

**EAST CAPITAL ASSET MANAGEMENT S.A.**

*Société anonyme*

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**Information for unitholders in East Capital Balkan**

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Luxembourg, 22 February 2022

Dear unitholder,

We are writing to you because you own units in the fund East Capital Balkan (**the Fund**).

East Capital Asset Management S.A. ("**East Capital**") has resolved that East Capital Balkan (the merging fund) and East Capital Balkans, a sub-fund of East Capital SICAV (the receiving fund) which is managed by East Capital, shall be merged as part of a so-called cross-border merger ("**the Merger**").

**1. General remarks about the Merger**

The Fund, which is a Swedish feeder fund according to Chapter 1, Sec. 1. 17 Swedish UCITS Act (Lag om värdepappersfonder 2004:46) (the "**UCITS Act**" or "**LVF**") (the merging fund), shall be merged with East Capital Balkans, a sub-fund of East Capital SICAV which is a Luxembourg master fund company (the receiving fund).

Funds shall be merged by absorption in accordance with Chapter 8, Sec. 9 LVF and the Fund will be dissolved after the Merger.

The Merger will be carried out on 1 April 2022 ("**Merger Date**").

As a unitholder in the Fund who will be part of the Merger and who is qualified as a non-institutional investor within the meaning of the Luxembourg Law of 17 December 2010 on undertakings for collective investment, you will receive new shares in the receiving fund in exchange for your units in the Fund according to the table below:

Merging fund			Receiving fund		
Name	Unit class	ISIN	Name	Share class	ISIN
East Capital Balkan	N/A	SE0001244328	East Balkans Capital	A1 SEK	LU1941809938

## **2. Background and aim of the Merger**

East Capital has taken the decision to conduct the Merger as part of a process of economic streamlining and with the intention of creating better conditions in terms of operational efficiency. East Capital is of the opinion that the Merger is in the shareholders' interests.

## **3. The Merger process**

### ***General***

The Swedish Financial Supervisory Authority (Finansinspektionen) approved the merger on 15 February 2022 and the Merger will be conducted on the Merger Date, see Sec. 1 above.

The Merger will be conducted by means of an absorption, meaning that the assets and liabilities of the merging fund will be acquired by the receiving fund on the Merger Date in exchange for unitholders in the merging fund receiving compensation in the form of shares from the receiving fund in the class specified above of a value equivalent to the value of their holdings in the receiving fund as of 31 March 2022. At the same time, the merging fund will be dissolved. From the Merger Date inclusive, holders of shares in the receiving fund can exercise their rights as shareholders in the receiving fund.

### ***Calculation of exchange ratio between fund units in the merging fund and shares in the receiving fund***

The exchange ratio between units in the merging fund and shares in the receiving fund is calculated based on the value of fund units in the merging fund and the value of fund shares in the receiving fund as of 31 March 2022. The value of shares in the receiving fund will be equivalent to shareholders' previous holdings in the merging fund.

### ***Applicable rules for transfer of assets or exchange of shares***

The assets and liabilities of the merging fund will be transferred to the receiving fund on the Merger Date. The merging fund will cease to exist on this date. Registered units in the merging fund will be automatically converted to shares in the receiving fund in the class specified above. Registered unitholders in the merging fund who have units in the merging fund at the time of the Merger will therefore automatically become registered shareholders in the receiving fund and shall participate in any future profits of the receiving fund.

## **4. Consequences of the Merger**

While unitholders in the merging fund currently have units in the fund in Sweden, after the Merger they will own shares in a UCITS fund domiciled in Luxembourg. However, the receiving fund is registered for selling and marketing in Sweden.

The legal form of the receiving fund is different from the merging fund in the sense that the receiving fund is a so-called SICAV fund which is an investment company with variable share capital (Societe d'Investissement á Capital Variable) which is approved as a UCITS fund. East Capital SICAV is a so-called umbrella fund with several different sub-funds, one of which is the receiving fund. The receiving fund is managed by East Capital which is a management company

(equivalent to a Swedish fund company) in Luxembourg and is regulated by the Commission de Surveillance du Secteur Financier (CSSF).

The change in the fund's legal form will have no practical consequences for those of you who will become shareholders in the receiving fund.

The most important differences between UCITS fund in Sweden and a Luxembourg SICAV fund approved as a UCITS fund are explained below.

	Securities fund	SICAV fund
Legal form	Contract form	Company form: Public limited company qualified as a SICAV and approved as a UCITS fund
Supervision over the fund and outsourcing activities	Fund company management	SICAV fund board of directors and management company board of directors
Oversight of fund operations	Fund company executive board and custodian bank	SICAV fund executive board, management company executive board and custodian bank
AGM	N/A	AGM at least once per year

## 5. Likely consequences of the Merger for unitholders in the merging fund

After the Merger, the merging fund will be dissolved and you will receive new shares in the receiving fund, Class A1 SEK, intended for non-institutional investors.

Therefore, after the merger the Fund's current unitholders will be direct shareholders in the receiving fund, instead of investing their capital in units in the merging fund which in turn is 100% invested in the receiving fund.

Please note that East Capital Balkans is subject to Luxembourg tax legislation, which means that subscription tax (taxe d'abonnement) is levied at a tax rate of up to 0.005% per year based on the fund share value at the end of the relevant quarters, calculated and paid quarterly.

### ***Fund rules***

The rules of the receiving fund shall apply as the fund rules after the Merger.

