

# FUND PROSPECTUS

This fund prospectus is valid as of 13 November, 2013.

In accordance with the Act on Common Funds, in addition to the fund regulations and key investor information document, the fund management company must also publish a fund prospectus on the funds administered by it.

This Fund Prospectus is complemented by the regulations of the funds administered by Danske Invest Fund Management Ltd.

The key investor information documents, regulations, annual reports, semi-annual reports, fund price list and Fund Prospectus of the mutual funds (hereinafter 'the Fund(s)') administered by Danske Invest Fund Management Ltd are available free of charge from the fund management company at the address [www.danskeinvest.fi](http://www.danskeinvest.fi), branches of D Bank and Danske Bank Private Banking and from Danske Bank's Customer Service by calling +358 (0)200 2590 (local call charge/mobile call charge).

Before making an investment decision, investors must also read the Fund's key investor information document and the Fund's regulations.

## STRUCTURE OF FUND PROSPECTUS

The Fund Prospectus of Danske Invest Fund Management Ltd (hereinafter 'the Fund Management Company') consists of a part relating to all the mutual funds administered by the Fund Management Company, and the appended regulations of all the Funds administered by the Fund Management Company, together with the pricelist for mutual funds. (Hereinafter 'The fund price list')

The specific characteristics of each Fund (e.g. investment policy, investor target group and the risk-reward profile) are outlined in each Fund's key investor information document and regulations.

## FUND MANAGEMENT COMPANY

Danske Invest Fund Management Ltd business area is mutual fund activity and other activity materially related to it. The Fund Management Company was established on 7 October 1987 and is domiciled in Helsinki, Finland. Its share capital is EUR 3,363,758.53. The Funds administered by the Fund Management Company are classified as UCITS (Undertakings for Collective Investment in Transferable Securities) or non-UCITS registered in Finland and compliant with the Act on Common Funds.

The financial period of the Fund Management Company and the Funds administered by it is the calendar year.

## THE FUND MANAGEMENT COMPANY'S MANAGING DIRECTOR AND BOARD OF DIRECTORS

*Managing Director:*  
Aku Leijala

*Members of the Board:*  
[\* representative elected by unit-holders]

Niels-Ulrik Moustén, Chairman  
Senior Executive Vice President, Danske Bank A/S

Tuomas Virtala,  
Head of Danske Capital Finland,  
Danske Capital/Danske Bank plc

Morten Rasten,  
Managing Director,  
Danske Capital AS

Kimmo Laaksonen,  
Head of Private Banking and Wealth Management,  
Danske Bank Plc

Hannu Hokka,\*  
Managing Director,  
Pharmacy Pension Fund

Helena Jaatinen,\*  
Honorary Insurance Counsellor

## CUSTODIAN

The Funds' custodian is the Helsinki branch of Skandinaviska Enskilda Banken AB (publ), which engages primarily in banking and related activities. The custodian is domiciled in Stockholm, Sweden, and the address of the Helsinki branch is Unioninkatu 30, 00100 Helsinki.

## AGENTS USED BY THE FUND MANAGEMENT COMPANY

In administering its mutual fund activity, the Fund Management Company may use external administration and advisory services including for example portfolio management, accounting, value calculation, fund unit register maintenance, information technology and subscription and redemption order reception services.

The Fund Management Company has outsourced duties related to the administration of the Fund Management Company and of the Funds, such as value calculation, fund unit register maintenance, information technology and tasks related to the receipt of subscription and redemption orders to Danske Bank plc and Dansk Bank A/S. The Danske Bank Group is responsible for the marketing of the Funds.

## AUDITORS

The auditor of the Fund Management Company and Funds is KPMG Oy Ab, Authorized Public Accountants, with Petri Kettunen, APA, and Timo Nummi\*, APA, as the principally responsible auditors. The deputy auditors are Petra Bergström, APA, and Tiia Kataja\*, APA. [\*auditor selected by the unit-holders]

## SUPERVISORY AUTHORITY

The Fund Management Company and the Funds are supervised by the Finnish Financial Supervisory Authority, Snellmaninkatu 6, P.O. Box 103, 00101 Helsinki, Finland, tel. +358 (0)10 831 51, fax +358 (0)10 831 5328 and e-mail [firstname.lastname@finanssivalvonta.fi](mailto:firstname.lastname@finanssivalvonta.fi). More information on the Finnish Financial Supervisory Authority on their website [www.finanssivalvonta.fi](http://www.finanssivalvonta.fi).

## MUTUAL FUND

Mutual fund operations are regulated in Finland by the Act on Common Funds. Mutual fund operations are subject to license, and operations are monitored by the Finnish Financial Supervisory Authority. The fund is administered by the Fund Management Company. The Fund Management Company collects the assets that are invested in the fund by private persons, entities and foundations, and invests these in a diversified manner in a wide range of securities. The fund's investments form the fund. The fund is divided into fund units of equal size which give equal rights to the assets in the fund. The fund is owned by the private persons, entities and foundations that have invested in it in proportion to the amount of capital they have invested, taking into account the relative values of fund unit series and classes.

Subscription and redemption orders regarding fund units are executed at the fund unit value, which is calculated and published on every banking day. The fund unit value is determined by deducting any debts the fund may have from the market value of the fund's investments, and the resulting net value is divided by the number of fund units in issue. The cut-off time for fund orders and the times at which the Funds' assets are valued daily are stated in each Fund's regulations and are outlined below in the 'Subscription and redemption of fund units' subsection of the 'Information on fund investment' section of this Fund Prospectus.

The mutual funds are organised on the basis of the investment selection into fixed income, balanced and equity funds.

Fixed income funds can be divided into money market funds, other short term bond funds and bond funds. Money market funds have the smallest return expectation, but generally also the lowest risk. Their assets are invested in fixed income instruments issued by governments and banks. With respect to

short-term bond funds, in addition to the above-mentioned fixed income instruments, assets may also be invested in fixed income instruments issued by companies. With respect to money market funds, the interest rate risk and credit risk of investments are very short, generally only a few months. With respect to short-term bond funds, the interest rate risk of investments is generally under one year, while credit risk can be several years.

