



# **THE CARNEGIE GLOBAL HEALTHCARE FUND**

## **Sales Prospectus**

**September 2011**

The CARNEGIE GLOBAL HEALTHCARE FUND (the “Fund”), an open-ended unincorporated mutual investment fund (fonds commun de placement), is governed by Part II of the Luxembourg law of 17th December, 2010 (the “2010 Law”) and does not qualify in Luxembourg as an undertaking for collective investment in transferable securities (a “UCITS”). **AS THE FUND SHALL RAISE CAPITAL WITHOUT PROMOTING THE SALE OF THE UNITS TO THE PUBLIC WITHIN THE EUROPEAN UNION OR ANY PART THEREOF.**

No dealer, salesman or any other person is authorised to give any information or to make any representations other than those contained in the Prospectus and the other documents referred therein in connection with the offer made hereby, and, if given or made, such information or representations must not be relied upon as having been authorised by the Fund or representatives of the Fund.

This Prospectus does not constitute an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not lawful or in which the person making such offer or solicitation is not qualified to do so or to whom it is unlawful to make such offer or solicitation.

Prospective purchasers of Units should inform themselves as to the legal requirements, exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

**If you are in any doubt about the contents of this Prospectus, you should consult your stockbroker, bank manager, solicitor, accountant or other financial adviser.**

THE UNITS ARE SUITABLE ONLY FOR SOPHISTICATED PRIVATE AND INSTITUTIONAL INVESTORS WHO ARE NOT U.S. PERSONS WHO DO NOT REQUIRE IMMEDIATE LIQUIDITY FOR THEIR INVESTMENTS, FOR WHOM AN INVESTMENT IN THE FUND DOES NOT CONSTITUTE A COMPLETE INVESTMENT PROGRAM AND WHO FULLY UNDERSTAND AND ARE WILLING TO ASSUME THE RISKS INVOLVED IN THE FUND'S INVESTMENT POLICY AND OBJECTIVE. THE UNITS ARE FREELY TRANSFERABLE SUBJECT TO LIMITATIONS IMPOSED BY THIS PROSPECTUS.

IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE FUND AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. INVESTORS SHOULD READ AND CONSIDER THE RISK DISCUSSION UNDER "CERTAIN RISK FACTORS" BEFORE INVESTING IN THE FUND.

THE UNITS MAY NOT BE AND WILL NOT BE OFFERED FOR SALE OR SOLD IN THE UNITED STATES OF AMERICA, ITS TERRITORIES OR POSSESSIONS OR TO THE UNITED STATES PERSONS.

Subscriptions are accepted on the basis of this Prospectus and, where this is legally required, of the latest available annual report of the Fund containing its audited accounts, and of the latest available semi-annual report (if later than such annual report).

September 2011

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**MANAGEMENT COMPANY**

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COMPANY S.A.

C/o MDO Services S.A.  
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Grand-Duchy of Luxembourg

**DIRECTORS OF THE  
MANAGEMENT COMPANY**

1. Steinar LUNDSTRØM  
Director  
CARNEGIE FUND MANAGEMENT  
COMPANY S.A.LUXEMBOURG  
Chairman
2. Mattias KOLM  
Director  
CARNEGIE FUND MANAGEMENT  
COMPANY S.A.LUXEMBOURG  
Director
3. Rolf DOLANG  
Director,  
CARNEGIE FUND MANAGEMENT  
COMPANY S.A.  
LUXEMBOURG  
Director
4. Bruno VANDERSCHULDEN  
Director,  
CARNEGIE FUND MANAGEMENT  
COMPANY S.A.  
LUXEMBOURG  
Director

**CONDUCTING PERSONS**

1. Henrik BRANDT  
Conducting Person,  
CARNEGIE FUND MANAGEMENT  
COMPANY S.A.  
LUXEMBOURG
2. Bruno VANDERSCHULDEN  
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**CUSTODIAN BANK**

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**AUDITOR OF THE FUND AND  
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MANAGEMENT COMPANY**

PRICEWATERHOUSECOOPERS S.à r.l.  
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Grand-Duchy of Luxembourg

**INVESTMENT MANAGER**

CARNEGIE ASSET MANAGEMENT  
FONDSMÆGLERSELSKAB A/S  
DENMARK, SWEDEN BRANCH  
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**LEGAL ADVISORS**

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L - 2082 LUXEMBOURG  
Grand-Duchy of Luxembourg

## THE FUND

THE CARNEGIE GLOBAL HEALTHCARE FUND (the “Fund”) is an open-ended Investment Fund under Part II of the Law of December 17, 2010 on Collective Investment Undertakings (the “2010 Law”). The Fund was established by Carnegie Global Healthcare Fund Management Company S.A. but following the merger on October 28, 2005 (effective as of November 1, 2005) between Carnegie Fund II Management Company S.A., Carnegie Global Healthcare Fund Management Company S.A., and Carnegie Fund Management Company S.A., the Fund is now managed on behalf of the unitholders by Carnegie Fund Management Company S.A. (the “Management Company”). The duties of Custodian Bank have been entrusted to Banque Carnegie Luxembourg S.A.

The Fund’s investments will mainly focus on companies with a market capitalization of less than USD 1 billion and which may be categorized within the following five subsectors: large pharmaceuticals, specialty pharmaceuticals (*e.g.*, drug-delivery companies), service (*e.g.*, managed care companies), biotechnology and medical technology, as well as other subsectors within the global healthcare industry as the Management Company deem appropriate from time to time.

The portfolio of the Fund is managed as separate assets by the Management Company in the interest and for the account of the Unitholders. The Management Company may appoint Investment or Research Advisors and may also delegate discretionary management to an Investment Manager with discretion to further delegate investment management to a Sub-Manager approved by the Management Company.

The Fund is unlimited in duration and total assets, and its financial year begins on the first day of January and ends on the last day of December (the “Fiscal Year”). The Fund’s accounts are audited by PRICEWATERHOUSECOOPERS S.à r.l., Luxembourg.

The entire assets of the Fund, which are separate from those of the Management Company, are the joint property of all Unitholders who have equal rights in proportion to the number of Units they hold. There is no provision in the Management Regulations for a meeting of the Unitholders. The subscription to or acquisition of Units in the Fund implies acceptance of the Management Regulations by the Unitholders.

The Management Regulations for THE CARNEGIE GLOBAL HEALTHCARE FUND were signed by the *Carnegie Global Healthcare Management Company S.A.* and the Custodian Bank on June 4, 1998. They were deposited with the Register of the Tribunal d’Arrondissement of Luxembourg and were published in the Mémorial of July 10, 1998. They have been amended several times and for the last time on October 25, 2005, effective as of November 1, 2005, which amendments reflect the merger between Carnegie Fund II Management Company S.A., Carnegie Global Healthcare Management Company S.A., and the Management Company. Such amendments were filed with the Register of the Tribunal d’Arrondissement on October 31, 2005 and a mention of such filing was published in the Luxembourg Mémorial, Recueil des Sociétés et Associations (the “Mémorial”) on February 11, 2006. The Management Regulations may be amended by the Management Company in observance of the legal provisions. Any future amendments shall come into effect on the date of

deposit of the amended Management Regulations with the Register of the Tribunal d'Arrondissement of Luxembourg. A mention of the deposit will be published in the Mémorial.

