



## Portfolio Management Schedule of Fees

This Portfolio Management Schedule of Fees is Appendix 2 to the Portfolio Management Agreement (the “Agreement”) and is an integral part thereof.

### Definitions

**Portfolio Management Fee** means a fee, which is charged by the Company for the performance of the services of Portfolio Management under the Agreement, consisting of the Management Fee, if apply, and of the Performance Fee.

**Execution Fee**, if applicable, means fixed brokerage fees charged by Skanestas for execution of trades.

**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.

**Hurdle Rate** means the reference rate of return on your portfolio under the Agreement on which no Portfolio Management Fee is charged.

**Performance Fee** means payment made to the Portfolio Manager for generating profit for the Client under the Portfolio Management Agreement on the Portfolio of the Client. Performance is indicated in the Periodic Statement provided to the Client by the Portfolio Manager.

**Profit Sharing** means a model of charging a performance-based portfolio management fee by sharing with Skanestas the percentage of the profit earned under the services of Portfolio Management.

**Pro rata basis** means ‘in proportion’, i.e. the Company shall use this basis to accurately and definitely measure and/or calculate a relevant parameter (e.g. portfolio performance, applicable fees, period of portfolio management, etc.) proportionately to and in accordance with the time parameters.

**Per annum** means per year, where the year is the actual year of 365/366 days. Reference to per annum on pro rata basis shall mean the factual days out of the current year that shall be considered by the Company.

**Third Party Costs** mean any fees, expenses, costs, taxes, levies, duties arising from the Portfolio Management activity and carrying out transactions under the Portfolio Management, that are incurred by the Client from a third party which executes such transactions.

**VAT** means value added tax. Current VAT rate in Cyprus is 19%. VAT may apply to the services of Portfolio Management.

### 1. Structure of the Fees

The Parties agree that the structure of the Fees (jointly referred to as the “Fees”) shall be as follows.



<i>Types of Fees</i>		<i>Fixed or variable</i>	<i>Document</i>	<i>Amount/percentage</i>
<b>Execution Fees</b>		Fixed	N/A	Zero
<b>Third Party Costs<sup>1</sup></b>		Fixed/ variable	Appendix 3 “Costs, Charges and Inducements”	Variable
<b>Portfolio Management Fees</b>	<b>Management Fees</b>	Fixed	Appendix 2 “Portfolio Management Fee Schedule”	Zero
	<b>Performance Fees</b>	Variable		<b>Profit Sharing</b> < 4% of profit = <b>0%</b> Performance Fee 4 – 20% of profit = <b>25%</b> Performance Fee > 20% of profit = <b>50%</b> Performance Fee
<b>Fees for ancillary and related services</b>		Fixed	Clause 1.4 below	Clause 1.4 below

### 1.1. Execution Fees

The Execution Fee under the Portfolio Management Agreement is waived by the Company.

### 1.2. The Profit Sharing Model

1.2.1. The Portfolio Management Fees are based on the **Profit Sharing model**. The Investment Manager shall **evaluate of the Portfolio** of the Client and indicate portfolio valuation and performance to the Client in the following manner:

**Revaluations of open positions are marked-to-market on a last closing business day of the month and the final result is summed up at the end of the current financial year.**

### 1.3. Portfolio Management Fees in detail

The Parties agree that the following Portfolio Management Fees shall apply:

<sup>1</sup> The exchange fees charged by third parties (stock exchanges) on listed derivatives shall not be charged to the Client.



1.3.1. Annual Portfolio Management Fee - **0%**

1.3.2. Hurdle Rate – **4% per annum on pro rata basis.**

- i. The Hurdle Rate for any period less than a full year, 365/366 days, shall be amended on a pro rata basis (see e.g. in 1.2.5. i)

1.3.3. Profit Sharing model applies to the Portfolio Management Fees as follows:

- i. **25% Performance Fee shall be charged to Skanestas on profits from 4% to 20% p.a. on pro rata basis (the “25% Performance Fee”).**
- ii. **50% Performance Fee shall be charged to Skanestas on profits of over 20% p.a. on pro rata basis (the “50% Performance Fee”).**

1.3.4. For avoidance of doubt, the application of the Profit Sharing model is explained herein below on a hypothetical USD 1 000 000 (One Million US Dollars) portfolio. It has a contractual as well as explanatory nature. **The full year of 365 days is used** for this example.

- i. **Scenario 1:** Profits under the Hurdle Rate (4%) have zero Portfolio Management Fees.
- ii. **Scenario 2:** Profits for a specified period are 15% (e.g. USD150 000). It falls under the Profit Sharing range from 4% to 20% p.a. (Clause 1.2.3 (i)). Skanestas will charge 25% Performance Fee over 4% Hurdle Rate, i.e. USD 27 500 + VAT, if applicable.
- iii. **Scenario 3:** Profits for a specified period are 30% (e.g. USD 300 000). (Clause 1.2.3 (ii)). Skanestas will charge 25% on 160 000 USD and 50% Performance Fee on 100 000 USD, i.e. USD 90 000 + VAT, if applicable.

1.3.5. For avoidance of doubt, the below example explains scenarios where the **period is less than 365/366 days** and, thus, **pro rata basis is applied**. The application of the Profit Sharing model is explained herein below on a hypothetical **USD 1 000 000 (One Million US Dollars) portfolio**, the **Profit is USD 300 000**, the **period** of the Profit is **90 days**. All data are hypothetical.