The assets of bond funds are invested mainly in long-term bonds with maturities of over one year. These investments include bonds issued by governments, public entities and companies. The credit and interest rate risk associated with long-term bond fund investments generally last for several years.

The assets of balanced funds are invested in both equities and fixed income instruments. The focus of investments can be adjusted according to the market situation. The weightings and variation ranges of equity and fixed income instruments are set out in each Fund's regulations. The investments of balanced funds may also be focused in a particular geographical area specified in the regulations.

Equity funds' assets are invested in various equity markets, primarily in equities and equity-linked securities. Equity price changes affect equity funds' performance, and because of this, fund unit values may vary even substantially in the short term. Equity funds can be assumed to produce the best long-term return in general, but they have a higher level of risk than fixed income investments. Equity funds are not recommended as short-term investments. The investments of equity funds may be limited to a geographical region specified in each Fund's regulations.

Fixed income, balanced and equity funds can also be non-UCITS funds, in which case the fund has the right to deviate from the investment restrictions set out in the Act on Common Funds, and more risks can be taken in the investments of non-UCITS funds than in UCITS-funds. Index and hedge funds are examples of non-UCITS funds.

## PRINCIPAL RISKS OF MUTUAL FUNDS

Investing in mutual funds always involves risk, which refers to the uncertainty regarding the return on the investment and the safety of the capital. Some or all of the invested capital may be lost. It is a common characteristic of mutual funds that their fund unit

value may either increase or decrease. Past fund performance is no guarantee of future returns. The amount to be paid to the investor in conjunction with the redemption of fund units may be less than the investor invested at the time of making the subscription.

Fund investors should also bear in mind that the fund may be merged with another fund or divided into two or more funds. The fund may also be dissolved.

Investing in mutual funds involves risks which vary from fund to fund. The value of investments may increase or decrease and investors may not recover the assets originally invested in the fund. As a general rule, the risk is lowest in money market and short term bond funds, which invest in the money markets, and highest in equity funds which invest in emerging markets. In exceptional market conditions, the funds' risks may be greater than stated and the risk of losing assets invested in the fund may increase. The various risks associated with mutual fund investment are explained below in more detail. The main risks associated with individual Funds are explained in the Fund's key investor information documents.

#### **RISK ASSOCIATED WITH FLUCTUATION IN FUND VALUE (All Funds)**

Investments in mutual funds are subject to fluctuations in value, the strength of which varies from fund to fund. Due to the daily value fluctuation of a fund, investors are at risk of losing assets they have invested in the fund. The value fluctuation of a fund is generally measured in terms of volatility. The greater the annual volatility of the fund, the greater the risk associated with the fund's value fluctuation.

#### **MARKET RISK (All Funds)**

Market risk refers to the general performance of the markets in which a mutual fund invests. This affects the fund's value. The general performance of the global equity markets is reflected in the performance of equity funds, for example.

#### **EQUITY RISK (Funds investing in equities)**

Mutual funds that invest in equities always carry equity risk, or the risk that the market value of investments will decrease. Equity risk is measured using standard deviation, or volatility, which describes the variation in the value of the share. A share whose value fluctuates substantially is riskier than a share whose value fluctuates less. The equity

risk depends on the risk associated with the issuer's activity.

#### **GEOGRAPHICAL RISK (Funds investing in particular geographical areas)**

A fund that invests in a particular geographical area is subject to geographical risk. This risk means that changes in the outlook for the geographical area in question may have a substantial impact on the value of the fund's investments. The performance of investments in a specific geographical area may differ significantly from the general performance of the equity or fixed income markets.

#### **ASSET CLASS RISK (All Funds)**

The greater the concentration of investments on particular asset classes, such as equities or fixed income instruments, the greater the asset class risk. In balanced funds, the aim is to reduce asset class risk by diversifying investments to several asset classes. In funds investing in individual asset classes, the changes in the outlook of the performance of the asset classes in question may have a substantial impact on the fund's value. When a mutual fund invests in raw materials alone, for example, its asset class risk is higher than that of a fund investing in a broader range of asset classes.

#### **EXCHANGE RATE RISK (Funds focusing on a certain line of business)**

Funds investing in a particular sector or line of business carry a line of business risk. This risk means that changes in the outlook for a particular sector or line of business may have a substantial impact on the value of the fund's investments. The performance of investments in a specific sector or line of business may differ significantly from the general performance of the equity market.

#### **FOREIGN EXCHANGE RISK (Funds investing in other than euro-denominated instruments)**

A fund has a foreign exchange risk if it invests in securities that are not euro-denominated. The greater the share of non-euro-denominated investments, the greater the foreign exchange risk. Also, the greater the fluctuation of a currency's value against the euro, the greater the risk. A fall in the value of a currency in which an investment instrument is denominated will have a negative impact on the value of the fund and, conversely, an increase in its value will have a positive impact. Foreign exchange risk can also occur in situations in

which a securities issuer that has been a member of the euro area leaves the euro area.

**INTEREST RATE RISK** (Funds containing fixed income investments)

A fund has an interest rate risk when it invests in instruments that pay interest. Interest rate risk means that a change in interest rates will influence the value of the fund's fixed income investments and hence the value of the fund itself. A general rise in interest rates will have a negative impact on the value of the fixed income investments the fund has invested in and, conversely, a fall in interest rates will have a positive impact on the fixed income investments of the fund. The interest rate risk associated with a fund is indicated by duration. The longer the average remaining time to maturity of the fund's fixed income investments is, the greater the interest rate risk (modified duration) of the fund. Hence long-term bond funds normally have a greater risk than money market and short term bond funds.

**CREDIT RISK** (Funds containing fixed income investments)

The fixed income investments of funds carry a credit risk, which is a risk that the issuers and guarantors of and other parties associated with the fixed income investments cannot, for one reason or another, repay the loan as agreed. The value of the fund is affected by changes in market assessments of the magnitude of the credit risk for different issuers in different market conditions. As the likelihood that the repayment difficulties of fixed income investment issuers increases, the value of the investment in question decreases and has a negative effect on the value of the fund. Correspondingly, a decreasing likelihood of repayment difficulties will have a positive impact on the value of the fund. A higher credit risk is associated with fixed income funds that invest in bonds issued by low-credit-rating companies (high yield loans) than with fixed income funds that invest mainly in bonds issued by euro area countries. To manage credit risk, a mutual fund may employ various investment restrictions which determine a minimum credit ratings for the fund's investments.