## **INVESTMENT OBJECTIVE AND POLICY OF THE FUND**

The Fund's investment objective is to seek capital appreciation by investing exclusively in equity securities of companies in the worldwide healthcare industry. The Fund's investments will generally focus on companies with a market capitalization of less than USD 1 billion and which may be categorized within the following five subsectors: large pharmaceuticals, specialty pharmaceuticals (*e.g.*, drug-delivery companies), service (*e.g.*, managed care companies), biotechnology and medical technology, as well as other subsectors within the global healthcare industry as the Investment Manager deems appropriate from time to time. The Fund will only invest in companies which generate at least 50% of their profits from activities in the healthcare sector. Within the limits set out below, the Fund may borrow for investment purposes and may hold liquid assets on an ancillary basis. The investment of the Fund's assets is also subject to certain additional restrictions, which are set out below.

Furthermore, the Fund may use techniques and instruments for reasons other than hedging within the limits specified under "INVESTMENT TECHNIQUES AND INSTRUMENTS". Such techniques and instruments present a higher degree of economic risk than the investment in securities due to their higher volatility and their possible lack of liquidity. Such techniques and instruments shall be used only to the extent they do not hinder the quality of the investment policy of the Fund.

The Management Company, in consultation with the Investment Manager, is responsible for the formulation of the Fund's present investment policy and any subsequent changes to this policy in the light of political and/or economic conditions. In case of any changes in the investment policy of the Fund, the present Prospectus shall be amended accordingly.

## **INVESTMENT RESTRICTIONS**

The Fund may not:

- 1) invest more than 10 % of its total net assets in the securities issued by the same issuer. This restriction does not apply to securities issued or guaranteed by member countries of the Organization for Economic Cooperation and Development ("OECD") or governmental agencies or subdivisions thereof of by supranational community, regional or world institutions and organizations;
- 2) acquire more than 10 % of the securities of a similar nature issued by any one issuer. This restriction does not apply to securities issued or guaranteed by OECD countries or governmental agencies or subdivisions thereof or by supranational community, regional or world institutions and organizations;
- 3) invest more than 10 % of its total net assets in securities which are not quoted on a stock exchange or not dealt in on another regulated market operating regularly, recognized and open to the public. This restriction does not apply to securities issued or guaranteed by OECD countries or governmental agencies or subdivisions thereof or by supranational community, regional or world institutions and organizations;

- 4) invest more than 10 % of its total net assets in the shares of other investment funds of the open-ended type. The 10% limit may be exceeded on a short-term basis in order to facilitate a merger or reorganization. Such investment up to 10 % is only permissible under the following conditions:
  - a) the investment fund whose shares are being acquired must pursue the same or at least a similar investment policy;
  - b) no issue or purchase commission may be charged to the Fund when investments are made in investment funds managed by the same promoter of the Fund;
  - c) no management or advisory fee may be charged on the portion of the assets so invested;
- 5) invest in real estate (including buildings) or interests in real estate (including options or rights but excluding shares in real estate companies);
- 6) make any short sale;
- 7) grant loans to any Unitholder;
- 8) invest in securities which are not fully paid up unless the commitments relating to such partly paid up securities can be met in full out of cash held by the Fund;
- 9) make any investment which involves the assumption of any liability which is unlimited.

The Fund may hold borrowings of up to 35 % of the value of its net assets. Such borrowings shall be

used actively for investment purposes subject to the market opportunities and taking into account the best interest of the Unitholders.

When the maximum percentages in paragraphs one, two, three and four above are exceeded for reasons beyond the control of the Fund or as a result of the exercise of subscription rights, the Fund must adopt as a priority objective for its sales transactions the remedying of that situation, taking due account of the interest of the Unitholders.

## **INVESTMENT TECHNIQUES AND INSTRUMENTS**

### **I. Investment techniques and instruments relating to transferable securities**

The Fund may, under the conditions and within the limits laid down by law, regulation and administrative practice, employ techniques and instruments relating to transferable securities, provided that such techniques and instruments are used for the purpose of efficient portfolio management.

#### **I. Options on transferable securities**

The Fund shall purchase and sell call and put options on securities only if traded on a regulated market, which operates regularly and is recognised and open to the public or traded over-the-counter with broker-dealers who make a market in these options and who are first-class financial institutions with a high rating specializing in these types of transactions and are participants in the over-the-counter markets.

At the time of selling call options on securities, the Fund must hold either the underlying securities or equivalent call options or other instruments which may be used to adequately cover the liabilities

arising therefrom, such as warrants. The securities underlying to said call options sold may not be realised as long as the options thereon shall not have expired, unless these are covered by matching options or by other instruments which may be used to this effect. The same applies to matching call options or other instruments held by the Fund, if it does not hold the underlying securities at the time of selling the relevant options.

As an exception to this regulation, the Fund may write uncovered call options on securities that it does not own at the conclusion of the option contracts if the following conditions are met:

- the exercise price of the call options sold in this way does not exceed 25% of the Net Asset Value of the Fund;
- the Fund must at all times be able to cover the positions taken on these sales. Where put options on securities are sold, they should be covered during the whole duration of the contract either by equivalent put options already purchased (closing sales), or by cash or liquid assets of an equivalent value.

The total commitment arising on the sale of call and put options (excluding the sale of call options for which the Fund has adequate coverage) and the total commitment arising from financial futures and from transactions undertaken for purposes other than hedging as described on page 16, may at no time exceed the total net asset value of the Fund.

## **2. Transactions relating to Futures and Options on Financial Instruments**

Transactions relating to futures and options on financial instruments may only relate to contracts which are dealt in on a regulated market, operating regularly, recognised and open to the public or traded over-the-counter with broker-dealers who make a market in these instruments and who are first-class financial institutions with a high rating specializing in these types of transactions and are participants in the over-the-counter markets.

*Hedging operations relating to the risks attached to the general movement of stock markets*

As a global hedge against the risk of unfavourable stock market movements, the Fund may, to the extent permitted by all applicable laws, buy or sell futures on stock market indices or options on stock market indices, provided there exists in each case a sufficient correlation between the composition of the index used and the securities portfolio of the Fund.

The total commitment relating to futures and option contracts on stock market indices may not exceed the global valuation of securities held by the Fund in the market corresponding to each index.

*Transactions relating to interest rate hedging*

The Fund may also deal in financial futures and in option contracts in order to protect the value of debt-securities held by the Fund against interest rate risks.

As a global hedge against interest rate fluctuations, the Fund may sell interest rate futures contracts or sell call options or buy put options on interest rates

or make interest rate swaps any of which may be on a mutual agreement basis with first class financial institutions specialized in these types of transactions.

The total commitment on financial futures contracts, option contracts and interest rate swaps may not exceed the total value of the assets to be hedged, held by the Fund and expressed in the currency corresponding to these contracts.

*Transactions which are undertaken for purposes other than hedging*

Apart from option contracts on transferable securities and contracts relating to currencies, the Fund may, for a purpose other than hedging, buy and sell futures contracts and option contracts on any type of financial instrument, provided that the total commitment arising on these purchase and sale transactions together with the total commitment arising on the sale of call and put options on transferable securities at no time exceeds the net asset value of the Fund.

Sales of call options on transferable securities for which the Fund has sufficient coverage are not included in the calculation of the total commitment referred to above.

The commitment arising on futures contracts is equal to the liquidation value of the net position of contracts relating to similar financial instruments (after netting between purchase and sale positions), without taking into account the respective maturities.

The commitment relating to options bought and sold is equal to the sum of the exercise prices of those options representing the net position in

respect of the same underlying asset, without taking into account the respective maturities.

