

## FUND RULES FOR XACT BEAR (ETF)

### § 1

#### **The fund's legal status, etc.**

The name of the fund is XACT BEAR (ETF). The fund is a special (non-UCITS) fund in accordance with the Alternative Investment Fund Managers Act (2013:561).

The fund is intended for the general public and consists of liquid assets and financial instruments, which are provided to the fund by those who are thereby shareholders in the fund. The fund may not acquire rights, assume liabilities, or lodge an appeal before a court of law or any other authority. Assets included in a fund may not be seized and fund unit holders are not held accountable for the liabilities of the fund. The Management Company represents the fund unit holders in questions regarding the fund, takes decisions regarding the assets included in the fund, and exercises those rights that arise from the fund. One fund unit is a right to as large of a share in a securities fund that is equivalent to the fund's net capital divided by the number of outstanding units. Each fund unit has equivalent rights to the assets included in the fund.

### § 2

#### **Management Company**

The fund is managed by Handelsbanken Fonder AB, with organisation registration number 556418-8851, hereafter the "Management Company".

### § 3

#### **The Depositary and its duties**

The fund's assets are held in the custody of J.P. Morgan SE - Stockholm bank branch, with organisation registration number 516406-1110, which serves as the Depositary. The Depositary will execute the decisions of the Management Company that are not in conflict with the Swedish Investment Funds Act or the rules of the fund. Further, the Depositary will receive and hold the assets included in the fund, as well as ensure that:

1. the sale and redemption of units occur according to the law and fund rules,
2. the value of the fund units are estimated according to the law and fund rules,
3. the assets in the fund reach the Depositary without delay, and
4. the assets in the fund are utilized according to the law and fund rules.

### § 4

#### **The fund's character**

The objective of the fund is to give a daily return equivalent to approximately 150% of the daily inverse change in the OMXS30™ Index. This means that if the index decreases by 1%, the value of the fund rises by approximately 1.5%, and if the index rises by 1%, the value of the fund decreases by approximately 1.5%. This objective does not constitute a guarantee by the fund or the Management Company that a certain return will be achieved.

The unit holder register is maintained by Euroclear Sweden AB (Euroclear) in accordance with the Securities Depositories and Financial Instruments Accounts Act (1998:1479).

### § 5

#### **The fund's investment focus**

The fund's assets may be invested:

- in transferable securities,
- in money market instruments,
- in derivative instruments
- in fund units (to a total maximum of 10% of the fund capital), and
- in an account at a credit institution.

Underlying assets to derivative instruments may consist of or be related to

- such assets as referred to in Chapter 5, § 1, second paragraph, first sentence in the Swedish Investment Funds Act,
- financial indices,
- rates of interest,
- exchange rates, or
- foreign currencies.

The fund is a non-UCITS fund and is exempt from the following:

- Chapter 5, § 13, Paragraph 2 of the Swedish Investment Funds Act and Chapter 25, § 6 of the Directives of the Swedish Financial Supervisory Authority (FFFS 2013:9) regarding securities funds, given that the total exposure of the fund related to derivative instruments may amount to 160% of the fund's value and
- Chapter 25, § 15 of the Directives of the Swedish Financial Supervisory Authority (FFFS 2013:9) regarding securities funds, given that the investment focus of the fund can result in negative exposure for the fund to a specific financial index.

The fund aims for a negative exposure to the OMXS30™ Index equivalent to 150% of the fund's value. This exposure is generated by holdings in the above-mentioned assets, primarily in derivatives, money market instruments and investments in accounts.

A maximum of 60% of the fund capital may constitute collateral for agreements entered into on behalf of the fund with regard to derivatives.

The Swedish Financial Supervisory Authority has approved an exception to Chapter 5, § 6 Paragraph 2, first bullet point of the Swedish Investment Funds Act, which allows the fund to invest up to 100% of fund assets in money market instruments issued or guaranteed by the Swedish state. However, letters of credit must be provided from at least six different issues, and those derived from one and the same issue may not exceed 30% of the fund's total value.

Fund holdings are adjusted each banking day as the value of the OMXS30™ Index has more than marginal changes. The fund purchases derivatives when the index rises and sells derivatives when the index falls, with the aim of maintaining negative exposure to the index equivalent to approximately 150% of the value of the fund. Since the fund aims to have an exposure equivalent to 150% of its value, the fund has greater daily fluctuations than the OMXS30™ Index.