**LIQUIDITY RISK** (All Funds)

A mutual fund's liquidity risk means a situation where the securities in which the fund invests in cannot be liquidated according to a desired timetable and/or at a reasonable price, and which has an effect on the fund's unit value if the fund's investments have to be

liquidated at an inopportune time. If the liquidity risk is high, the security will be traded infrequently or the volume of the trading will be small. Buying or selling a security with such liquidity may cause strong upward or downward movement of its value, especially if the volume of the transaction is large. Liquidity risk can also be understood to be a situation in which a security cannot be traded because of a stock exchange disruption, for example. The realisation of liquidity risk may affect the price trend of a security and the timetable for carrying out fund redemptions.

**SETTLEMENT RISK** (All funds, particularly those investing in emerging markets)

Settlement risk means a risk where the counterparty of a securities transaction fails to comply with the agreed terms, even though the other party has met its contractual obligations. Settlement risk is greater in the case of intercontinental securities and foreign exchange transactions because the transaction may be settled in different time zones. Settlement risk is also greater in emerging securities markets than in developed ones because of differences in trading procedures, for example. Because emerging equity markets are still developing, the redemption of fund units may be postponed by delays in the settlement of securities transactions.

**POLITICAL RISK** (All Funds)

Markets in which a fund invests may be subject to political risk, which may be realised as a market risk having an impact on the fund. Such political risks include wars and unexpected changes in the economic policies or political circumstances of the market area in which the fund invests, which may have unexpected effects on the value of the securities in which the fund invests. Political risk may also be realised in situations in which a government resolves to nationalise a company in which the fund invests. Markets in which a fund invests may also be subject to political risk which may be realised as an operational risk having an impact on the fund. Political risk of this type may manifest itself as various types of sanctions, including tax consequences, foreign exchange regulations and obstacles to repatriating assets from abroad. These factors may have an impact on the prices of the securities the fund invests in or in funds' redemption timetables.

**ACTIVE RISK** (All Funds)

The fund's future performance will depend on the success of the portfolio manager's investment activities. Active risk is a risk that results from active portfolio management and takes the form of risk in

the relationship between the fund's performance and the relevant benchmark. Active portfolio management means adopting an active approach to the positive or negative performance of investments in order to gain a return that outperforms the benchmark. An active approach often means that the fund's investment focus differs from that of the benchmark. The portfolio manager overweights instruments he or she believes will bring a better return and, conversely, underweights investments with weaker expected returns. Because of active risk, the performance of a fund may differ from that of the benchmark index.

#### **OPERATIONAL RISKS (All Funds)**

Operational risks refer to investment instrument risks caused by factors external to the instruments, and by poorly functioning technology, defective action taken by staff or defects in organisation or internal processes. These risks may be realised as disruptions in the IT systems of transaction clearing and custodial systems, which may have a negative impact on trading in a security in which a fund invests.

#### **FORCE MAJEURE RISK (All Funds)**

Force majeure risks are factors that have consequences which are independent of contracts, unexpected and insurmountable, and put the continuity of operations at risk. Contractual parties are not liable for these risks. Force majeure risks include serious natural disasters, riots, industrial action and war. The realisation of a force majeure risk may have substantial impact on the prices of securities a fund invests in or in the fund's ability to trade in securities, for example. Consequently, the realisation of force majeure risk may affect the timetable of implementing fund orders.

### **OBJECTIVES OF MUTUAL FUND OWNERSHIP POLICIES**

#### **OWNERSHIP POLICIES OF THE FUND MANAGEMENT COMPANY'S FUNDS**

The ownership policies of the Funds administered by Danske Invest Fund Management are based on the investment objectives of the Funds. At its meeting on 6 June, 2012, Danske Invest Fund Management's Board of Directors approved the objectives of the ownership policies of Funds administered by the Fund Management Company.

The objective of Danske Invest Fund Management's ownership policies is to look after the common interests of fund unit-holders so as to help them gain

a higher return on their investment in the Funds. The common interests of unit-holders means an optimum return on the fund holdings in relation to the investment policies and risk levels defined in the Funds' regulations.

The Fund Management Company is entrusted to manage the mutual fund assets in the best financial interests of the fund unit-holders. The objective of each Fund's investment activity is to achieve an optimum return on the fund units, while observing the limitations laid down in the Act on Common Funds and the Fund regulations.

The Act on Common Funds permits a fund management company to invest its mutual fund assets in the equities of any one limited company up to an amount not exceeding one tenth of the company's share capital and the number of votes carried by all equities. Therefore, the combined holdings of funds administered by the Fund Management Company will amount to no more than a minority holding. The investments of funds administered by Danske Invest Fund Management are always portfolio investments in nature.

#### **PARTICIPATION IN GENERAL MEETINGS AND EXERCISING VOTING RIGHTS**

Danske Invest Fund Management's Board of Directors always makes case-specific decisions on the exercising of voting rights related to shareholdings in the Funds administered by the Fund Management Company. According to the Fund Management Company's Articles of Association, approval of any decisions on ownership issues requires that the Board members elected by unit-holders and present in the meeting are not unanimously opposed. General meetings are participated in only in exceptional cases, when the general meeting agenda features a matter that the Fund Management Company's Board considers particularly significant in view of the value performance of the company invested in. In each case, the Board will issue detailed voting instructions.

#### **DISCLOSURE OF THE EXERCISE OF VOTING RIGHTS**

Danske Invest Fund Management publishes information in the Funds' semi-annual and annual reports on how voting rights were exercised in the review period.

## INFORMATION IN INVESTING IN FUNDS

### SUBSCRIPTION AND REDEMPTION OF FUND UNITS

Subscription and redemption orders can be submitted via Danske Bank's Customer Service: +358 (0)200 2590 (local call charge/mobile call charge), via the web bank: [www.danskebank.fi](http://www.danskebank.fi), in the branches of Danske Bank and Danske Bank Private Banking, and in other subscription locations appointed by the Fund Management Company. The subscription date is the banking day on which the subscription order has been received and registered by the Fund Management Company and the subscription amount is available for use by the Fund Management Company, no later than at 1.00 p.m. Finnish time (see exceptions to the time limits of subscription orders stated below). The subscription price is the fund unit value calculated for the subscription date. If a subscription order is registered and/or the subscription amount arrives for use by the Fund Management Company after 1.00 p.m. Finnish time, the subscription will be executed on the following banking day.