#### *General*

The total of the premiums paid to acquire put and call options on transferable securities, together with the total of the premiums paid to acquire call and put options on any other financial instruments as described under point 2 above may not exceed 15% of the total net assets of the Fund.

### **3. Lending of Portfolio Securities**

The Fund may lend portfolio securities to third persons (for not more than 30 days and not in excess of 50% of the total valuation of the relevant securities portfolio) through a standardized securities lending system organized by Euroclear, Clearstream Bank S.A. or other recognized clearing institutions or through a first class financial institution specialized in this type of transaction and will receive through such clearance agency or such first class financial institution collateral in cash or transferable securities issued or guaranteed by a governmental entity of the OECD, or by their local authorities or by supranational institutions. Such collateral will be maintained at all times in an amount equal to at least 100% of the total valuation of the securities, and for the duration of the loan.

### **4. Réméré transactions**

The Fund may from time to time enter into “réméré” transactions which consist of the purchase and sale of securities with a clause reserving the seller the right to repurchase from the acquirer the same securities sold at a price and term specified by the two parties in a contractual agreement.

The Fund can act either as purchaser or seller in “réméré” transactions. The involvement in such transactions is however subject to the following regulations:

The Fund may not buy or sell securities using a “réméré” transaction unless the counter-parties in such transactions are first class financial institutions specializing in this type of transaction.

During the life of a “réméré” purchase contract, the Fund cannot sell the securities which are the object of the contract, either before the right to repurchase these securities has been exercised by the counter-party, or the repurchase term has expired.

Where the Fund is exposed to repurchases, it must take care to ensure that the level of its exposure to “réméré” purchase transactions is such that it is able, at all times, to meet its repurchase obligations.

## **II. Techniques and instruments to hedge exchange risks**

The Fund may further, under the conditions and within the limits laid down by law, regulations and administrative practice, employ techniques and instruments intended to provide protection against exchange risks in the context of the hedging of the Fund's assets and liabilities.

To this effect the Fund may enter into transactions the purpose of which is the sale of futures currency contracts, the sale of call options on currencies or the purchase of put options on currencies. These contracts and options are dealt in on a regulated market, operating regularly, recognised and open to the public or traded over-the-counter with

broker-dealers who make a market in these contracts or options and who are first-class financial institutions with a high rating specializing in these types of transactions and are participants in the over-the-counter markets. For the same purpose the Fund may also sell currencies forward or exchange currencies on a mutual agreement basis with first class financial institutions specialised in this type of transactions.

The Fund will deal in foreign exchange transactions only to hedge against exchange risks and provided that the value of such contracts does not exceed the total value of the assets denominated in the currency of such contracts and for a duration which shall normally not exceed that period during which the relevant assets are held.

## **CERTAIN RISKS FACTORS**

### **Business Risks**

Difficulty of Business. The task of identifying successful emerging enterprises in the global healthcare industry that meet the Fund's investment objectives can be difficult due to the lack of availability of reliable information relating to such enterprises. There can be no assurance that the Fund's investments will be able to yield returns more favourable than those which might be secured through some other form of investment.

No Operating History. Some of the companies in which the Fund intends to invest may be newly organized or only recently organized and therefore will have no, or only a limited, operating history upon which the Investment Manager may base an evaluation of their likely performance.

Volatility of the Fund's Investments. Smaller capitalized, less seasoned companies are subject to higher volatility and instability as a result of

unforeseen economic events than larger companies due to a reliance on a small management team, a general dependence on a single product line or concept and a large concentration of resources in a particular area. Such investments may in certain cases have limited marketability and, therefore, may be subject to wide fluctuations in market value.

### **Fund Risks**

Transferability. It is not anticipated that an active secondary market for the Units will develop.

### **Management Risks**

Investment Manager Not Full Time. The Investment Manager provides advisory services to other funds and individuals, and does not provide its complete time to the Fund's business.

Conflicts of Interest. The Investment Manager will have conflicts of interest with the Fund. See "POTENTIAL CONFLICTS OF INTEREST".

Fees. The ability of the Investment Manager to receive a Performance Fee may create an incentive for the Investment Manager to select investments which are riskier or more speculative than would be the case in the absence of such ability, and will also permit the Investment Manager to receive a fee based on unrealized appreciation on an annual basis as well as realized gains in the Fund's assets.

### **Other Risks**

Borrowings. The possibility for the Fund to borrow up to 35% of its net assets may result in a leverage effect which might affect the volatility of the Net Asset Value per Unit in the way that the Net Asset Value per Unit may fluctuate more widely.

Changes in Applicable Law. The Fund must comply with various legal requirements. Should any of those laws change over the life of the Fund, the legal requirements to which the Fund and its Unitholders may be subject could differ materially from current requirements.

Institutional Risk. The institutions, including brokerage firms and banks, with which the Management Company on behalf of the Fund (directly or indirectly) does business, or to which securities have been entrusted for custodial purposes, may encounter financial difficulties that impair the operational capabilities or the assets position of the Fund. The Fund will attempt to limit its transactions to well-capitalized and established banks and brokerage firms in an effort to mitigate such risks.

All assets of the Fund not invested in portfolio securities will be held in a custody account at Banque Carnegie Luxembourg S.A.

General Economic Conditions. The success of any investment activity is affected by general economic conditions, which may affect the level and volatility of interest rates and the extent and timing of investor participation in the markets for both equities and interest-rate-sensitive securities. Unexpected volatility or illiquidity in the markets in which the Fund directly or indirectly holds positions could impair the Fund's ability to carry out its business or cause it to incur losses.

Lack of Liquidity in Markets. Despite the heavy volume of trading in securities, the markets for some securities have limited liquidity and depth. This is particularly the case for emerging markets which, while generally growing in volume, have, for the most part, substantially less volume than

more developed markets, and securities of many companies are less liquid and their prices more volatile than securities of comparable companies in more sizable markets. This lack of depth could be a disadvantage to the Fund, both in the realization of the prices which are quoted and in the execution of orders at desired prices.

## **THE INVESTMENT MANAGER**

In the management of the Fund's assets, the Management Company shall be assisted by an Investment Manager appointed by the Management Company.

The Investment Manager of the Fund is CARNEGIE ASSET MANAGEMENT FONDSMÆGLERSELSKAB A/S DENMARK, SWEDEN BRANCH, which has its business office at Blasieholmsgatan 5, S-10 394 STOCKHOLM, Sweden.

The Management Company has entered into an investment management agreement (the "Investment Management Agreement") with the Investment Manager to manage the Fund's portfolio investments. Under the Investment Management Agreement, the Investment Manager has responsibility for investment of the Fund's assets, subject to the policies, control and responsibility of the Management Company. The Investment Manager will initiate all orders for the purchase and sale of securities on behalf of the Management Company for the Fund, and select the brokers and dealers with and through whom the Investment Manager trades. See "POTENTIAL CONFLICTS OF INTEREST" and "BROKERAGE COMMISSIONS."

The Investment Management Agreement was concluded on November 2, 1999 and amended and restated on April 30, 2010 and will remain in

effect as long as it is terminated by either of the parties thereto upon 90 days' written notice prior to the end of any Fiscal Year of the Fund.

Subject to the approval of the Board of Directors of the Management Company, the Investment Manager is entitled to sub-delegate its functions to third party or affiliated Investment Sub-Managers. In such case, the present Prospectus shall be amended accordingly.

