

1 JANUARY 2020 – 31 DECEMBER 2020

# ANNUAL REPORT 2020

Kapitalforeningen  
Formuepleje Safe

FORMUE PLEJE



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## Management report for the Fund // Fund information

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Kapitalforeningen Formuepleje Safe was founded on 10 July 2013 as Hedgeforeningen Formuepleje Safe. On 18 June 2014, the Fund changed its status to that of an alternative investment fund (capital fund) under the Act on Managers of Alternative Investment Funds, etc. The Fund continues its investment strategy in Formuepleje Safe A/S, founded on 1 May 1988.

The Fund had one sub-fund as of 31 December 2020: Formuepleje Safe – KL.

On the website [www.formuepleje.dk](http://www.formuepleje.dk), the development of the Fund can be monitored on an ongoing basis.

### **Name and address**

Kapitalforeningen Formuepleje Safe  
Værkmestergade 25  
DK-8000 Aarhus C  
Telephone: +45 87 46 49 00  
Fax: +45 87 46 49 01  
Company Reg. No. (CVR): 35 40 14 31

Financial Supervisory Authority reg. number: 24026

The Fund is based in Aarhus.

[www.formuepleje.dk](http://www.formuepleje.dk)

### **Fund manager**

Formuepleje A/S  
Værkmestergade 25  
DK-8000 Aarhus C  
Telephone: +45 87 46 49 00  
Company Reg. No. (CVR): 18 05 97 38

### **Depositary**

Danske Bank A/S  
Holmens Kanal 2-12  
DK-1092 Copenhagen K  
Company Reg. No. (CVR): 61 12 62 28

### **Revision**

EY Godkendt Revisionspartnerselskab  
Dirch Passers Allé 36  
2000 Frederiksberg  
Company Reg. No. (CVR): 30 70 02 28

### **Portfolio advisor**

Formuepleje A/S  
Værkmestergade 25  
DK-8000 Aarhus C  
Telephone: +45 87 46 49 00  
Company Reg. No. (CVR): 18 05 97 38

Approved at the general meeting on / 2021

**Chair**

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Profile of the sub-fund	Key figures	
Certificate issuing and listed	Net asset value	186.36
Base currency: EUR	High water mark (performance fee, end January 2020)	185.68
Benchmark: No benchmark	Expense ratio	1.87
ISIN: DK0060498186	Expense ratio excl. performance remuneration	1.78
Start date of investment strategy: May 1988	Performance fee for 2020 (%)	0.10
Advisor: Formuepleje A/S	APR	2.12
Tax status: Accumulative	Cost ratio excl. performance fees	2.03
	Indirect trading costs (%)	0.46
	Return (%)	1.80
	Sharpe Ratio	0.63

**Net income and assets for the period**

In 2020, the sub-fund achieved a profit of DKK 180 million.

The sub-fund's total assets increased by DKK 497 million during the period. At the end of the financial period, the sub-fund had assets of DKK 8,227 million.

**Return**

The sub-fund delivered a return during the financial year of 1.80 percent.

Measured over the most recent five-year time period, from 01.01.2016 to 31.12.2020, the sub-fund has delivered a return of 56.0 per cent, which represents an average annual return of 9.3 per cent.

In the same period, an index with the same risk profile as the sub-fund, i.e. medium-risk, has generated a return of 38.8 percent, corresponding to an annual return of 6.8 percent.

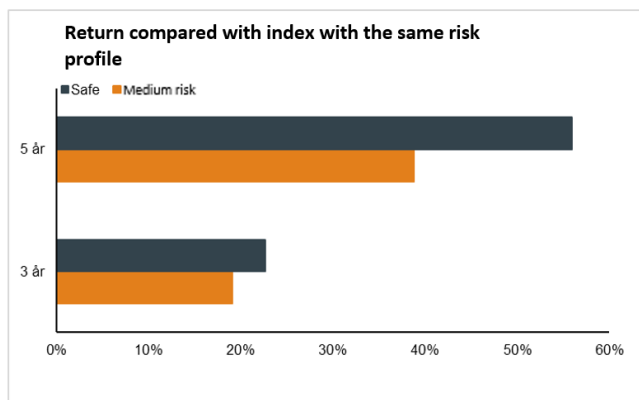
Figure 1 below shows the return for the sub-fund compared to the index with the same risk profile.

Figure 2 shows the financial period's development in net asset value for Kapitalforeningen Formuepleje Safe, compared to the index with the same risk profile.

Management's review on page 7 closely describes how the market development in the various asset classes affected the sub-fund's returns during the period.