The Danske Invest Money Market and Danske Invest Institutional Liquidity funds are the exception, as subscription orders can be placed in these until 8.00 p.m. on banking days. Subscription orders to the Danske Invest North America Enhanced Index Fund and the Danske Invest Europe Enhanced Index Fund must be made by 10.00 a.m. on banking days.

Fund units are redeemed by submitting an order and surrendering any unit certificate to the Fund Management Company. If the Fund Management Company does not need to sell investments to execute the redemption, then the redemption demand received and registered by the Fund Management Company no later than at 1.00 p.m. Finnish time will be executed at the fund unit value calculated in the Fund Management Company for the same banking day. A redemption demand received and registered by the Fund Management Company after 1.00 p.m. Finnish time will be executed at the fund unit value calculated for the next banking day. The redemption must take place immediately using the assets of the Fund. If the assets for the redemption have to be acquired by selling investments, the sale must take place without undue

delay and no later than two weeks from when the redemption was demanded of the Fund Management Company. In this case, the redemption is executed at the fund unit value calculated for the day on which the assets from the sale of investments have been received. The Finnish Financial Supervisory Authority may, for a special reason, grant permission to exceed the above-mentioned time limit. The proceeds of the redemption less any redemption fee will be paid to the fund unit-holder's bank account on the banking day following the redemption execution date.

The Fund Prospectus, the Funds' key investor information documents and regulations and the Funds' annual reports and semi-annual reports are available free-of-charge from the subscription locations and the Fund Management Company.

With the permission of the Finnish Financial Supervisory Authority, the Fund Management Company may suspend the subscription of fund units if it is in the best interests of the fund unit-holders, or due to some other especially weighty reason.

The Fund Management Company may suspend the redemption of fund units in cases mentioned in the Fund's regulations or the Act on Common Funds. The redemption of fund units may be suspended temporarily, if it is in the best interests of the fund unit-holders and if, for example, no reliable market information is available from the primary market places of the Fund's investment instruments or from a significant number of these market places. The redemption of fund units may also be suspended by order of the Finnish Financial Supervisory Authority or under the conditions set out in the Act on Common Funds if the amount of the Fund's assets or the number of unit-holders falls below the limits set out in the Act on Common Funds.

### FEES AND EXPENSES

The subscription fee shall be charged from the amount the customer has paid to the Fund's account. After this, the rest of the amount shall be used to subscribe for fund units. As the Fund's fixed management fee is deducted daily from the fund unit value, the fee is taken into account in the unit value and is not charged separately from the customer. The fixed management fee shall be used to cover the regular costs arising from administration of the Fund and the fees to the custodian. In addition to the management fee, the management fees of mutual funds in which investments have been made are also charged, as well as any other expenses.

A performance-based management fee is charged for the following Funds: Arvo Finland Value and Danske Invest Nordic Opportunities. The method for calculating the performance-based management fee is described at the end of this Fund Prospectus.

The Fund Management Company will first deduct the redemption fee from the redemption amount and then pay the remaining amount to the bank account designated by the customer. The mutual fund price list contains additional information on fees, continuous fund saving and fund switches, for example.

The Funds' fees and minimum subscription amounts valid at any particular time are stated in the mutual fund price list valid at any particular time.

#### FUNDS' GROWTH AND DISTRIBUTION UNITS AND PAYMENT OF RETURNS

Funds may contain distribution units as well as growth units. The Annual General Meeting of the Fund Management Company will decide upon the amount of the annual income distributed to the funds' distribution unit- holders. The aim is to distribute a stable income. The income distributed on distribution units is deducted from the Fund's capital calculated for distribution units. No income will be distributed on growth units, and their value will not change as a result of income distributed on distribution units. The income will be paid to unit-holders who are registered in the Fund Management Company's fund unit register on the date set by the Annual General Meeting of the Fund Management Company (the record date). The income will be paid to the bank account designated by the fund unit-holder on the payment date set by the Annual General Meeting, which may be no later than two weeks from the record date.

#### FUND UNIT SERIES

The Fund Management Company's Board of Directors may decide that the Fund contains fund unit series with different management fees. Each fund unit series may contain both growth and distribution units as decided by the Fund Management Company's Board of Directors. The Fund Management Company's Board of Directors decides on the minimum subscription amounts that will be notified in the key investor information documents valid at any particular time. The Fund Management Company's Board of Directors will also decide on the market areas in which each fund unit series can be subscribed.

#### PAYMENTS OR FEES TO THIRD PARTIES

The Fund Management Company pays fees to its agents that receive the funds' subscription or redemption orders on the basis of fund sales. The amount of the fee can be based on the amount of the fund subscriptions and/or redemptions, or on the existing fund base. The purpose of the fees is to cover any expenses incurred by the agent for the subscriptions, redemptions and management of Funds. The fees also aim to promote customer service, and to enable the agent to function as an agent of the Fund Management Company. Payments or fees to third parties do not reduce returns accumulated to customers from the Fund, and therefore, paying the fee is not contrary to the customer's interests.

The Fund Management Company may enter into rebate agreements with the management companies that administer mutual funds in which investments are made.

#### PUBLICATION OF FUND UNIT VALUES

The fund unit value is calculated and published every banking day. The fund unit value is published by notifying it to Investment Research Finland Ltd once the calculation of the value is complete. The fund unit value is also available at the subscription locations and the Fund Management Company. The performance of the fund units can be reviewed on the website [www.danskeinvest.fi](http://www.danskeinvest.fi).

### TAXATION

#### TAXATION OF UNIT-HOLDERS

The information regarding taxation is based on tax legislation, case law and taxation practice in force in Finland in February 2013.