## **THE RESEARCH ADVISOR**

The Management Company and the Investment Manager shall, in the management of the Fund's assets, appoint The Karolinska Institute as Scientific Advisor to provide them with advisory services relating to the Fund's investments.

The Karolinska Institute ("KI"), Stockholm - founded in 1810 - is the most renowned Nordic institution for higher education and research in medicine and dentistry. KI trains physicians, dentists, dental technicians, physiotherapists, psychoterapists, speech therapists, optometrists, and toxicologists. It also has a four-year training programme in biomedicine. The Nobel Prize Laureates in Physiology or Medicine are selected by the Nobel Assembly of the Karolinska Institute. The World Health Organisation has five Collaborating Centres for Research and Training at KI.

An important part of the Research Advisory Agreement between the Management Company, the Investment Manager and the Karolinska Institute is the establishment of a Research Advisory Board (the "Board"). The Board is intended to be the major interaction site between the Management Company, the Investment

Manager and the extensive knowledge base within KI.

The Management Company and the Investment Manager will meet the members of the Research Advisory Board regularly to discuss general scientific and technology aspects of the Fund's investment strategy and portfolio. More importantly, the Board members will assist the Management Company and the Investment Manager on a case-by-case basis in identifying and accessing the most suitable and knowledgeable scientist within the KI network of 2.500 scientists for discussion and evaluation of a technology relating to a specific investment. The Research Advisory Board will, however, not participate in the decision process related to a specific investment.

As part of the Research Advisory Agreement, the Karolinska Institute will receive a small portion of the annual Management and Performance Fees as remuneration for its advisory services.

## **POTENTIAL CONFLICTS OF INTEREST**

Any of the Directors of the Management Company, of the Investment Manager or of the Custodian Bank and their respective subsidiaries, affiliates, employees and agents (collectively, the "Parties") may hold Units (insofar as they are not prohibited by legislation to hold Units) and will not be prevented from dealing with the Fund, as principal or as agent, provided that any such transaction is consistent with the best interests of the Unitholders and is carried out as if effected on normal commercial terms negotiated at arm's length and:

- (i) a person approved by the Custodian Bank (or in the case of a transaction involving the

Custodian Bank, the Directors of the Management Company) as independent and competent certifies that the price at which the transaction is effected is fair; or

(ii) the execution of the transaction is consistent with the best interests of the Unitholders and on best terms on organized investment exchanges under their rules; or

(iii) where (i) and (ii) above are not practical, the transaction is executed on terms which the Custodian Bank is (or in the case of a transaction involving the Custodian Bank, the Directors of the Management Company are) satisfied conform to the principle that the transaction is carried out as if effected on normal commercial terms negotiated at arm's length and is consistent with the best interests of Unitholders.

The Parties are or may be involved in other financial investment and professional activities which may on occasion cause conflicts of interests with the management of the Fund. These include management of other funds, purchases and sales of securities, investment, brokerage services and serving as directors, officers, advisers or agents of other funds or other companies, including companies in which the Fund may invest. Each of the Parties will respectively ensure that the performance of their respective duties will not be impaired by any such involvement that they may have and that any conflict which may arise will be resolved fairly.

In particular, the Investment Manager will have conflicts of interest with the Fund by engaging in investment and trading activities related to those in which the Fund intends to engage. The Investment Manager intends to continue such investment activities, to discuss investment ideas with others

and to purchase, sell or hold investments or enter into other transactions in respect of investments for its own account or for the account of others, regardless of the investment activities of the Fund. The Investment Manager also acts as investment adviser to other organizations which may have investment objectives similar or opposite to those of the Fund. As a result of the foregoing, the Investment Manager frequently purchases, sells or holds the same investments as those of the Fund or, because of different investment objectives and other factors, the Investment Manager may from time to time take different or opposite positions with respect to a particular Investment from the position taken by the Fund. Similarly, the Investment Manager may individually from time to time take different or opposite positions with respect to a particular investment from the position taken by the Fund. In addition, the Investment Manager may from time to time effect securities trades for the Fund and may from time to time act as broker in connection with the purchase and sale of investments of the type to be held by, or considered for investment by, the Fund. The Investment Manager receives brokerage fees or commissions from the Fund for such brokerage activities. See “BROKERAGE COMMISSIONS”. The Investment Manager intends to allocate investment opportunities among the Fund, itself and other clients on a fair and equitable basis.

The Directors of the Management Company shall ensure that any conflict of interest involving any of the Parties shall be resolved fairly and in the best interests of Unitholders.

## **BROKERAGE COMMISSIONS**

In selecting brokers to effect portfolio transactions for the Fund, the Investment Manager considers

such factors as price, the ability of the brokers to effect the transactions, the brokers' facilities, reliability and financial responsibility, research, news, quotation and electronic equipment.

The Investment Manager believes that such an allocation of brokerage business helps the Fund to obtain research and execution capabilities and provides other benefits to the Fund. In view of the fact that the Fund's investment includes trading as well as investments, short-term market considerations are frequently involved and the turnover of the Fund's portfolio is expected to be substantially greater than the turnover rates of other types of investment vehicles.

In addition, not all of the research related information will be used by the Investment Manager in connection with the Fund.

Conversely, the research information provided to the Investment Manager by brokers through which other clients of the Investment Manager effect securities transactions may be useful to the Investment Manager in providing services to the Fund. See "POTENTIAL CONFLICTS OF INTEREST."

## **THE OFFERING**

### **a) The Net Asset Value.**

The Net Asset Value of the Units is based on the actual market price of the assets of the Fund's portfolio, including accrued income less liabilities and provisions for accrued expenses. This is calculated on the basis of the last available prices at the close of the last Luxembourg business day of each month (the "Valuation Date") or Redemption Date (as such term is defined under "Redemption of Units"). In calculating Net Asset Value, the Performance Fee (as defined under the section entitled "THE MANAGEMENT

COMPANY”) is accrued monthly as an expense until it is paid to the Management Company, if earned, at the end of the Fiscal Year.

The Net Asset Value is expressed in EURO and is calculated by the Central Administration Agent by dividing the Net Asset Value of the Fund by the number of its Units in circulation.

The total net assets of the Fund are expressed in EURO and correspond to the difference between the assets of the Fund and its total liabilities.

The Net Asset Value as well as the issue and redemption prices are available at the Management Company, the Custodian Bank, the Central Administration Agent and the Placement Agents.

The assets of the Fund shall be deemed to include:

- i) all cash in hand or receivable or on deposit including accrued interest;
- ii) all bills and notes payable on demand and any amounts due (including the proceeds of securities sold but not yet collected);
- iii) all securities, shares, bonds, debentures, options or subscription rights and any other investments and securities;
- iv) all dividends and distributions due in cash or in kind to the extent known to the Management Company or the Central Administration Agent provided that the Management Company or the Central Administration Agent may adjust the valuation for fluctuations in the market value of securities due to trading practices such as trading ex-dividend or ex-rights;

- v) all accrued interest on any interest bearing securities held except to the extent that such interest is comprised in the principal thereof;
- vi) the preliminary expenses insofar as the same have not been written off; and
- vii) all other permitted assets of any kind and nature including prepaid expenses.

