oblige it to ensure the application of these measures by its subsidiaries or branches.

In those circumstances listed above, the underlying beneficiaries in the Company have to be disclosed to the Company.

Moreover, the central administration of the Company is legally responsible for identifying the origin of funds transferred from banks not subject to identification procedures equivalent to the ones required by Luxembourg law.

Subscriptions may be temporarily suspended until funds have been correctly identified.

It is generally admitted that professionals of the financial sector residing in countries adhering to the conclusions of the GAFI report (Groupe d'Action Financière sur le blanchiment de capitaux) are considered as being subject to an identification procedure equivalent to the one required by Luxembourg law.

The central administration of the Company may require – at any time – additional documentation relating to an application for shares. If an investor is in any doubt with regard to this legislation, the Company will provide him with a money-laundering checklist. Failure to provide additional information may result in an application not being processed.

## **EXPENSES**

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The Company shall bear the following expenses:

- all fees to be paid to the Investment Manager;  
  
Custodian Bank and Sub-Administration Agent fees. The fees for these services can annually be a maximum of 15 basis points of the average net assets.
- all taxes which may be payable on the assets, income and expenses chargeable to the Company;
- standard brokerage and bank charges incurred on the Company's business transactions;
- all fees due to the Auditor and the Legal Advisors to the Company;

- all expenses connected with publications and supply of information to shareholders, in particular, the cost of printing and distributing the annual and semi-annual reports.
- all expenses involved in registering and maintaining the Company registered with all governmental agencies and stock exchanges;
- all expenses incurred in connection with its operation and its management.

All recurring expenses will be charged first against current income, then should this not suffice, against realised capital gains, and, if need be, against assets.

Any costs, which are not attributable to a specific Sub Fund, incurred by the Company will be charged to all Sub Funds in proportion to their average Net Asset Value. Each Sub Fund will be charged with all costs or expenses directly attributable to it.

The different Sub Funds of the Company have a common generic denomination and an investment manager which determine their investment policy and its application to the different Sub Funds in question via a single Board of Directors of the Company. Under Luxembourg law, the Company including all its Sub Funds, is regarded as a single legal entity. However, pursuant to article 181(5) of the Law of December 17, 2010, as amended, each Sub Fund shall be liable for its own debts and obligations. In addition, for the purpose of the relations between the shareholders, each Sub Fund will be deemed to be a separate entity having its own contributions, capital gains, losses, charges and expenses.

## NOTICES

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Notices to shareholders are available at the Company's registered office. If required by law, they are also published in the Mémorial and in the "Luxemburger Wort".

The Net Asset Value of each Sub Fund and the issue and redemption prices thereof will be available at all times at the Company's registered office.

All reports will be available at the Company's registered office.

Audited annual reports containing, *inter alia*, a statement regarding the Company's and each of its Sub Funds' assets and liabilities, the number of outstanding shares and the number of shares issued and redeemed since the date of the preceding report, as well as semi-annual un-audited reports, will be made available at the registered office of the Company not later than four months, after the end of the Fiscal Year in the case of annual reports and, two months after the end of such period in the case of semi-annual reports.

## LIQUIDATION AND MERGER

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In the event of the liquidation of the Company by decision of the shareholder's meeting, liquidation shall be carried out by one or several liquidators appointed by the meeting of

the shareholders deciding such dissolution and which shall determine such dissolution and which shall determine their powers and their compensation. The liquidators shall realise the Company's assets in the best interest of the shareholders and shall distribute the net liquidation proceeds (after deduction of liquidation charges and expenses) to the shareholders in proportion to their share in the Company. Any amounts not claimed promptly by the shareholders will be deposited at the close of liquidation in escrow with the Caisse de Consignation. Amounts not claimed from escrow within the statute of limitations will be forfeited according to the provisions of Luxembourg law.

A Sub Fund may be terminated by resolution of the Board of Directors of the Company if the Net Asset Value of a Sub Fund is below € 1,000,000 or its equivalent in any other currency, or if a change in the economic or political situation relating to the Sub Fund concerned would justify such liquidation or if necessary in the interests of the shareholders or the Company. In such event, the assets of the Sub Fund will be realised, the liabilities discharged and the net proceeds of realisation distributed to shareholders in proportion to their holding of shares in that Sub Fund. Notice of the termination of the Sub Fund will be given in writing to registered shareholders and will be published in the Mémorial and the "Luxemburger Wort" in Luxembourg and in other newspapers circulating in jurisdictions in which the Company is registered as the Directors may determine.

Any amounts not claimed by any shareholder shall be deposited at the close of liquidation with the Custodian Bank during a period of 6 (six) months; at the expiry of the 6 (six) months' period, any outstanding amount will be the deposited in escrow with the Caisse de Consignation.

In the event of any contemplated liquidation of the Company or any Sub Fund, no further issue, conversion, or redemption of shares will be permitted after publication of the first notice to shareholders. All shares outstanding at the time of such publication will participate in the Company's or the Sub Funds' liquidation distribution.

A Sub Fund may be merged with another Sub Fund by resolution of the Board of Directors of the Company if the value of its net assets is below €1,000,000 or its equivalent in any other currency or if a change in the economic or political situation relating to the Sub Fund concerned would justify such merger or if necessary in the interests of the shareholders or the Company. Notice of merger will be given in writing to registered shareholders and will be published in the Mémorial and the "Luxemburger Wort" in Luxembourg and in other newspapers circulating in jurisdictions in which the Company is registered as the Directors may determine. Each shareholder of the relevant Sub Funds shall be given the possibility, within a period of one month as of the date of the publication, to request either the repurchase of its shares, free of any charges, or the conversion of its shares, free of any charges, against shares of Sub Funds not concerned by the merger.

