# Mutual Fund Evli European High Yield

31 July 2008

## SIMPLIFIED FUND PROSPECTUS

A mutual fund that is compliant with the UCITS III Directive and the Finnish Act on Mutual Funds (hereinafter "the Fund").

## I INFORMATION ON THE FUND

- Date when investment activity commenced: March 14, 2001
- Date of most recent confirmation of rules: August 16, 2004

### 1 Fund's investment objective and benchmark index

The Fund's investment objective is to achieve an increase in net asset value over the long term by investing assets in ways compliant with the Act on Mutual Funds and the Fund's rules.

The Fund's benchmark index is the Merrill Lynch European Currency High Yield 3% Constrained (euro-hedged). The Fund's base currency is the euro.

### 2 Fund's investment policy and risk profile

The Fund is a long-term corporate bond fund that invests its assets primarily in bonds and other fixed income instruments issued by companies, public corporations and other entities. Investments are focused on euro-denominated High Yield bonds. Derivatives contracts may be invested in, both for hedging purposes and as part of the Fund's investment activity in line with its objectives. The Fund may invest a maximum of 10% of its assets in the units of other mutual funds. The Fund will attempt to achieve its investment objectives through active asset management.

The average remaining exercise period (duration) of the Fund's fixed income investments may be ±3 years compared to the interest rate risk of the benchmark index. The bond-related credit risk is reduced by diversifying the assets among the interest-bearing papers of several issuers. The average credit rating of the Fund's fixed income investments is BB+ (S&P) or lower. Due to the long exercise period, changes in market interest rates affect the development of the Fund's net asset value, and the Fund's total risk is greater than that of funds investing exclusively in government bonds. As a general rule, the Fund hedges against the currency risk related to other than euro-denominated investments.

The Fund is not covered by either the Investors' Compensation Fund or the Deposit Guarantee Fund.

### 3 Fund's past performance

The Fund's real-time performance can be seen on the Internet site www.evli.com. Past performance is not a guarantee of future yield. The value of investments may rise or fall, and investors may lose a part of their invested assets.

### 4 Investor target group

The Fund is suitable for investors that seek a higher yield than that offered by funds investing in long-term and exclusively Investment Grade bonds, without a direct equity risk. The recommended investment horizon is at least 3-4 years.

## II INFORMATION ON FUND INVESTMENT

### 1 Fees, costs, and minimum subscription amount

#### Subscription/redemption fees and minimum subscription

Subscription fee: 0.50%
Redemption fee: 1% (minimum EUR 20)
Minimum subscription: EUR 5,000

#### Management fee

The costs arising from Fund management and the Custodian's operations are covered by a management fee that consists of a fixed and a profit-related component. The management fee is deducted daily from the net asset value of the fund unit (%/365) and is taken into account in the Fund's return. It is not charged separately. The fixed fee is 0.75% p.a. The profit-related fee is 20% of that part of the Fund's return over the previous 12 months that exceeds the return of its benchmark index. The profit-related fee is calculated quarterly.

Example: The Fund's return between January 1 and December 31, 2007 is 10.0%, compared with 9.0% for its benchmark index. 20% of the 1.0% excess return is 0.20%. Therefore, the Fund's total management fee for January 1 - March 31, 2008 is 0.95% p.a. No profit-related fee is charged if the Fund's annual return is less than that of its benchmark index. The figures in the example are not actual return figures.

The fees charged for investments and the minimum subscription are negotiable and take into account the total customer relationship.

#### Other costs charged to the Fund

The Fund's TER (Total Expense Ratio): 0.73%
Portfolio turnover rate: 0.55 p.a.
(Information from period 1-12/2007)

### 2 Subscription and redemption of Fund units

The Management Company takes subscription orders on each (Finnish) banking day between 9.00 a.m. and 4.00 p.m. (Finnish time). Subscription of Fund units is executed at the net asset value of the unit calculated for the banking day when the subscription amount is in the Management Company's or the Fund's possession, provided that the subscription order has been given by the cut-off time and that the required information on the investor and his/her identity has been delivered to the Management Company. The Management Company has the right to leave the subscription or subscription order unexecuted if it hasn't received the information required for the execution of the subscription.