The value of the assets held by the Fund is determined as follows:

- securities listed or dealt on an official stock exchange or dealt on another regulated market which operates regularly and is recognized and open to the public are valued as of the close of the trading on the date as of which the value is being determined by taking the last reported sale price of such security on such date on the exchange where it is primarily traded. If the same security is quoted on different markets, the closing price of the main market for this security will be used;
- non-listed securities, other permitted assets and securities which are listed on an official stock exchange or dealt on a regulated market but in respect of which the last sales price is not representative of the fair value, are valued on the basis of their respective sales price as determined by the Management Company or the Central Administration Agent in good faith and with generally recognized valuation principles which can be examined by auditors;
- liquid assets are valued at their nominal value plus accrued interest;
- whenever a foreign exchange rate is needed in order to determine the Net Asset Value of the

Fund the last known foreign exchange middle rate will be used.

The liabilities of the Fund shall be deemed to include:

- i) all borrowings, bills and other amounts due;
- ii) all administrative expenses due or accrued including the costs of its constitution and registration with regulatory authorities, as well as legal, audit, management, custodial, paying agency and corporate and central administration agency fees and expenses, the costs of legal publications, prospectuses, financial reports and other documents made available to Unitholders, translation expenses and generally any other expenses arising from the administration of the Fund; some of these expenses will however be paid by the Management Company out of its own assets as described in the section entitled “CHARGES OF THE FUND”;
- iii) all known liabilities, due or not yet due including all matured contractual obligations for payments of money or property, including the amount of all dividends declared for which no coupons have been presented and which therefore remain unpaid until the day these dividends revert to the Fund by prescription;
- iv) an appropriate amount set aside for taxes due on the date of the valuation and any other provisions or reserves authorised and approved by the Management Company; and,
- v) any other liabilities of the Fund of whatever kind towards third parties.

For the purposes of valuation of its liabilities, the Management Company or the Central Administration Agent may duly take into account all administrative and other expenses of a regular or periodical character by valuing them for the entire year or any other period and by dividing the amount concerned proportionately for the relevant fractions of such period.

The Management Company or the Central Administration Agent are authorised to apply other adequate valuation principles for the total assets of the Fund if the aforementioned valuation criteria appear impossible or inappropriate due to extraordinary circumstances or events.

In the case of extraordinary circumstances occurring on one Valuation Date, the Management Company or the Central Administration Agent may cancel a valuation and replace it by another valuation.

In the case of significant redemption applications, the Management Company or the Central Administration Agent may establish the value of the Units of the Fund on the basis of the prices at which the necessary sales of securities are effected. In such an event, the same basis for calculation shall be applied for redemption applications submitted at the same time.

#### **b) Issue of Units**

The issue price is based on the Net Asset Value per Unit on the next Valuation Date following the day of receipt of the subscription by the Central Administration Agent provided that such subscription order is received no later than 15.00 (Luxembourg time) on that Valuation Date. If the request is received on a Valuation Date after 15.00 (Luxembourg time), the Net Asset Value to be

considered shall be the Net Asset Value determined on the next following Valuation Date. The issue price shall be available for inspection at the registered office of the Management Company, the Custodian Bank, the Central Administration Agent, the Principal Placement Agent and any other authorized Placement Agent.

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

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

(1) For Units purchased at the beginning of the Fiscal Year ("Year Beginning"), the Offering Price is the Year Beginning Net Asset Value per Unit ("Beginning Value").

(2) For Interim Purchases:

When the Net Asset Value per Unit is more than the Beginning Value, the Offering Price is the sum of the Net Asset Value per Unit and the "Equalization Factor" as defined below. The Equalization Factor is an amount which the Units outstanding since Year Beginning should be charged (that is, 20% of the increase in Net Asset

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

Value since Year Beginning), and which the Units subscribed for at the date of the Interim Purchase ("Interim Purchase Date") should not be charged. To the extent that the increase in value of the Units that cause the payment of the Equalization Factor is not lost in the current year, the Equalization Factor attributable to such increase becomes payable to the Unitholder at the end of the current year. To the extent that the increase in value of the Units that cause the payment of the Equalization Factor is lost in the year the Units are purchased but is recovered in a subsequent year, the Equalization Factor attributable to such recovery will become payable to the Unitholder at the end of the Year in which the recovery occurs. Upon redemption by a Unitholder of his Unit, the same amount of the Equalization Factor will be paid to him as if the date of redemption were the last day of the Fiscal Year in which the Units are redeemed. Any Equalization Factor, or portion thereof, which is due to a Unitholder not redeeming his Units will be used to purchase additional full Units on behalf of such Unitholder as of the first day of the next succeeding Fiscal Year.

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

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

Table I illustrates the manner in which the adjustments described above operate with respect to Units subscribed for at the beginning and during a hypothetical Fiscal Year where there is no Loss Carryover at the beginning of the Year. Table II illustrates the manner in which the adjustments described above operate with respect to Units subscribed for prior to, at the beginning and during a hypothetical Fiscal Year where there is a Loss Carryover of EURO 20 per Unit at the end of the first year.

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<sup>2</sup>

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

TABLE I

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

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

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

\*\*\* Includes Equalization Factor.

TABLE II

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

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

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

\*\*\* Includes Equalization Factor.

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

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

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

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

In addition to the Net Asset Value there may be an issuing fee of up to 5 % of such Net Asset Value paid to the authorized placement agents.

Subscription orders shall be irrevocable after they have been lodged with the Central Administration Agent, and may be withdrawn thereafter only if there is a suspension of the relevant Net Asset Value determination or if the Management Company has delayed or rejected their acceptance.

The Management Company is authorised without limitation to allot and issue Units at any time at the relevant price per Unit which is based on the Net Asset Value determined according to the Management Regulations without reserving preferential subscription rights to existing Unitholders.

The allotment of Units is conditional upon receipt by the Custodian of notification of cleared funds on or before the Valuation Date. In the case of applications from approved investors or intermediaries authorised by the Management Company, the allocation of Units is conditional upon receipt of cleared funds in Euro within three bank business days.

Units of the Fund may be purchased, subject to the relevant acceptance of the order, at the office of the Management Company or at the office of the Central Administration Agent or at the office of the Principal Placement Agent or any other authorized Placement Agent. The Units are transferred to the investors immediately upon payment of the full issue price.

Units are issued under the form of registered Units, as non-certificated Units only. Ownership of non-certificated Units is evidenced by an entry in the register of the Units. Instead of certificates, Unitholders will receive written confirmations of Unitholding. Units may be issued in fractions up to four decimals. Rights attached to fractions of Units are exercised in proportion to the fraction of a Unit held.

Fractions of Units will participate in the distribution of dividends, if any, and in the liquidation proceeds.

The Units are freely transferable and, upon issue, are entitled to participate equally in the profits of the Fund. All Units must be fully paid.

Any transfer of Units shall be established by an entry in the register of the Units.

Income and capital gains arising in the Fund will be reinvested in the Fund. The value of the Units will reflect the capitalisation of income and gains. Therefore, Units do not entitle Unitholders to the payment of dividends.

According to the Management Regulations, the Management Company may, within the scope of its sales activities and at its discretion, cease issuing Units, refuse purchase applications and suspend or limit the sale of Units for specific periods or permanently to individuals or corporate bodies in particular countries or areas.

The Management Company may also at any time compulsorily redeem Units held by investors who are excluded from the acquisition or ownership of the Fund's Units.

As of February 1, 2002, the minimum initial subscription amount is EURO 15,000 and the minimum subsequent subscription amount is EURO 5,000.