At the expiry of this 1 (one) month's period any shareholder who did not request the repurchase or the conversion of its shares, shall be bound by the decision relating to the merger.

A Sub Fund may be contributed to another Luxembourg investment fund organised under Part II of the Investment Fund Law by resolution of the Board of Directors of the Company in the event of special circumstances beyond its control such as political, economic or military emergencies or if the Board should conclude, in light of prevailing market or other conditions, including conditions that may adversely affect the ability of a Sub Fund to

operate in an economically efficient manner, and with due regard to the best interests of the shareholders, that a Sub Fund should be contributed to another fund. In such events, notice will be given in writing to registered shareholders and will be published in such newspapers as determined from time to time by the Board of Directors. Each shareholder of the relevant Sub Fund shall be given the possibility within a period to be determined by the Board of Directors, but not being less than one month, and published in said newspapers to request, free of any charge, the repurchase or conversion of its shares. At the close of such period, the contribution shall be binding for all shareholders who did not request a redemption or a conversion. In the case of a contribution to a mutual fund, however, the contribution will be binding only on shareholders who expressly agreed to the contribution. When a Sub Fund is contributed to another Luxembourg investment fund, the valuation of the Sub Fund's assets shall be verified by the auditor of the Company who shall issue a written report at the time of the contribution.

A Sub Fund may be contributed to a foreign investment fund only when the relevant Sub Fund's shareholders have unanimously approved the contribution or on the condition that only the shareholders who have approved such contribution are effectively transferred to that foreign fund.

## **ADDITIONAL INFORMATION**

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As of the date hereof, the Company is not involved in any litigation or arbitration proceedings and is unaware of any litigation or claim pending or threatened by or against it.

Auditors:

PricewaterhouseCoopers S.á r.l. in Luxembourg have been appointed Auditors of the Company (the "Auditors"). They will be responsible for the examination of the annual accounts of the Company.

Reports to Shareholders:

Shareholders will receive each year a copy of the audited financial statements.

## **DOCUMENTS**

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The following documents may be consulted and obtained at the Company's registered office, at the Sub-Administration Agent and at the Custodian:

- a) the Company's Statutes;
- b) the Agreement between the Company, J.P. Morgan Bank Luxembourg S.A., Carnegie Asset Management Fondsmæglerelskab A/S and UBS AG dated October 1, 2006;
- c) the Investment Management Agreement between the Company and Carnegie Asset Management FONDSMAEGLERSELSKAB A/S dated April 15, 2003;

- d) the Service Agreement between the Company and Carnegie Fund Management Company S.A. dated November 1, 2005;
- e) the Central Administration Agent Agreement between Carnegie Fund Management Company S.A. and Carnegie Fund Services S.A. dated August 18, 2011;
- f) the Company's annual and semi-annual financial reports.

## Annex 1

### Taxation of Danish Investors

#### 1.1 Ordinary companies

##### *Gains and losses*

Gains on SICAV-certificates are taxable at the regular corporate tax rate (at present 28%) and losses are deductible.

Gains and losses are calculated on a market-to-market value and taxed on accrual basis.

##### *Dividends*

Dividend is taxable at the regular corporate tax rate. The taxation takes place when the General Meeting of the dividend paying company (SICAV) decides the distribution of dividends.

#### 1.2 Pension Funds

##### *Gains and losses*

Gains and losses are included in the taxable PAL income and taxed by 15%.

Gains and losses are calculated on a market-to-market value and taxed on accrual basis.

##### *Dividends*

Dividend is included in the PAL taxable income and taxed with 15%. The taxation takes place when the General Meeting of the dividend paying company (SICAV) decides the distribution of dividends.

#### 1.3 Life insurance companies

Life insurance companies are liable to both ordinary corporate tax at 28% and PAL tax at 15%. To avoid Danish double taxation between PAL tax and corporate tax, the corporate taxable income is deductible in the base for PAL taxation. Furthermore, the PAL tax is deductible in the base for corporate tax. This system creates a circular calculation, which is resolved by iterative calculations. The overall outcome of the iterative calculation is that return used for insurance purposes is PAL taxed at a rate of 15%, and the return on the equity of the life insurance company is taxed at 28%.

##### *PAL tax on gains/losses and dividend*

The PAL tax regime applying to life insurance companies is the same as mentioned in section 1.2.

##### *Corporate tax on gains and losses*

Gains and losses are taxable at the regular corporate tax rate at 28%.

Gains and losses are calculated on a market-to-market value and taxed on accrual basis.

##### *Corporate tax on dividends*

The entire dividend is taxable at the regular corporate tax rate. The taxation takes place when the General Meeting of the dividend paying company (SICAV) decides the distribution of dividends.

## **1.4 Individuals subject to ordinary income tax**

### *Gains and losses*

Gains on SICAV-certificate are taxable and losses are deductible.

The gain is taxed as investment income and the loss is deductible from the investment income. The tax rate for investment income varies between 32 - 59%.

Gains and losses are calculated on a market-to-market value and taxed on accrual basis.

### *Dividends*

Dividends from SICAV-certificates are also taxed as investment income. The tax rate for investment income varies between 32 - 59%. The taxation takes place when the General Meeting of the dividend paying company (SICAV) decides the distribution of dividends.

### **Disclaimer**

The description of Danish tax issues is based on the tax laws of Denmark as in effect as of 1 July 2005. The description does not constitute tax advice. The description does not address all possible tax consequences relating to an investment in SICAV. The investors should therefore consult their own tax advisers regarding the tax consequences of acquiring, holding, and disposing of certificates in SICAV based on the individual tax position.