



## High Watermark Schedule

This High Watermark Schedule of Fees is Appendix 3a to the Portfolio Management Agreement (the “Agreement”) and is an integral part thereof.

Your main points of reference for the fees, charges and commissions that Skanestas will charge you within the scope of the Agreement are: Appendix 3 “Portfolio Management Schedule of Fees” and the current Appendix 3a (whereas applicability of Appendix 4 to the Agreement “Execution Fee Schedule” and Appendix 2 “Costs, Charges and Inducements” may vary).

### Definition

**High Watermark** means a benchmark the highest increase of the Value of the Client’s Portfolio, used by the Portfolio Manager to set requirements for the Performance Fee (the “**High Watermark**”).

1. The Performance Fee shall be calculated by reference to the High Watermark (adjusted to the Hurdle Rate, any deposits or withdrawals), where the increase of the value of the Client’s Portfolio took place, was recorded by the Portfolio Manager. Such increase shall be the greater of:

- (1) the Value of the Client Portfolio at the beginning of the current financial year; or
- (2) the highest Value of the Client’s Portfolio for which a Performance Fee was previously assessed and charged.

2. The High Watermark shall be recorded by the Portfolio Manager:

- (1) on the last business day of the current financial year; and
- (2) on the day when the Client has requested any withdrawal from his Client account under the Portfolio Management Service.

### Integral part of the Agreement

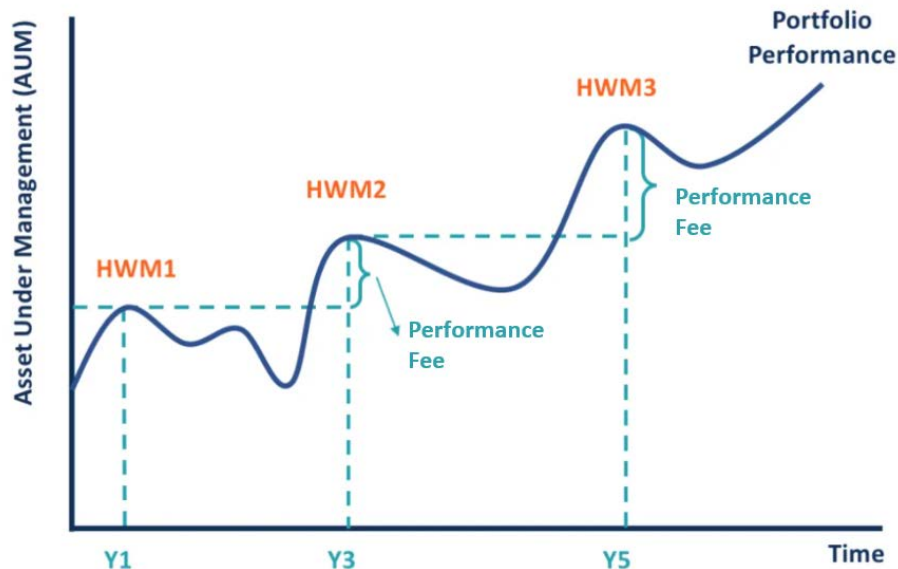
It is agreed by the Parties that the High Watermark shall apply Client Account(s) under the Agreement with affect from the date of the Agreement or from the date of an additional agreement to the Agreement.

### Understanding the High Watermark

The below diagram (Diagram 1) demonstrates the principle and applicability in daily operations.



Diagram 1



As Diagram 1 shows, a Portfolio of the Client reached its first High Watermark in the first Year, but the value dropped during Year 2. Since the AUM is below the High Watermark, the Client is not charged the Performance Fee in Year 2. In Year 3, the Portfolio retrieved its growth potential and reached an AUM that is higher than in Year 1.

Thus, a new High Watermark is reached, and the Portfolio Manager is entitled to charge the Performance Fee for the portion of AUM above the previous High Watermark.

### Practical Examples

For avoidance of any doubt, below are two scenarios that demonstrate the figures when the High Watermark applies and when it does not.

#### *Example 1. No High Watermark.*

Let us assume the Performance Fee is 20% annually. The Client invested \$100,000 to its Portfolio Management Account with Skanestas, which generated a return of \$10,000 in Year 1, -\$3,000 in Year 2, and \$23,000 in Year 3.

Year 1. The starting balance is 100,000. AUM at year-end is \$110,000. The Performance Fee is  $10,000 \times 20\% = \$2,000$ .

Year 2. AUM at year-end is \$107,000. The Performance Fee is Zero.



Year 3. AUM at year-end is \$120,000. The Performance Fee is  $23,000 * 20\% = \$4,600$ .

*Example 2. The High Watermark applies.*

Year 1. The starting balance is 100,000. AUM at year-end is \$110,000. The Performance Fee is  $10,000 * 20\% = \$2,000$ .

The High Watermark is \$110,000.

Year 2. AUM at year-end is \$107,000. The Performance Fee is Zero.

The High Watermark is \$110,000.

Year 3. AUM at year-end is \$120,000.

The Performance Fee is  $\$120,000 - \$110,000$  (the High Watermark) =  $10,000 * 20\% = \$2,000$

\*The Real performance calculation shall be made under the Agreement and its Appendices.

Comparing the two scenarios, the High Watermark prevents the Client from paying the Performance Fee in Year 3, which was achieved and charged in Year 1. The Client, who is protected by the High Watermark, will be able to pay a lower Performance Fee and, thus, keep a higher net return.

Should the Client require further clarifications on their Performance Fee calculation and the High Watermark that applies to them, they can contact the Portfolio Manager as it is mentioned in the Agreement.