### **c) Redemption of Units**

Units may be presented to the Central Administration Agent for redemption, in whole or part, until 15.00 (Luxembourg time), on the last Luxembourg business day of each month (such date being referred to as "Redemption Date"). The Fund will redeem Units in the order they were first purchased by the Unitholder (that is, on a "first-in first-out" basis). If a redemption would cause the value

of a Unitholder's Units to fall below EURO 5,000 or its equivalent in another currency then the Management Company shall have the right to compel redemption of all Units held by such Unitholder.

To effect a redemption, a request for redemption of Units must be received by the Central Administration Agent before 15.00 (Luxembourg time) on the Redemption Date and all conditions to the validity of the redemption request must have been fulfilled or waived prior to such Redemption Date.

The price per Unit at which an Unit will be redeemed (the "Redemption Price") will be (i) the Net Asset Value of the Unit on the Redemption Date less a redemption fee of 1 % of the Net Asset Value payable to the Management Company in case the redemption is requested before the expiry of one year following the issue of the Units, plus (ii) all or a portion of the Equalization Factor to the extent that the increase in value of the Unit that caused the payment of the Equalization Factor has not been lost or has not been paid previously to the redeeming shareholder, all as more fully set forth in the section entitled "OFFERING " herein.

If the request for redemption is not received by the Central Administration Agent before 15.00 (Luxembourg time) on the Redemption Date, the Net Asset Value to be taken into account shall be the Net Asset Value determined on the Redemption Date following that Redemption Date.

Consequently, it depends on the development of the Net Asset Value if the redemption price is higher or lower throughout the duration of the Fund than the issue price paid by the investor.

Since provisions must be made for an adequate portion of liquid funds in the Fund's assets, in normal circumstances payment for redeemed Units is effected immediately after the determination of the redemption price (or no later than a maximum of 7 bank working days thereafter) unless statutory or legal provisions, such as foreign exchange controls or restrictions on capital movements, or other circumstances beyond the control of the Custodian Bank, make it impossible to transfer the redemption amount to the country in which the Unitholder requesting the redemption is resident.

In the event of extensive redemption applications, the Management Company may decide to delay the settlement of the redemption applications until it has sold the corresponding assets of the Fund without unnecessary delay. On payment of the redemption price, the corresponding Fund Unit ceases to be valid.

**d) Suspension of the valuation of the Net Asset Value and of the issue and redemption of Units**

The Management Company may temporarily suspend calculation of the total Net Asset Value and hence the issue and redemption of Units when:

- stock exchanges or markets which are the basis for the valuation of a major part of the Fund's assets are closed, except on regular public holidays, or when trading on such a market is limited or suspended or temporarily exposed to severe fluctuations;
- political, economic, military or other emergencies beyond the control, liability and influence of the Management Company render the disposal over the Fund's assets impossible under normal conditions or such disposal would be detrimental to the interests of the Unitholders;
- disruptions in the communications network or any other reason make it impossible to determine the value of a considerable part of the Fund's net assets;
- limitations on exchange operations or other transfers of assets render it impracticable for the Fund to execute business transactions, or where purchases and sales of the Fund's assets cannot be effected at the normal conversion rates.

The Management Company shall suspend the issue and redemption of Units forthwith upon the occurrence of an event causing it to enter into liquidation or upon the order of the Luxembourg supervisory authority.

Unitholders having requested subscription or redemption of their Units shall be notified of any such suspension within seven days of their request and will be promptly notified of the termination of such suspension.

**e) Restriction on ownership of Units**

The Management Company may impose or relax such restrictions (other than any restrictions on transfer of Units) as it may think necessary to ensure that Units are not acquired or held by or on behalf of

*a)* any person in breach of the law or requirements of any country, governmental or regulatory authority; or

*b)* any person in circumstances which in the opinion of the Management Company might result in the Fund incurring any liability to taxation or suffering any other pecuniary disadvantage which the Fund might not otherwise have incurred or suffered.

The Management Company may restrict or prevent the ownership of Units by any person, firm or body corporate and without limitation by any citizen of the United States of America. For such purposes, the Management Company may decline to issue any Unit where it appears to it that such registration would or might result in such Unit being directly or beneficially owned by a person who is precluded from holding Units in the Fund, or may, at any time, require a Unitholder whose name is entered in the register of Unitholders to provide such information, as it may consider necessary, supported by an affidavit to establish whether or not beneficial ownership of such Unitholders' Units rests in a person who is precluded from holding Units in the Fund.

Where it appears to the Management Company that any person who is precluded from holding Units in the Fund, either alone or with any other person, is a beneficial or registered owner of Units, it may compulsorily redeem such Units upon not less than 10 days' prior written notice.

In the event of any compulsory redemption, the Redemption Price will be (i) the Net Asset Value as at the close of business on such Redemption Date multiplied by (ii) a fraction, the numerator of which is the number of Units being redeemed, and the denominator of which is the number of Units outstanding as of such date. See "NET ASSET VALUE." Such Unitholder will have no Unitholder rights with respect to the Units to be redeemed after the close of business on the date as of which the Redemption Price was calculated, except the right to receive the Redemption Price thereof and the right to receive dividends previously declared but not therefore paid.

#### **DISTRIBUTION POLICY**

Units accumulate their profits and do not entitle Unitholders to the payment of dividends.

#### **THE MANAGEMENT COMPANY**

Carnegie Fund Management Company S.A. was established in Luxembourg on December 5, 1995 as a corporation (société anonyme) under Luxembourg law for an undetermined period of time.

The initial Articles of the Management Company were published on January 6, 1996 in the Mémorial.

It is registered with the Register of Commerce of Luxembourg under Reference No. B 53.022.

On October 28, 2005 (effective as of November 1, 2005) the Management Company merged with Carnegie Fund II Management Company S.A. and Carnegie Global Healthcare Fund Management Company, S.A. and amended its articles of incorporation. The amended and restated articles of incorporation were published in the Mémorial on November 21, 2005. The Management Company is approved by the CSSF pursuant to chapter 15 of the 2010 Law.

The objective of the Management Company is the collective investment of Luxembourg and/or foreign UCITS that have been approved in accordance with the Directive 2009/65/EC as amended and other Luxembourg and/or foreign collective investment undertakings that are not covered by this directive.

The Management Company has its registered and administrative office at C/o MDO Services S.A., 19, rue de Bitbourg L - 1273 Luxembourg. Its corporate capital is EURO 1,000,000.- represented by 5,000 registered shares fully paid up, owned solely by Carnegie Asset Management Holding Danmark A/S.

The Management Company is entrusted with all the duties relating to the management and promotion of the Fund, in compliance with its Articles of Incorporation and with the

Management Regulations. The Management Company may delegate under its responsibility, certain of its duties hereunder to the Investment Manager or to the Central Administration Agent.

The Management Company is also the management company for the Luxembourg “fonds commun de placement” Carnegie Fund and Carnegie Fund II and for the Luxembourg “société d’investissement à capital variable” Carnegie Fund IV.

The accounting year of the Management Company and of the Fund begins on 1st January and terminates on 31st December each year.

The Management Company will receive a fixed monthly management fee (the "Management Fee") equal to the annual rate 1.1 % of the Net Asset Value of the Fund computed as of the last Luxembourg business day of each month and paid monthly.