The OMXS30™ Index consists of the 30 most-traded transferable securities in terms of value on the Stockholm Stock Exchange. The composition of the index is normally adjusted on a semiannual basis in terms of the transferable securities included and the percentages of the index they represent to ensure sensitivity to market performance. The selection criteria and other adjustments in the composition of the index are governed in the regulations of the Stockholm Stock Exchange.

## § 6

### Markets

The fund's purchase and sale of fund units takes place directly from each respective fund management company, trustee company, collective investment undertaking or AIF manager. The purchase and sale of other financial instruments and exchange-traded funds (so-called ETFs) may occur in a regulated market or equivalent market outside EEA as well as other markets, within or outside EEA that are regulated and open to the general public as well as on MTFs or similar market places.

## § 7

### **Specific investment focus**

Fund assets may be invested in such transferable securities and money market instruments as stated in Chapter 5, § 5 of the Swedish Investment Funds Act.

The fund uses derivatives as part of its investment focus.

Fund assets may be invested in such derivatives as set forth under Chapter 5, § 12, Paragraph 2 of the Swedish Investment Funds Act (so-called "OTC derivatives").

The fund may use such techniques and instruments to create leverage in the fund as stated in Chapter 25, § 21 of the Swedish Financial Supervisory Authority's regulations (FFFS 2013:9) regarding securities funds.

## § 8

### **Valuation**

The fund's value is calculated by deducting those liabilities applicable to the fund from the assets.

The fund's assets include financial instruments, liquid assets and other assets belonging to the fund.

Those financial instruments included in the fund are valued at the applicable market value. Market prices are used preferably. If such prices are not available or if the prices are seen as misleading according to the assessment of the Management Company, the financial instruments may be valued according to those objective principles decided by the Management Company. The valuation on objective principles establishes a market value based on information for the most recent price paid or the indicative bid price from market makers, if such have been designated by the issuer. If this information is not available or is considered to be unreliable, the market value is set using information from counterparties or other external sources. Liquid assets and current receivables (investments in an account at a credit institution, short-term investments on the money market and cash settlements for securities sold) are valued at the amount whereby they are expected to be received.

Transferable securities and money market instruments as referenced in Chapter 5, § 5 of the Swedish Investment Funds Act will be valued at a market value established on objective principles based on information for the most recent price paid or the indicative bid price from market makers, if such have been designated by the issuer. If this information is not available or is considered to be unreliable, the market value is set with the assistance of an independent broker or other independent external sources.

If the market price at the valuation of OTC derivatives cannot be set in accordance with the aforementioned alternatives or it appears to be unreliable, the market value will be set based on generally-accepted valuation models, such as Black & Scholes.

In addition to liabilities arising as a result of the fund's business, fund liabilities include future tax liabilities and management fees.

The value of a fund unit is the fund value divided by the number of outstanding fund units.

## § 9

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

*Trading in fund units on the marketplace – secondary market*

The subscription and redemption of fund units can be conducted on the marketplaces where the fund units are admitted to trading.

The subscription and redemption can occur with a minimum of one (1) whole fund unit. No subscription or redemption fees are charged for the purchase and sale of fund units; however, a brokerage commission is charged where appropriate. Fund units are traded at the applicable market price, which can deviate from the

fund's net asset value. The Management Company has an agreement with a minimum of one independent market maker who provides a fully functioning secondary market in fund units.

The Management Company does not act as a broker on any marketplace in which the fund units are traded. The Management Company is in no way liable for the transactions that occur in fund units.

*Trading of fund units through the Management Company – primary market transactions*

The subscription of new units and redemption of outstanding fund units may occur every banking day at the Management Company.

The selling price for a fund unit amounts to the fund unit's value on the day of subscription calculated according to § 8, with a sales fee supplement for expenses incurred by the Management Company in conjunction with the subscription up to a maximum fee of 1.5% of the fund unit's value, with a minimum fee of SEK 30,000.

The redemption price for a fund unit amounts to the fund unit's value on the day of redemption calculated according to § 8, with a deduction for a redemption fee of up to a maximum of 1.5% of the fund unit's value, with a minimum fee of SEK 30,000, as remuneration for Management Company expenses incurred in conjunction with the redemption. A fee of a maximum of 2 percent of the market value, with a minimum fee of SEK 100, shall be deducted for redemption of fund units when the number of units do not total a full block.

Notification of the subscription or redemption of a fund unit shall be made to the Management Company via telephone, fax or the Internet in accordance with the rules and instructions that can be obtained from the Management Company. The fund unit price will be set at the closing price on the day the request has been received by the Management Company. Banking day refers to a day that is not Saturday, Sunday or another holiday and when the banks in Sweden are generally open to the public.