Fund units may be redeemed on each (Finnish) banking day. Redemption transactions are executed at the net asset value of the unit calculated for the redemption date, provided that the redemption order has been given to the Management Company before 12.00 noon (Finnish time). Orders received after 12.00 noon will be executed at the net asset value of the unit on the following banking day. Orders received on days other than Finnish banking days will be executed on the following banking day. If the Fund has to sell securities owned by it in connection with a redemption, the execution of the redemption transaction may be delayed no longer than two weeks due to the market situation and the liquidity of the target markets.

The Management Company may leave subscriptions or redemptions unexecuted, if it has not been possible to identify the customer in the manner required by the Act on Mutual Funds. The Management Company has the right, if so required by the best interests of the unit-holders, to temporarily suspend the subscription and redemption of Fund units.

### 3 Distribution of the Fund's profits

The Fund has both growth and yield units. In the case of growth units, profits are not distributed, but are re-invested in accordance with the Fund's investment strategy.

The Annual General Meeting of the Management Company shall decide on the profits to be distributed annually on yield units, and the payment thereof. At least four (4) percent of the net asset value of each yield unit on the date of the Management Company's Annual General Meeting is distributed as profit. The profit distributed on yield units shall be deducted from the capital of the Fund calculated for yield units, and will be paid to each unit-holder's bank account, as registered on the date of the Management Company's Annual General Meeting, and no later than one month after said meeting.

The aim will be profit distribution that is as stable as possible. Therefore, profit distribution shall not be linked to the result of the Fund's financial year or the previously closed financial year or earlier financial years. As distribution of the Fund's profits has a reducing effect on the value of yield units, the net asset value of each Fund unit may fall below its subscription price.

## 4 Publication of the value of a Fund unit

The net asset value of a Fund unit is calculated on each banking day and is published on the Management Company's Internet site, www.evli.com.

## 5 Fund and unit-holder taxation as from January 1, 2006 (person with unlimited tax liability in Finland)

### General

A unit-holder may earn a profit on the sale (redemption) of Fund units. The sales profit is the difference between the redemption price and the subscription price. The net asset value of a Fund unit may also decrease. If Fund units are sold at a price that is lower than their subscription price, the unit-holder suffers a sales loss. The annual return paid on the Fund's yield units is subject to capital gains tax. Switching from one fund to another is treated as redemption and subscription, which is realized in the taxation of any sales profits or losses. Switching a fund series from yield units to growth units or vice versa is not realized in taxation according to taxation practice.

Mutual funds are tax-exempt entities, and do not pay taxes on their interest income or on their sales profits.

### Returns earned from funds are taxed as capital gains

The distributed profit and the sales profit possibly arising from the redemption of Fund units are deemed as capital gains, on which a 28 percent tax is charged from the unit-holder.

### Withholding tax

The Management Company shall collect withholding tax on the profits distributed on yield units at the same time as it pays the profits. No withholding tax is collected on sales profits arising from the redemption of Fund units.

### Tax declaration

The Management Company annually submits Fund unit ownership information to the Finnish tax authorities. However, information on the sale of Fund units and any sales profits or losses must be declared by the unit-holder. The profit earned from the sale of Fund units can be calculated in two ways - either by calculating the actual sales profit, or by calculating according to the "deemed acquisition cost". The actual sales profit is calculated by deducting the Fund units' subscription price and costs of acquisition and sale from their redemption price. However, instead of declaring the actual sales profit, a calculation based on the deemed acquisition cost may be used. In this case, instead of deducting the actual subscription price, the deemed acquisition cost is deducted from the redemption price in calculating the sales profit. If the fund units have been owned for less than 10 years, the deemed acquisition cost is 20 percent of the redemption price. For fund units owned for at least 10 years, the deemed acquisition cost is 40 percent of the redemption price. When using the deemed acquisition cost, costs such as subscription or redemption fees cannot be deducted.

Losses that may arise from redemption can be deducted from the sales profits received during the taxation year and the three subsequent years.