#### FUND TAXATION

In Finland, mutual funds are exempt from income tax, and therefore do not pay taxes on capital gains, on dividends received from Finland, or on interest income, for example. The fund may be required to pay the tax withheld at source on income received from abroad, such as dividend income, to the relevant country. The amount of this tax is determined by local legislation and the tax treaty.

#### TAXATION OF FUND INVESTMENTS OF NATURAL PERSONS GENERALLY LIABLE TO TAX IN FINLAND



The annual income distributed on fund distribution units, as well as any capital gains arising from the redemption of fund units are deemed as capital income, on which a 30% capital gains tax is charged. Taxable capital gains exceeding EUR 50,000 in a tax year will be subject to 32% capital gains tax. Switching the units of a mutual fund to units of another fund is treated as a redemption and new subscription, which produces a capital gain or loss in taxation. If distribution units in a fund are switched to growth units in the same fund or vice versa, no taxable capital gains (or losses) will be realised in taxation.

The Fund Management Company collects tax on the annual income distributed on the Fund's distribution units, as tax withheld in advance at the time of paying the income. The Fund Management Company notifies the Finnish tax authorities of end-of-year fund unit holdings and the redemptions of fund units during the year, as well as income distributed to the holders of distribution units including the tax withheld in advance collected thereof.

Capital gains arising from the redemption of fund units are not subject to tax withheld in advance, and the fund unit-holder must therefore independently declare the capital gains in a supplement to the pre-completed tax return form. Capital gains are calculated by deducting either the subscription prices and the costs of attaining the gains (any subscription and redemption fees) or alternatively the acquisition cost calculated based on the presumed acquisition cost. When using the presumed acquisition cost, 40% of the redemption price of fund units owned for at least 10 years, and 20% of the redemption price of fund units owned for a shorter period, can be deducted as the acquisition cost.

Any capital losses that may arise from redemption (or switch) can be deducted from the taxable capital gains created during the tax year and the five subsequent years, provided that the capital losses have arisen in the 2010 tax year or later. If the capital losses have arisen in the 2009 tax year or earlier, the capital losses can be deducted from the taxable capital gains created during the tax year in question and the three subsequent years.

However, capital gains 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, capital losses arising during the tax year are not deductible if both the combined acquisition costs

and the combined sales prices of the assets sold during the tax year do not exceed EUR 1,000. When calculating the EUR 1,000 thresholds, sales other than redemptions of fund units are taken into account, but sales on which the acquired profit is, by law, considered tax-exempt, sales of ordinary household movables or sales of other comparable property for personal use are not taken into account.

When redeeming only part of the fund units, the fund units are considered to be redeemed in the order in which they were acquired so that the fund units acquired first are redeemed first. However, when redeeming fund units, investors may specify which fund units to redeem, in which case the acquisition cost is determined on the basis of these units.

Investors should note that tax treatment is determined according to the individual circumstances of each customer and tax rates and other tax-related matters may change. The Fund Management Company will not be held responsible for changes in tax legislation, case law or tax provisions or for taking any changes in these into account. Additional information is available on the website of the Finnish tax authorities, [www.vero.fi](http://www.vero.fi). The local tax offices also provide additional information.

If the investor has made a fund investment within the scope of a savings agreement covered by the Act on Restricted Long-Term Saving, such an investment will be taxed in a way that diverges from that presented earlier in this section. Details on the taxation of fund investments within the scope of a savings agreement are provided separately in the savings agreement documentation.

#### NATURAL PERSONS WITH A LIMITED TAX LIABILITY IN FINLAND

The annual income distributed on distribution units to natural persons with a limited tax liability in Finland is subject to the Act on Tax at Source (Act on Taxation of Income and Capital of a Person Subject to Limited Tax Liability, 11.8.1978/627). The tax withheld at source is 30%, unless a lower tax rate has been agreed in a tax treaty between Finland and the relevant country. In certain cases, the Act on Tax at Source prescribes that no tax withheld at source shall be charged for example from people residing in EU member states. The Fund Management Company is obliged to collect any tax withheld at source. The Fund Management Company submits an annual notification of the returns paid, the tax withheld at source collected and the redemptions of fund units to

the tax authorities. Capital gains are taxed in the recipient's country of residence. Thus, the final taxation of the fund holdings of natural persons with a limited tax liability in Finland depends not only on the tax regulations of Finland and of the taxpayer's country of residence, but also on the content of any tax treaty established between Finland and the taxpayer's country of residence, and varies depending on the taxpayer's country of residence.

If the investor is unsure of his/her fiscal position, he/she should contact the local tax authorities or other taxation experts.

## PROCEDURE IN THE CASE OF ERRORS IN CALCULATING FUND VALUES

The Fund Management Company maintains a fund-specific list of any errors made in calculating fund values, and unit-holders may consult this list. The following principles are applied when determining whether an error is materially significant. Situations in which the threshold for a materially significant error is exceeded will be resolved in accordance with the procedural instructions of the Finnish Financial Supervisory Authority and of the Fund Management Company. The Funds are divided into four categories on the basis of the annual volatility of the respective Fund's growth units, as published in the most recent annual report or semi-annual report.

### Volatility

#### Threshold for significant error in value calculation

**Category I: Mutual funds with an annual volatility  $\geq 10\% \geq$**

**0.5% of the Fund's value in Category I mutual funds**

*Applied to the following funds:* Danske Invest Europe High Dividend Fund, Arvo Finland Value Fund, Danske Invest Nordic Small Cap Fund, Danske Invest Eastern Europe Convergence Fund, Danske Invest Arvo Russia Value Fund, Danske Invest Black Sea Fund, Danske Invest China Fund, Danske Invest Commodity Fund, Danske Invest Emerging Asia Fund, Danske Invest Emerging Markets Equity Fund, Danske Invest Europe Enhanced Index Fund, Danske Invest MediLife Fund, Danske Invest North America Enhanced Index Fund, Danske Invest European Equity Fund, Danske Invest Euro High Yield Fund, Danske Invest European Balanced Fund, Danske Invest Europe Small Cap Fund, Danske Invest Finland High Dividend Fund, Danske Invest Finnish Equity Fund, Danske Invest Finnish Institutional Equity Fund, Danske Invest Finnish Small Cap Fund, Danske Invest Global Tech Fund, Danske Invest Gold Fund, Danske Invest India Fund, Danske Invest Japanese Equity Fund, Danske Invest Latin America Fund, Danske Invest Nordic Opportunities Fund, Danske Invest Real Estate Fund, Danske Invest Russia Small Cap Fund, Danske Invest Russia Fund, Danske Invest Trans-Balkan Fund, Danske Invest US Small Cap Value Fund, Danske Invest 2030, Danske Invest 2040, Danske Invest Compass Equity.