However, the fund is not open for subscription and redemption on those banking days where valuation of the fund's assets is unable to be conducted in such a manner that ensures that the rights of the fund unit holders are treated equally, e.g., as a result of the total or partial closure of one or several markets in which the fund conducts trading.

The Management Company normally calculates the fund net asset value each banking day. The Management Company does not calculate the net asset value if the fund is closed for subscription and redemption with regard to the conditions stated in these fund rules and in § 10. When a request for subscription or redemption is received on a day in which the fund is closed for subscription and redemption, the fund net asset value is normally set on the following banking day.

This means that the subscription and redemption occur on an occasion when the request for subscription or redemption is at an unknown fund unit price for the fund unit holder.

The fund only sells fund units in blocks of a certain number of whole units or in multiples thereof. The fund redeems fund units either in blocks of a certain number of whole units or in multiples thereof; alternatively, in portions of a block. The Management Company periodically determines the applicable size of the block. Information about the current size of the block is available on the Management Company's website or directly from the Management Company upon request.

The subscription occurs when a buyer transfers financial instruments and a cash amount that is a defined composition (portfolio composition) equivalent to the value of the fund's assets and liabilities at a specific time. The portfolio composition is set and notification is made by the Management Company before each new banking day. The portfolio composition must be entered into the securities- and bank account provided by the Management Company in accordance with the rules and instructions that can be obtained from the Management Company.

The redemption occurs when the units are entered into the assigned securities account in accordance with the rules and instructions that can be obtained from the Management Company.

The financial instruments and liquid assets incoming to the portfolio composition will be transferred to the fund unit holder's custody account within three banking days.

Information about the latest set price for a fund unit can be obtained every banking day at the Management Company or every day via the Management Company's website.

A subscription or redemption request may only be revoked if the Management Company so permits.

## **§ 10**

### **Exceptional circumstances**

The fund may be closed for the subscription and redemption of fund units in cases where exceptional circumstances have occurred, whereby a valuation of the fund's assets cannot be carried out in a manner that guarantees the equal rights of fund unit holders.

## **§ 11**

### **Fees and remuneration**

When units are sold or redeemed, a fee of up to 1.5% of the fund unit's value will be charged, with a minimum fee of SEK 30,000. If the number of units to be redeemed does not amount to an entire block, a fee not exceeding 2% of the market value will be charged, with a minimum sum of SEK 100. Fees are accrued to the Management Company.

Remuneration shall be paid to the Management Company from fund assets for fund management, marketing, and administration of the fund. The remuneration amount is calculated daily based on the value of the fund and must not exceed 0.6% per annum. The remuneration includes costs for custody, supervision, and auditing.

Expenses for brokerage fees, taxes, etc. for the purchase and sale of financial instruments are paid from the fund.

Applicable value-added tax will be added to the remuneration stated above for each occurrence.

## **§ 12**

### **Distribution**

The fund does not distribute dividends. All yields on the fund's assets, such as in dividends and interest, are invested in accordance with these fund rules.

## **§ 13**

### **Financial year**

The financial year for the Management Company and the fund is the calendar year.

## **§ 14**

### **Semi-annual review and annual report, amendments to fund rules**

The Management Company must submit an annual report about the fund within four months of the end of the financial year. The annual report will be sent to the Financial Supervisory Authority and will be sent free-of-charge to all fund unit holders who have requested its receipt. In addition, the annual report will be made available at the Management Company and Custodian Institution.

The Management Company must submit a semi-annual review of the fund's first six months within two months of the end of the midyear. The semi-annual review will be sent to the Financial Supervisory Authority and will be sent free-of-charge to all fund unit holders who have requested its receipt. In addition, the semi-annual review will be made available at the Management Company and Custodian Institution.

In the event the Management Company's Board of Directors decide to make an amendment to the rules of the fund, the decision will be submitted to the Financial Supervisory Authority for its approval.

The Management Company will make the amendment public in the upcoming annual report or semi-annual review and any other way the Financial Supervisory Authority decides. The amendment must also be made available at the Management Company and Custodian Institution.

## **§ 15**

### **Pledge of fund units**

If the fund unit holder mortgages fund units in his possession, the fund unit holder (mortgagor) and/or the mortgagee must notify the fund unit holder's custodian in those cases in which fund units are held in trust. Euroclear shall be notified of a pledge of fund units for those fund units registered directly at Euroclear. The notification must include the following information:

1. the name of the fund unit holder/mortgagor,
2. the name of the mortgagee,
3. the number of fund units that are included in the scope of the pledge, and
4. any limitations in the scope of the pledge.