However, sales profits are not taxable income if the combined sales prices of the assets sold during the tax year do not exceed EUR 1,000. On the other hand, sales losses arising during the tax year are not deductible if the combined sales prices of the assets sold during the tax year do not exceed EUR 1,000 and the combined acquisition costs of the assets sold during the same tax year do not exceed EUR 1,000. Although sales other than fund unit sales may be taken into account in calculating the EUR 1,000 thresholds, this does not include sales of ordinary household movables, sales of other comparable property for personal use or sales on which the acquired profit is, by law, considered tax-exempt.

When selling Fund units that have been acquired at different times, the acquisition price of the sold units is formed so that the units acquired first are deemed to be sold first, unless the taxpayer proves otherwise.

### Other information

In accordance with the Act on Taxation of Income and Capital of a Person Subject to Limited Tax Liability, the profit paid by the Fund to a person with limited tax liability is subject to a 28 percent withholding tax, unless a lower tax rate has been agreed upon in the tax treaty. The Fund will provide the tax authorities with an annual report on the distribution of profit. No withholding tax is charged on sales profits, but they are taxed in the recipient's state of residence.

The taxation of the profits or sales profits earned by individual investors depends on which country's tax laws are applied. If the investor is unsure of his/her taxation status, he/she should contact experts offering tax advice.

# III OTHER INFORMATION

## 1 The Management Company

The Fund's administration and portfolio management are the responsibility of Evli Fund Management Company Ltd, which is authorized by the Ministry of Finance and the Financial Supervision Authority to engage in mutual fund and asset management operations, and is entered in the Finnish Trade Register. The Management Company is domiciled in Helsinki.

## 2 Agents used by the Management Company

In managing mutual fund activities, the Management Company may use external management and advisory services including portfolio management, accounting, information technology and subscription and redemption order reception services.

Fund unit subscription and redemption orders are received by Evli Bank Plc.

## 3 Auditors

The Fund's auditors are KPMG Oy Ab (with Marcus Tötterman (APA) as the principally responsible auditor) and Pertti Pirhonen (APA)* and the deputy auditors are Solveig Törnroos-Huhtamäki (APA), and, Raija-Leena Hankonen (APA)*.
* Auditor selected by the Fund's unit-holders.

## 4 Regulatory authority

The Management Company and the Fund are supervised by the Financial Supervision Authority, P.O. Box 159 (Snellmaninkatu 6), FI-00101 Helsinki.

## 5 Custodian

The Custodian of the Fund is Evli Bank Plc.

## 6 Additional information concerning remote sales

This information is supplied pursuant to Section 6a of Finland's Consumer Protection Act. Information and services related to the Fund are provided in the Finnish and Swedish languages in Finland.

### Right to cancel

According to the law, unit-holders or parties intending to be unit-holders do not have the right to cancel fund-related orders.

## Legal recourse

Should there be any disagreements between the Management Company and a unit-holder based on Fund investment that cannot be settled through negotiation, the unit-holder may take the case to the Finnish Securities Complaint Board. Additional information on procedures is available from the Finnish Securities Complaint Board, Malminkatu 34, FI-00100 Helsinki, or at www.arvopaperilautakunta.fi.

Disputes concerning Fund investment may also be resolved in the court of the Finnish district in whose jurisdiction the unit-holder's residence is located. Should the unit-holder not have a residence in Finland, disputes will be heard in the Helsinki district court.

Finnish law shall be applied to the operations of the Management Company and the Fund.

## Contact information of the Management Company

Evli Fund Management Company Ltd
Aleksanterinkatu 19 A, P.O. Box 1081, FI-00101 Helsinki
Business code 0744659-0
Switchboard +358 (0)9 476 690
Fax +358 (0)9 622 5171
Internet www.evli.com

### Investor Service:

Telephone +358 (0)203 20 555
Fax +358 (0)9 4766 9353

The Fund Prospectus, rules, annual review and semi-annual report are available free-of-charge on the Internet at www.evli.com, at the Management Company, and at subscription locations.