**Category II: Mutual funds with an annual volatility  $5\% <$   $10\% \geq 0.3\%$  of the Fund's value in Category II mutual funds**

*Applied to the following funds:* Danske Invest 2020, Danske Invest Baltic Equity Fund, Danske Invest Emerging Markets Debt Fund, Danske Invest European Balanced Fund, Danske Invest Compass 50 Fund, Danske Invest Compass 75 Fund, Danske Invest Contrarian Fund, Danske Invest Golden Piggy Bank Fund, Danske Invest Navigator Fund, Danske Invest North America Equity Fund, Danske Invest Sustainability Equity Fund.

**Category III: Mutual funds with an annual volatility  $> 2\%$  and  $< 5\% \geq 0.2\%$  of the Fund's value in Category III mutual funds**

*Applied to the following funds:* Danske Invest Sustainability Bond Fund, Danske Invest Compass 25 Fund, Danske Invest Bond Fund, Eliksir Fund of Hedge Funds (non-UCITS), Danske Invest Euro High Yield Fund, Danske Invest Euro Government Bond Index Fund, Danske Invest Euro Corporate Bond Fund, Danske Invest High Yield Fund, Danske Invest Government Bond Fund, Danske Invest Compass Liquidity Fund, Danske Invest Institutional Bond Fund.

**Category IV: Mutual funds with an annual volatility  $\geq 2\%$   $\geq 0.1\%$  of the Fund's value in Category IV mutual funds**

*Applied to the following funds:* Danske Invest Money Market Fund, Danske Invest Liquidity Fund, Danske Invest Neutral Fund, Danske Invest Institutional Liquidity Fund, Danske Invest Institutional Liquidity Plus Fund.

## SETTLEMENT OF DISPUTES AND OUT-OF-COURT REDRESS PROCEDURES

In matters related to fund investments, customers should primarily contact the Danske Bank branch acting as the Fund Management Company's agent, or a Danske Bank Private Banking branch or Danske Bank's Customer Service, tel. +358 (0)200 2590 (local call charge/mobile call charge). Should there be any disagreements regarding fund investments between the Fund Management Company and the customer that cannot be settled through negotiation, the customer may turn to the Finnish Financial Ombudsman Bureau for information on investment services and, if necessary, take disputes to the Finnish Securities Complaint Board. Contact information for the Finnish Financial Information Bureau:

Finnish Financial Ombudsman Bureau, Porkkalankatu 1, 00180 Helsinki. E-mail info@fine.fi, tel. +358 (0)9 6850 120

For further information and a contact form please go to [www.fine.fi](http://www.fine.fi).

## ADDITIONAL INFORMATION REGARDING DISTANCE MARKETING

Finnish law requires that the following additional information must be provided in connection with distance marketing of mutual funds:

If a consumer concludes an agreement regarding financial services in a distance marketing medium such as a web bank or telephone bank, the consumer will have the right to cancel the agreement in certain cases. However, according to the law, this cancellation right does not apply to mutual fund-related agreements. Such fund-related agreements include fund subscriptions, fund switches, redemptions, transfers between series and continuous fund saving agreements, etc. The customer is naturally entitled to redeem any of his/her fund holdings in accordance with the procedure described above in the section 'Subscription and redemption of the Fund's units,' and, correspondingly, terminate any continuous fund saving agreements in accordance with their terms and conditions.

Prior information, the contractual terms and conditions and customer service regarding distance marketing are provided in Finnish, and the information is provided in compliance with Finnish legislation.

#### RESTRICTION APPLYING TO CUSTOMERS IN THE UNITED STATES

The mutual funds managed by Danske Invest Fund Management Ltd are not intended for people living in the USA or for organisations operating there. This material constitutes neither an offer to provide nor a solicitation of any offer to purchase or sell mutual funds or any other products or services of Danske Invest Fund Management Ltd. Mutual funds, products and services of Danske Invest Fund Management Ltd are not intended for United States residents or residents in other countries who are temporarily present in the United States, or any corporation, partnership or other entity organised or existing under the laws of the United States or of any state, territory, or possession thereof, or any estate or trust which is subject to United States tax regulations. The above-mentioned United States residents and entities may not purchase any mutual funds or any other products or services of Danske Invest Fund Management Ltd.

#### MUTUAL FUNDS ADMINISTERED BY DANSKE INVEST FUND MANAGEMENT LTD

Mutual funds administered by Danske Invest Fund Management Ltd		Date of beginning of Fund operations	Last date of approval of Fund regulations	Fund Manager
Solution Funds	Danske Invest Compass Liquidity	8.5.2000	18.10.2012	Danske Capital
	Danske Invest Compass 25	8.5.2000	18.10.2012	Danske Capital
	Danske Invest Compass 50	3.12.2001	18.10.2012	Danske Capital
	Danske Invest Compass 75	3.12.2001	18.10.2012	Danske Capital
	Danske Invest Compass Equity	8.5.2000	18.10.2012	Danske Capital
	Danske Invest 2020	10.5.1999	18.10.2012	Danske Capital
	Danske Invest 2030	10.5.1999	18.10.2012	Danske Capital
	Danske Invest 2040	11.11.2004	18.10.2012	Danske Capital
Money Market Funds	Danske Invest Money Market	16.1.2002	20.2.2012	Danske Capital
Other Short Term Bond Funds	Danske Invest Liquidity	1.9.1997	18.10.2012	Danske Capital
	Danske Invest Institutional Liquidity	10.6.1996	18.10.2012	Danske Capital
	Danske Invest Institutional Liquidity Plus	21.2.2006	18.10.2012	Danske Capital
Bond Funds	Danske Invest Emerging Markets Debt*	21.11.2000	5.10.2011	Danske Capital
	Danske Invest Euro High Yield	8.12.2005	5.10.2011	Danske Capital
	Danske Invest Euro Government Bond Index	30.6.2006	5.10.2011	Danske Capital
	Danske Invest Euro Corporate Bond	29.10.1999	5.10.2011	Danske Capital
	Danske Invest High Yield*	15.6.2005	5.10.2011	Danske Capital
	Danske Invest Sustainability Bond	29.4.2003	5.10.2011	Danske Capital
	Danske Invest Bond	1.9.1997	18.10.2012	Danske Capital
	Danske Invest Government Bond	22.3.1999	18.10.2012	Danske Capital
	Danske Invest Institutional Bond	10.9.1997	18.10.2012	Danske Capital
Balanced Funds	Danske Invest European Balanced	5.5.1998	5.10.2011	Danske Capital
	Danske Invest Golden Piggy Bank	15.12.2000	18.10.2012	Danske Capital
	Danske Invest Navigator	1.3.2006	29.6.2012	Danske Capital