An annual performance fee (the "Performance Fee") will accrue monthly and will be due from the Fund’s assets to the Management Company as of the end of each Fiscal Year. The Performance Fee for any Fiscal Year is an amount equal to 20% of the net realized and unrealized appreciation, if any, in the Net Asset Value of the Units (adjusted for the sale and redemption of Units) during each Fiscal Year of the Fund, but only in the event the Fund’s Net Asset Value has increased for that Fiscal Year and cumulatively since the issuance of the Units by at least 5% per annum (pro rated for a partial year) (the "Hurdle") after taking into

account the annual Management Fee. For a description of the manner in which the Performance Fee is borne by each Unit, see the section entitled "OFFERING" and Tables I and II herein. If a Unit has a Net Loss (as defined below) allocable to it during any Fiscal Year and during a subsequent Fiscal Year there is a Net Profit allocable to the Unit there will be no Performance Fee payable with respect to the Unit until the amount of the Net Loss previously allocated to the Unit has been recouped.

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

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

If Units are redeemed on a date other than the last Redemption Date of a year, a Performance Fee calculation with respect to the redeemed

Units will be made on the Redemption Date and if a Performance Fee has accrued, it will be payable from the Fund's assets to the Management Company at the end of the Fiscal Year. The calculation of the Performance Fee will be made as if the Redemption Date was the end of the Fiscal Year.

#### **THE CENTRAL ADMINISTRATION**

The Central Administration Agent carries out all administration, registrar and transfer agency functions for the Fund. In such capacity the Central Administration Agent furnishes certain administrative and clerical services, including registration and transfer agent services to the Fund. It further assists in the preparation of and filing with the competent authorities of financial reports.

#### **THE CUSTODIAN BANK**

Banque Carnegie Luxembourg S.A. has been appointed to act as the custodian of the Fund's assets (the "Custodian Bank") by the Management Company in compliance with the Management Regulations and pursuant to an agreement made on June 4, 1998 as amended on November 2, 1999 and as further amended and restated on November 1, 2005. This Agreement may be amended by mutual consent of the parties. The Custodian Bank has been appointed until December 31, 2012 but will continue to provide its services afterwards, if not terminated by the Custodian Bank or the Management Company. The Custodian Bank's remuneration is described under "CHARGES OF THE FUND".

Cash and other assets constituting the assets of the Fund shall be held by the Custodian Bank on behalf of and for the exclusive interest of the Unitholders.

The Custodian Bank may under its responsibility, with the agreement of the Management Company, entrust the safe-keeping of securities to other banks, to financial institutions or to securities clearing houses such as Clearstream Bank S.A. and Euroclear. This will, however, not affect the Custodian Bank's liability.

The Custodian Bank may dispose of the Fund's assets and make payments to third parties on behalf of the Fund pursuant to instructions from the Management Company complying always with the Management Regulations and the 2010 Law.

To the extent the Fund borrows from the Custodian Bank, it borrows at rates that are comparable to those charged to the Custodian Bank's unaffiliated institutional clients of a similar size, level of activity and mix of business. The Custodian Bank performs all operations concerning the daily administration of the Fund's assets.

The Custodian Bank further carries out the instructions of the Management Company and, complying with the instructions of the Management Company, settles any transaction relating to purchase or disposal of the Fund's assets.

The Custodian Bank is entrusted moreover by the Management Company with the duty to

settle the securities purchased, to deliver the securities sold, to receive dividends and interest from securities and to exercise subscription and attribution rights attached to these.

The Custodian Bank shall moreover:

- ensure that the sale, issue and redemption and cancellation of Units are carried out in accordance with the 2010 Law and the Management Regulations;
- carry out the instructions of the Management Company, unless they conflict with the Law or the Management Regulations;
- ensure that in transactions involving the assets of the Fund, the consideration is remitted to it within the usual time limits;
- ensure that the income of the Fund is applied in accordance with the Management Regulations.

The Custodian Bank shall, in compliance with Luxembourg law, be liable to the Management Company and the Unitholders for any loss incurred by them and resulting from its failure to execute or from its wrongful execution of its duties.

Banque Carnegie Luxembourg S.A. was incorporated on April 13, 1993 as a société anonyme, as the result of the “scission” between two banks.

At the end of 2010, its capital and reserves amounted to EUR 22.8 million with total assets of over EUR 413 million.

**THE PLACEMENT AGENTS  
FINANCIAL SERVICING  
AND REPRESENTATION**

The Management Company may appoint banks and financial institutions as Placement Agents. Subject to local law in countries where Units are offered, such Placement Agents can, with the agreement of the Management Company and the respective Unitholders, agree to act as nominee for the investors. Each time a Placement Agent will act as nominee for the investors, the Prospectus will be amended accordingly.

In this capacity, the Placement Agent shall, in its name but as nominee for the investor, purchase or sell Units for the investor and request registration of such operations in the Fund's register.

However, the investor may invest directly in the Fund without using the nominee service and if the investor does invest through a nominee he will still retain a direct claim to his Units subscribed through the nominee.

However, the provisions above are not applicable for Unitholders solicited in countries where the use of the service of a nominee is necessary or compulsory for legal, regulatory or compelling practical reasons.

The Management Company may, at any time require Placement Agents to make

representations to comply with applicable laws and requirements.

Financial servicing for the Fund is provided by the Custodian Bank in Luxembourg and by other financial institutions appointed from time to time by the Management Company in appropriate countries.

Pursuant to the law of November 12, 2004 on the fight against money laundering and against the financing of terrorism professional obligations, as amended, and the relevant regulations and circulars, as amended from time to time, have been outlined to prevent the use of undertakings for collective investment for money laundering purposes.

As a result, the identity of Unitholders (a certified copy of the passport or the identification card) and/or the status of financial intermediaries (a recent original extract of the Trade Register and, where applicable or if requested, a certified copy of the business authorization delivered by the competent local authorities) shall be disclosed to the Custodian Bank.

Such information shall be collected for compliance reasons only and shall be covered by professional secrecy incumbent to the Custodian Bank and its appointed agents in Luxembourg and banking secrecy.

## **CHARGES OF THE FUND**

The following costs are borne directly by the Fund:

1. The Management Fee and the Performance Fee paid to the Management Company and mentioned under the section entitled “THE MANAGEMENT COMPANY”.
2. Standard brokerage and bank charges incurred by the Fund’s transactions.
3. Any additional non-recurrent fees, including legal advice, incurred for exceptional steps taken in the interests of the Unitholders may be amortized over 5 years period.
4. The annual 0.05% Luxembourg subscription tax referred to under the section entitled “LUXEMBOURG TAXATION”, below, as well as any applicable V.A.T. payable on the Fund related expenses, whether charged directly or indirectly to the latter.

The following costs are borne by the Management Company out of its own assets:

1. The custody fees that the Custodian Bank receives, as well as the compensation for any other support services which will be agreed upon a case-by-case basis between the Management Company and the Custodian Bank;
2. The fees payable to the Central Administration Agent and mentioned under “THE CENTRAL ADMINISTRATION AGENT”.
3. The expenses of establishing the Fund.
4. All other expenses incurred in the Fund’s operations.

## **LUXEMBOURG TAXATION**

Under present Luxembourg law, there are no Luxembourg ordinary income, capital gains, estate or inheritance taxes payable by the Fund or its Unitholders in respect of their Units in the Fund, except by Unitholders who are domiciled in, or residents of, or have a permanent establishment in the Grand-Duchy of Luxembourg and except by certain former Luxembourg residents. The Fund is subject to the taxes on Luxembourg collective investment undertakings at the rate of 0,05% p.a., based and payable upon the value of the net assets of the Fund on the last day of each calendar quarter.