The mortgagor must sign the notification.

## **§ 16**

### **Liability limitations**

In accordance with Chapter 8, §§ 28-31 of the Alternative Investment Funds Managers Act, the following is applicable. If a fund unit holder sustains a loss as a result of the Management Company violating the Alternative Investment Funds Managers Act or the fund rules, the Management Company shall compensate the loss. In accordance with Chapter 9, § 22 of the Alternative Investment Funds Managers Act, the following is applicable. The Custodian Institution shall be responsible for compensating a loss if it violates this regulation or the fund rules, resulting in a loss for the fund unit holder or the Management Company. While respecting the provisions in Chapter 8, §§ 28-31 and Chapter 9, § 22 in the Alternative Investment Funds Managers Act, the following is applicable:

With regard to all of the incoming measures taken by the Management Company, the Management Company shall not be liable for damages due to Swedish or foreign statutes, measures taken by Swedish or foreign authorities, event of war, strike, blockade, boycott, lockout or other similar circumstances. The reservation concerning strike, blockade, boycott, and lockout also applies if the Management Company is subject to or takes such conflict measures.

In those cases in which the Custodian Institution has experienced a loss of financial instruments that have been held in custody at the Custodian Institution or its depository bank, the Custodian Institution shall, without undue delay, return financial instruments of the same type or an amount equivalent in value to the fund. However, the Custodian Institution is not liable for the loss of the financial instrument or other loss due to an external event outside the Custodian Institution's reasonable control, such as damages due to Swedish or foreign statutes, measures taken by Swedish or foreign authorities, event of war, strike, blockade, boycott, lockout or other similar circumstances. The reservation concerning strike, blockade, boycott, and lockout also applies if the Custodian Institution is subject to or takes such conflict measures.

The Custodian Institution and/or the Management Company shall not compensate damages that arise in other instances provided the Custodian Institution and/or the Management Company have been normally prudent and unless otherwise required by mandatory legislation. The Custodian Institution/Management Company shall not be liable in any circumstance for indirect damages, unless the indirect damage is a result of the Custodian/Management Company's gross negligence.

The Custodian/Management Company shall not be liable for damages resulting from a Swedish or foreign stock market or another market place, central securities depository or clearinghouse. The aforementioned also applies to damages resulting from the insolvency of the organisations or contractors mentioned. The Custodian Institution is not liable for damages to the Management Company or unit holders in the fund or

other parties that may arise as a consequence of restrictions on the right of disposition of securities that may be applied against the Custodian Institution.

If obstacles exist that prevent the Custodian Institution or Management Company from effecting payments or taking other measures due to the circumstances mentioned in the second paragraph, the measures may be postponed until the obstacles have ceased. In the event of deferred payments, the Custodian Institution/Management Company shall pay interest, if interest is promised, in accordance with the interest rate applicable on the due date. If interest is not promised, the Custodian Institution or the Management Company is not obliged to pay interest at a higher rate of interest than that which is equivalent to the applicable reference rate set by the Swedish Riksbank pursuant to § 9 of the Interest Act (1975:635), supplemented by two percentage points for each occurrence.

If the Custodian Institution and/or the Management Company, as a result of the circumstances mentioned in the second paragraph, is prevented from accepting payment, the Custodian Institution and/or the Management Company has the right to interest according to only those conditions that applied on the due date for that period during which the obstacle existed.

## § 17

### **Permitted investors, etc.**

The fund targets the public with the following limitations. The fund does not target such investors whose subscription or fund unit holdings result in or present a risk for (i) violation of Swedish or foreign law or other regulations, (ii) the fund or the Management Company being subject to registration obligations or other measures that the fund or the Management Company would not otherwise be obliged to undertake, or (iii) the fund being subject to substantial costs that are not in the interest of the unit holders. The fund does not target physical persons residing in the U.S. or legal persons headquartered in the U.S. or other U.S. Persons (such as a U.S. Person as defined in the U.S. Regulation S of the Securities Act of 1933, in the version applicable at the relevant time). In the event the Management Company determines that an investor is not permitted to subscribe to or hold units in the fund in accordance with the limitations stated in this paragraph, the Management Company may refuse the subscription of units as well as redeem units without prior consent on behalf of the investor. Refer to the fund's Prospectus for additional information regarding permitted investors.

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