Basic Equity Funds	Danske Invest European Equity	1.12.1997	5.10.2011	Danske Capital
	Danske Invest Europe Enhanced Index*	15.7.2002	5.10.2011	Danske Capital
	Danske Invest Japanese Equity	28.10.1999	5.10.2011	Daiwa SB Investments
	Danske Invest North America Enhanced Index*	15.7.2002	5.10.2011	Danske Capital
	Danske Invest North America Equity	21.12.1999	5.10.2011	Wellington Management
	Danske Invest Nordic Opportunities	9.2.2006	5.10.2011	Danske Capital
	Danske Invest Finnish Equity	15.10.1987	5.10.2011	Danske Capital
	Danske Invest Finnish Institutional Equity	15.10.1997	5.10.2011	Danske Capital
Emerging Market Equity Funds	Danske Invest Eastern Europe Convergence	24.10.2006	5.10.2011	Danske Capital
	Danske Invest Arvo Russia Value	3.5.2006	5.10.2011	Danske Capital
	Danske Invest Baltic Equity	15.4.1998	5.10.2011	Danske Capital
	Danske Invest China	22.3.2005	5.10.2011	Schroders Investment Management
	Danske Invest Emerging Asia	1.6.1999	5.10.2011	Newton Investment Management
	Danske Invest India	21.9.2006	5.10.2011	Aberdeen Asset Management
	Danske Invest Emerging Markets Equity	27.9.2005	5.10.2011	Danske Capital
	Danske Invest Latin America	25.10.2004	5.10.2011	Aberdeen Asset Management
	Danske Invest Black Sea	9.6.2005	5.10.2011	Danske Capital
	Danske Invest Russia	5.2.2004	5.10.2011	Danske Capital
	Danske Invest Russia Small Cap	8.11.2005	5.10.2011	Danske Capital
	Danske Invest Trans-Balkan	16.11.2004	5.10.2011	Danske Capital
Style and Theme Equity Funds	Danske Invest Europe High Dividend	28.10.1996	23.3.2012	Danske Capital
	Arvo Finland Value	18.10.2005	5.10.2011	Danske Capital
	Danske Invest Nordic Small Cap	9.2.2006	23.3.2012	Danske Capital
	Danske Invest Europe Small Cap	31.12.1998	2.5.2013	Danske Capital
	Danske Invest Global Tech	31.12.1998	5.10.2011	Allianz Global Investors
	Danske Invest Sustainability Equity	1.11.1999	5.10.2011	Generation Investment Management
	Danske Invest MediLife	16.8.2000	5.10.2011	Allianz Global Investors
	Danske Invest Finnish Small Cap	19.8.1996	18.2.2013	Danske Capital
	Danske Invest US Small Cap Value	18.11.2002	5.10.2011	Sterling Capital Management
	Danske Invest Finland High Dividend	23.9.2003	2.5.2013	Danske Capital
Alternative Asset Class Funds	Danske Invest Real Estate	19.4.2005	5.10.2011	Danske Capital
	Danske Invest Contrarian	8.10.1997	5.10.2011	Danske Capital
	Danske Invest Gold*	11.11.2004	5.10.2011	Danske Capital
	Danske Invest Neutral	15.10.1998	5.10.2011	Danske Capital
	Danske Invest Commodity*	22.3.2005	5.10.2011	Tiberius Asset Management
		Eliksir*	16.12.2002	5.10.2011

\*non-UCITS

All the Funds are registered in Finland and their regulations have been approved by the Finnish Financial Supervisory Authority.

If an investor has received this Fund Prospectus or other documentation regarding the Funds from a source other than Danske Invest Fund Management Ltd or Danske Bank plc, it is recommended that the investor consults the address [www.danskeinvest.fi](http://www.danskeinvest.fi) or Danske Invest Fund Management Ltd to ensure that he/she is in possession of the documents valid at any particular time.