### ***Nature of Fund and investment focus etc.***

For unitholders in the merging fund, the Merger will not involve any changes in management or investment focus. The merging fund is currently 100% invested in the master fund company, the receiving fund and has identical investment goals to the receiving fund.

### ***Fees and remuneration***

The merging fund's management fee reflects the management fee of the master fund company, the receiving fund. Annual fees in the merging fund amounted to 2.32% (2020) and annual fees in the receiving fund amounted to 2.32% (2020).

**Risk**

The merging fund's risk level reflects the risk level of the receiving fund and is currently a Category 6 on the SRRI's 7-point scale.

**Lowest subscription price**

The lowest subscription price per investment is SEK 200 for the merging fund, while there is no lowest subscription price in the receiving fund for the class stated above.

**Rights**

Your rights as a unitholder will not be affected or impaired in any way by the Merger. The shares you receive in the receiving fund have the same rights as your fund units in the merging fund, and as a shareholder you will participate in the growth of the receiving fund from the Merger Date.

**Accrued income**

All accrued income on investments in the merging fund as at the Merger Date will be reflected in the value of the respective investment on the Merger Date and will be automatically transferred to the receiving fund as part of the transfer of the respective investment. You are not considered to be at risk of being impacted by this process as a shareholder.

**Effects of dilution**

The Merger is not expected to cause any dilutive effects on the net profit of the fund. You are not considered to be at risk of being impacted by this process as a shareholder.

**Impact on trading in fund units**

Trading in fund unit in the merging fund will not cease and will continue until the Merger Date.

**Costs**

Any costs associated with the Merger will not be charged to you as a unitholder.

**6. Rights for shareholders**

As a unitholder in a fund that is to undergo a Merger, you have certain rights arising from the Swedish UCITS Act (Lag om värdepappersfonder, 2004:46).

This means that as a unitholder, you can:

**A. Request to redeem your fund units**

As a unitholder, you have the right to request to have your units in the merging fund redeemed at no cost to you (excluding any processing fees) in accordance with the dates and procedures described below. Redeeming your units may lead to capital gains or capital losses, which may in turn be subject to taxation. See the information below in Sec. 8.

Unitholders who request to redeem their units on account of the merger must declare this by no later than 15:00 on 24 March 2022. Before and after this date, unitholder have the option to continue to subscribe and redeem units in accordance with the Fund's documents.

## **B. Following the Merger to East Capital Balkans**

You can choose to join the Merger. You will not be subject to any tax for this option. The purchase price for East Capital Balkans will be the same as the purchase price from before. Selling fees will not be collected. Unitholders who have not requested to redeem their units according to the above shall be bound by the Merger. From the Merger Date inclusive, holders of units in the merging fund can exercise their rights as shareholders in the receiving fund.

## **7. The Merger process**

The Merger will be conducted in the following stages:

1. The merger application was submitted to the Swedish Financial Supervisory Authority on 22 December 2021.
2. The Merger was subsequently approved by the Financial Supervisory Authority.
3. Information to shareholders is sent out on 22 February 2022.
4. The NAV calculation and calculation of the exchange ratios between the funds shall be conducted on 31 March 2022 (**Reconciliation Date**).
5. The Merger Date is 1 April 2022. As a unitholder in the merging fund, you will receive new shares in the receiving fund, Class A1 SEK. You can now exercise your rights as a shareholder in the receiving fund.

## **8. Tax effects**

### ***General starting points***

The tax effects described below apply to unitholders who are natural persons domiciled in Sweden.

### ***Participation in Merger***

For unitholders who choose to participate in the Merger, the following applies. The Merger will not trigger any tax consequences for the unitholders since the Merger does not result in capital gains which should be taxed. After a Merger, the acquisition cost of the new units is considered as the total cost amount that would have been used if the older units had been sold. Similarly, any capital loss arising from a merger may not be deducted.

### ***Redemption***

For unitholders who choose to have their units redeemed before the Merger is implemented, the following applies.

A redemption of fund units means that the units are considered to be divested. A capital gain on the redeemed fund units shall thus be calculated as the difference between the remuneration for the divested units less the expenses for the divestment and the expense amount. The expense amount refers to expenses for procurement increased with expenditure for improvement. A capital gain on the redemption of units shall be included in the income statement capital and taxed at a tax rate of 30%.

Any capital loss may be fully offset against gains on listed units and other listed units. To the extent that there are no offsetting capital gains, 70% of the capital loss may be deducted against other capital income. In the event of a loss of capital, a tax reduction of 30% of the part of the deficit that is less than SEK 100,000 and 21% of the excess deficit is normally allowed.

***Generally, for both options***

No matter which of the above options is chosen, a standardized amount of 0.4% of the value of the units at the beginning of each calendar year will be included. The standard income is taxed in the income category capital by 30%, which means that the actual tax becomes 0.12% (0.4% \* 30%) of the basis.

**9. Further information**

More information regarding the receiving fund can be found in the enclosed factsheet (KIID) for the receiving fund, class A1 SEK. The unitholders are encouraged to read the factsheet.

***Auditor's opinion***

You also have the right to request, free of charge, to read the auditor's opinion regarding the Merger.

The opinion has been prepared by KPMG AB and includes the following information:

- The methods used for valuing the assets and liabilities when calculating the exchange ratio; and
- The method used for calculating the exchange ratio.

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If you would like to ask any questions about the Merger or read the auditor's opinion, please contact the East Capital customer service team by emailing: [info@eastcapital.com](mailto:info@eastcapital.com).

Kind regards,

**EAST CAPITAL ASSET MANAGEMENT S.A.**