On June 3, 2003 the European Union adopted Council Directive 2003/48/EC (the "Tax Savings Directive"). The Tax Savings Directive has been implemented in the Grand Duchy of Luxembourg with effect on July 1<sup>st</sup>, 2005. Pursuant to the Tax Savings Directive, Member States of the European Union are required to provide to the tax authorities of other Member States details of payments of interest and other similar income made by a paying agent to an individual in another Member State, except that Austria and the Grand Duchy of Luxembourg will instead impose a withholding system for a transitional period unless during such period they elect otherwise. The ending of such transitional period depends on the conclusion of agreements relating to exchange of information with certain other countries. The withholding tax rate is 35%.

The Tax Savings Directive may potentially have an impact on the tax treatment of the distributions and/or capital gains on redemptions made by the Fund at the unitholder's taxation level, depending on the percentage of the Fund's assets invested in debt claims.

The Management Company will use its best efforts to conduct its operations in a manner which will preclude the Fund from being subject to tax in any jurisdiction other than Luxembourg and to invest mainly in investments not subject to any withholding tax on interest or discount.

**However, income derived from the Fund's investments in securities may be subject to withholding taxes withheld at source in the countries of the issuers of such securities and which may not always be recoverable.** Prospective purchasers of Units should consult their own tax advisors as to the taxes applicable to the acquisition, holding or disposition of Units under the laws of the countries of their respective citizenship, residence or domicile.

## **LIQUIDATION OF THE FUND**

The Fund has been established for an indefinite period.

Unitholders, their heirs or other beneficiaries may not demand the division or dissolution of the Fund.

The Fund may be liquidated at any time by mutual agreement of the Management Company and the Custodian Bank.

Furthermore, liquidation shall take place if required according to Article 90 of the 2010 Law (insofar as it makes Article 22 applicable). Notice must be given without delay by the Management Company or the Custodian Bank in accordance with Article 16 of the Management Regulations. No Units may be issued as soon as the event giving rise to liquidation occurs. The Fund may continue to redeem Units provided that the equal treatment of all Unitholders is ensured. The Management Company shall dispose of the Fund's assets in the best interest of the Unitholders and the Custodian Bank shall distribute the net liquidation proceeds, after deduction of liquidation charges and expenses, to the Unitholders in proportion to their holdings, in accordance with the directions of the Management Company. Proceeds which cannot be distributed to the Unitholders at the close of liquidation shall be deposited with the "Caisse de Consignation" in Luxembourg until expiry of the prescription period.

## **INFORMATION TO UNITHOLDERS**

The annual audited reports will be available to Unitholders at the registered office of the Management Company, of the Central Administration Agent and of the Custodian Bank as well as the office of the Principal Placement Agent and any other authorized Placement Agent within four months of the close of the financial year. The annual report shall include reports on the Fund, as well as the

balance sheet and profit and loss account of the Management Company.

Unaudited semi-annual reports of the Fund will also be made available in a similar manner within two months of the end of the period to which they refer.

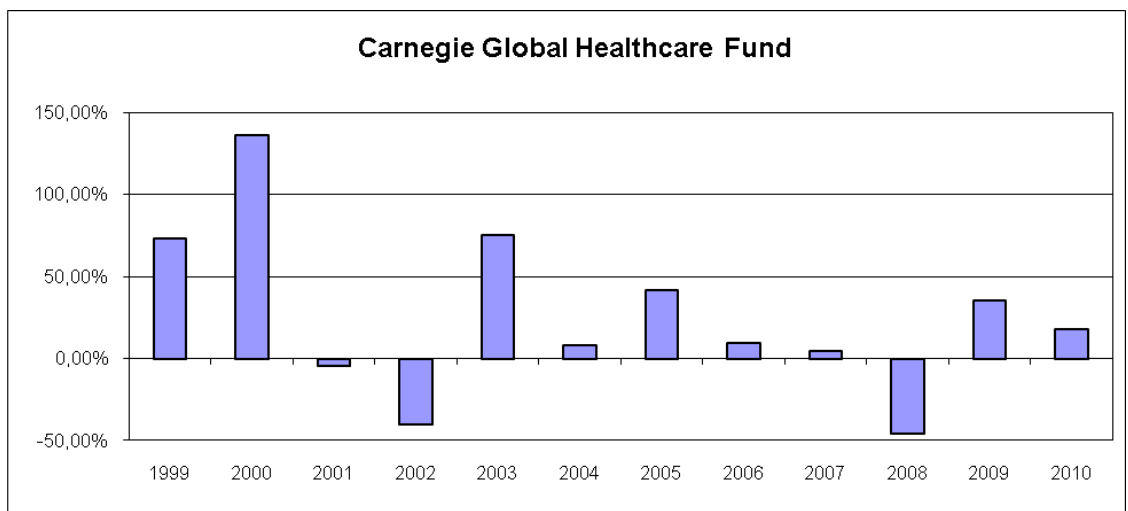
Other information on the Fund or the Management Company, as well as on the Net Asset Value, the issue and redemption prices of the Fund's Units may be obtained on any bank working day at the registered office of the Management Company or of the Central Administration Agent. Any information relating to a suspension of the calculation of the Net Asset Value as well as of the issue or redemption of Units shall be published in the newspapers in countries where the Units shall be offered and sold.

All notifications to Unitholders shall be published in the Mémorial when required by law, in the Luxemburger Wort as well as in one newspaper of more general information. The Management Company may also include publications in other newspapers of its choice.

Any complaints regarding the operation of the Fund should be submitted in writing to the Management Company or to the Custodian Bank for transmission to the Management Company.

## HISTORICAL PERFORMANCE OF THE FUND

The Fund was launched on July 31, 1998. The following graph shows the annual total return of the Fund in each full year since its launch.



1998	10,75%
1999	72,96%
2000	136,31%
2001	-4,64%
2002	-40,32%
2003	74,88%
2004	8,21%
2005	41,52%
2006	9,29%
2007	4,60%
2008	-45,74%
2009	35,13%
2010	17,56%

## **DOCUMENTS AVAILABLE FOR INSPECTION**

The following documents are available for inspection at the head office of the Management Company, at the office of the Central Administration Agent and at the office of the Fund's Representatives and/or the Principal Placement Agent or any other authorized Placement Agent:

1. the Management Regulations, as amended;
2. the Articles of Incorporation of the Management Company, as amended;
3. the following agreements :
  - the Custodian Agreement, as amended, between the Management Company and Banque Carnegie Luxembourg S.A., as Custodian Bank;
  - the Investment Management Agreement between the Management Company and Carnegie Asset Management Fondsmæglerselskab A/S Denmark, Sweden Branch, as Investment Manager;
  - the Research Advisory Agreement, as amended, between the Management Company, the Investment Manager and The Karolinska Institute as Scientific Advisor;
  - the Paying Agent and Principal Placement Agent Agreement between the Management Company and Carnegie Asset Management Fondsmæglerselskab A/S Denmark, Sweden Branch, as Paying Agent and Principal Placement Agent;

- the Central Administration Agreement between the Management Company and the Central Administration Agent;

The agreements referred to above may be amended by mutual consent between the parties thereto.

A copy of the Management Regulations as well as of the most recent annual or semi-annual report may be obtained free of any charge at the offices of the Management Company or of the Central Administration Agent as well as at the offices of the Fund's Paying Agent and Principal Placement Agent or any other authorized Placement Agent.