## MUTUAL FUND MERGER HISTORY

Merging Fund	Acquiring Fund	Approval of Financial Supervisory Authority	Execution of merger
Sampo Euro Lyhytkorko	Sampo Liquidity	31.12.2001	21.3.2002
Sampo Euro Pitkäkorko	Sampo Bond	31.12.2001	21.3.2002
Mandatum Euro Bond	Sampo Institutional Bond	31.12.2001	21.3.2002
Mandatum Optimum	Sampo Europe Balanced	31.12.2001	21.3.2002
Sampo Sectors (Finland)	Sampo Finnish Equity	31.12.2001	21.3.2002
Mandatum Uudet Yhtiöt (Europe)	Mandatum European Growth	31.12.2001	21.3.2002
Mandatum Private	Sampo Compass 50	31.12.2001	21.3.2002
Mandatum Private Conservative	Sampo Compass 25	31.12.2001	21.3.2002
Mandatum Private Aggressive	Sampo Compass 75	31.12.2001	21.3.2002
Mandatum Europe	Sampo European Equity Fund	24.10.2003	12.12.2003
Sampo Sectors (Europe)	Sampo European Equity Fund	24.10.2003	12.12.2003
Mandatum Nordic IT Small Firm	Mandatum European Growth	24.10.2003	12.12.2003
Mandatum Safeguard	Mandatum Neutral	24.10.2003	12.12.2003
Sampo Japan Equity	Sampo Asia Equity	24.10.2003	12.12.2003
Mandatum Vega	Mandatum Risk	24.10.2003	12.12.2003
3C Gamma	3C Macro	24.10.2003	12.12.2003
Mandatum Osake Konvergenssi	Mandatum Eastern Europe	15.6.2004	1.10.2004
Sampo Global Balanced	Sampo Compass 75	15.6.2004	1.10.2004
Sampo Sectors (Global)	Sampo Compass Equity	15.6.2004	1.10.2004
3C Macro	Eliksir	2.11.2005	15.12.2005
Danske Invest Baltic	Danske Invest Baltic Equity	11.12.2009	5.2.2010
Danske Invest BioTech+	Danske Invest MediLife	11.12.2009	5.2.2010
Danske Invest Global	Sampo Compass Equity	11.12.2009	5.2.2010
Danske Invest Global Selection	Danske Invest Global Performers	11.12.2009	5.2.2010
Danske Invest Omega	Danske Invest Neutral	11.12.2009	5.2.2010
Sampo 2010	Sampo Compass Liquidity	11.12.2009	5.2.2010
Danske Invest Ukraine	Danske Invest Russia	11.12.2009	5.2.2010
Danske Invest European Opportunities	Danske Invest European Small Cap	15.12.2010	4.2.2011
	Danske Invest Eastern Europe Convergence	15.12.2010	4.2.2011
Danske Invest Financials & Investment	Danske Invest Eastern Europe Convergence	15.12.2010	4.2.2011
Danske Invest Eastern Europe	Danske Invest Eastern Europe Convergence	15.12.2010	4.2.2011
Danske Invest Poland	Danske Invest Eastern Europe Convergence	15.12.2010	4.2.2011
Danske Invest US Bond	Sampo Government Bond	15.12.2010	4.2.2011
Danske Invest Risk	Danske Invest European Equity	15.12.2010	4.2.2011
Sampo Government Bond	Danske Invest Euro Interest	15.12.2010	4.2.2011

Additional information on the funds' merger history and name changes may be requested from the Fund Management Company.

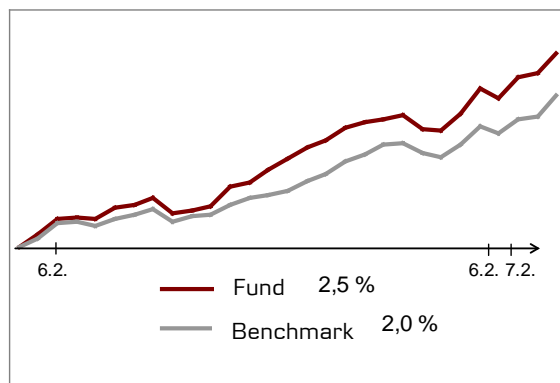
## CALCULATION OF PERFORMANCE-BASED MANAGEMENT FEE (Mutual funds: Arvo Finland Value and Danske Invest Nordic Opportunities)

As compensation for its activities, the Fund Management Company receives a management fee, to be calculated daily, which comprises a fixed component and a performance-based component. The performance-based management fee is 20% of the Fund's performance that exceeds the performance of the benchmark index in the 12-month period preceding the date of examination. However, the performance-based management fee will not be charged if the Fund's performance in the 12-month period preceding the date of examination is negative. The charging of the performance-based fee is illustrated in examples 1-3.

### Example 1

- The Fund's performance is positive
- The benchmark index's performance is positive
- The Fund's return has exceeded the benchmark index

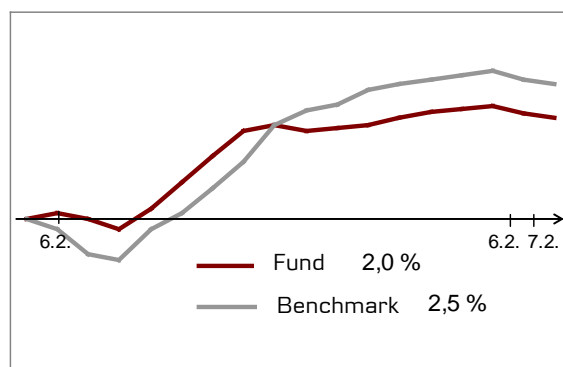
The Fund's performance, observed on the examination date, 7 February, for the period between 6 February and the date 12 months preceding it (6 February), is positive, and exceeds the performance of the benchmark index for the corresponding period. Therefore, the performance-based management fee is charged for the examination date. 20% of the Fund's performance that exceeds the performance of the benchmark index will be charged as the performance-based management fee. In this example, the Fund's performance exceeds the performance of the benchmark index by: 2.5% - 2.0% = 0.5%. Thus, the performance-based management fee is 20% x 0.5% = 0.1% (p.a.). This is added to the fixed management fee (1.2% p.a.), so the total management fee to be charged for the examination date is 0.1% + 1.2% = 1.3% (p.a.).



### Example 2

- The Fund's performance is positive
- The benchmark index's performance is positive
- The return of the benchmark index has exceeded that of the Fund

The performances of the Fund and the benchmark index, observed on the examination date, 7 February, for the period between 6 February and the date 12 months preceding it (6 February), are positive. In this case, as the performance of the benchmark index exceeds that of the Fund for the 12 months preceding the examination date, no performance-based fee is charged. The total management fee to be charged for the examination date is 1.2% + 0% = 1.2% (p.a.).



### Example 3

- The Fund's performance is negative
- The benchmark index's performance is negative
- The Fund's return has exceeded the benchmark index

The performances of the Fund and the benchmark index, observed on the examination date, 7 February, for the period between 6 February and the date 12 months preceding it (6 February), are negative. Although the Fund performed better than the benchmark index during the period in question, the performance-based management fee is not charged because the Fund's performance for the 12-month period preceding the examination date is negative. The total management fee to be charged for the examination date is 1.2% + 0% = 1.2% (p.a.). When calculating the performance-based management fee, both the return that exceeds the benchmark index and the Fund's performance will be calculated, based on the performance of the growth units, for the distribution units, too. Thus, the performance-based management fee to be charged from the growth units and the distribution units will account for an equivalent amount of the fund unit value.