- i. The Hurdle Rate shall be 1% (One per cent), where 4% is divided by 4 (i.e. 90 days). **Zero Performance Fee applies to USD 10 000.**

- ii. For the purpose of calculating the 25% Performance Fee,

20% x 90 (days) divided by 365 = 5% (rounded)

5% of USD 1 000 000 is USD 50 000

USD 50 000 less USD 10 000 (i.e. the Hurdle Rate) is USD 40 000

USD 40 000 is the amount for which the 25% Performance Fee applies.

**25% of USD 40 000 is USD 10 000.**



iii. For the purpose of calculating the 50% Performance Fee,

USD 300 000 less USD 50 000 is USD 250 000

USD 250 000 is the amount for which the 50% Performance Fee applies.

**50% of USD 250 000 is USD 125 000.**

**The total Portfolio Management Fee in the above case shall be USD 135 000** (plus VAT, where applicable).

#### 1.4. Fees for ancillary and related services

<b>Processing of and arranging for execution of Instructions and Messages:</b>	<b>Fee (USD)</b>	<b>Comments</b>
Relating to transfers of monetary funds to the Client's Account	0	Bank Charges are to be reimbursed by the Client
Relating to withdrawal of monetary funds from the Client's Account	0	
Relating to urgent withdrawal of monetary funds from the Client's Account	250	Per withdrawal <sup>2</sup>
Relating to securities transfer to the Client's Account	50	Per transfer
Relating to securities transfer from the Client's Account	50	Per transfer
Relating to delivery of documents by post courier service	0	Costs and expenses are to be reimbursed by the Client

As for the **Margin Loans**, the interest rate and the margin loan amount that may be offered to the Client by the Company are subject to negotiation, the interest rate will be equal to the sum of (i) LIBOR rate for corresponding term of the loan and (ii) the spread, unless otherwise agreed by the Parties. For loans up to one week the standard spread indicatively is 6 (six) % per annum.

## 2. How the Fees are charged

2.1. The Portfolio Management Fees are charged **on an annual basis** (for cases where the full year of actual 365/366 days took place for the Portfolio Management). The Fees shall be calculated for the period ending

<sup>2</sup> Bank Charges are to be reimbursed by the Client.



with the last business day of the current financial year (e.g. 31 December of the current year). The Fee shall be charged and withheld from the Client account within 30 (Thirty) calendar days from the year end (i.e. between 31 12 of the current year and 31 01 of the next year). This applies to all clients irrespective of the date when the account was created.

2.1.1. Where the Performance Fees are calculated for the Portfolio Management Fee provided during the **incomplete year**, i.e. less than 365/366 days, the Portfolio Management Fee shall be calculated **on pro rata basis** and will be charged and withheld from the Client account within 30 (Thirty) calendar days from its calculation.

2.2. The Company reserves the right and the Client irrevocably agrees with this right of the Company to charge the Portfolio Management Fee, which has been respectively accrued during the period, every time the Client makes a withdrawal, irrespective of the period for which such Fee is charged. In such case the Portfolio Management Fee shall be calculated on pro rata basis.

2.3. As for **Margin Loans**, the interest amount specified in clause 1.4 will be charged on the loan repayment date.

2.4. The fees for ancillary and related services as well as the Third Party Costs (except for the exchange fees charged by third parties (stock exchanges) on listed derivatives) will be withheld from the Client's account on the date when the operation is processed. All fees will be withheld from the Client's account in the same currency as specified or, if no currency is specified, in USD (where applicable, at the currency exchange rate provided by European Central Bank at time of withholding).

2.4.1. By way of exception to Clause 4.5., the exchange fees charged by third parties (stock exchanges) on listed derivatives shall not be charged to the Client.

### **3. VAT**

3.1. VAT may apply to the Portfolio Management Fees. VAT does not apply to the Execution Fees.

### **4. High Watermark**

4.1. 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.



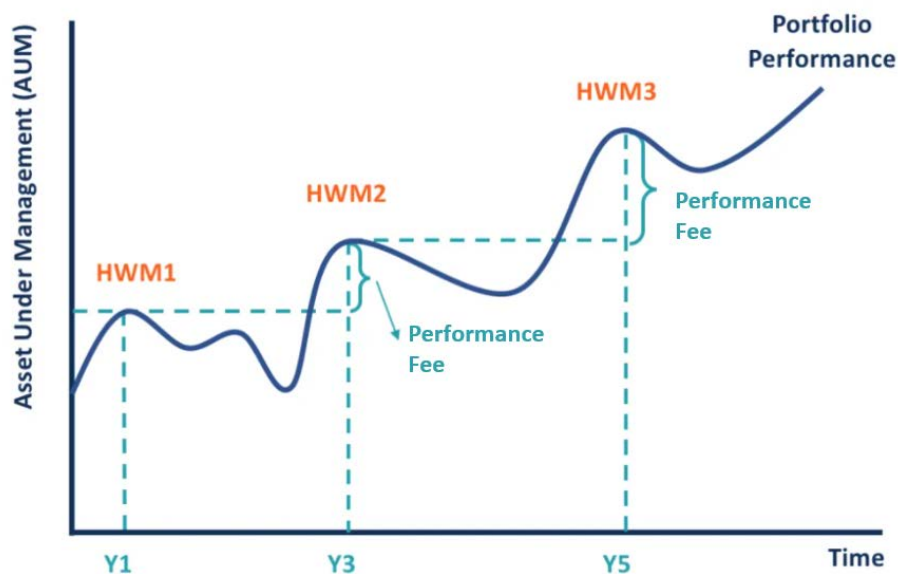
4.2. The High Watermark shall be recorded by the Portfolio Manager:

- (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.

### 5.3. 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.

### 5.4. 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  $10,000 * 20\% = \$2,000$ .

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.