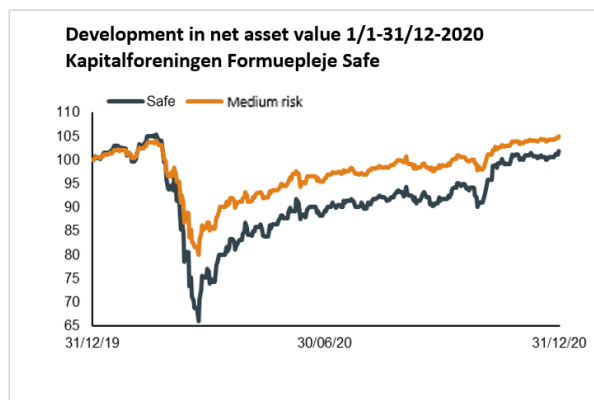
The risk in Formuepleje Safe is best suited to investors with a medium risk profile. Measured as risk of loss, Formuepleje Safe should thus be compared to a medium-risk index composed of 50 % equities, 30 % mortgage-credit bonds and 20 % corporate bonds. A portfolio composed as this index will be the investors' alternative to Formuepleje Safe.

**Figure 1**



Comparison with an ungeared index representing a comparable risk profile. Medium risk consists of 50% equities, 30 % mortgage bonds and 20% corporate bonds.

**Figure 2**



Comparison with an ungeared index representing a comparable risk profile. Medium risk consists of 50% equities, 30 % mortgage bonds and 20% corporate bonds.

### BOARD MEMBERS

#### **CARSTEN WITH THYGESSEN, chairman**

CEO, MA in Forestry Management, E\*MBA, HD (F)  
Ahornvej 64  
DK-8680 Ry  
Born: 1964  
Joined the board of directors on 10 July 2013 and is up for election again in 2021.

#### **Chairman of the board of:**

Aktieselskabet Rold Skov Savværk  
A/S Lindenberg Gods  
A/S Lindenberg Skovselskab  
Investeringsforeningen Formuepleje  
Kapitalforeningen FP  
Kapitalforeningen Formuepleje Epikur  
Kapitalforeningen Formuepleje Fokus  
Kapitalforeningen Formuepleje Merkur  
Kapitalforeningen Formuepleje Pareto  
Kapitalforeningen Formuepleje Safe  
Kapitalforeningen Formuepleje Penta  
Formuepleje Ejendomme 1 P/S  
Formuepleje Ejendomme 2 P/S  
Formuepleje Ejendomme 3 A/S  
Formuepleje Ejendomme 4 A/S  
Formuepleje Triple Alfa Global Equities A/S  
Mobilhouse A/S  
Mobilhouse Holding A/S  
Skovrådet  
Lfi Silva Investments A/S  
Aarhus School of Architecture

#### **Board member of:**

Karen og Karl Buttenschøns Familiefond  
Formuepleje A/S  
Færchfonden

#### **Director of:**

Cresco Capital A/S  
Cresco Capital Services A/S

#### **Special competences**

Carsten With Thygesen holds a Master's in Business Administration, E\*MBA and HD(F) and has more than 30 years of professional experience, including as departmental director of Realkredit Danmark A/S, group director of Hedeselskabet and CEO of HedeDanmark A/S. Since 1998, he has been a member of the board of a number of investment and real estate companies and business foundations, including as vice-chairman of Realdania from 2009 to 2020, where he was also chairman of the Investment Committee from 2013 to 2019. He is also chairman of the board of Aarhus School of Architecture, appointed by the Minister of Education and Research, and founder and CEO of the special asset management company Cresco Capital Services A/S.

#### **LARS SYLVEST, Deputy Chairman**

Director, Master of Economics.  
Orionsvej 6B  
DK-8270 Højbjerg  
Born: 1955  
Joined the board of directors on 5 December 2013 and is eligible for re-election in 2022.

#### **Chairman of the board of:**

CAJ Associates  
ClickAJob  
ClickATest  
Ferm Invest

#### **Board member of:**

Aktieselskabet CBH

Grundfos Pumps Limited Retirement Fund  
Investeringsforeningen Formuepleje  
Kapitalforeningen FP  
Kapitalforeningen Formuepleje Epikur  
Kapitalforeningen Formuepleje Fokus  
Kapitalforeningen Formuepleje Merkur  
Kapitalforeningen Formuepleje Pareto  
Kapitalforeningen Formuepleje Safe  
Kapitalforeningen Formuepleje Penta  
Formuepleje Ejendomme 1 P/S  
Formuepleje Ejendomme 2 P/S  
Formuepleje Ejendomme 3 A/S  
Formuepleje Ejendomme 4 A/S  
Formuepleje Triple Alfa Global Equities A/S  
Pearless Pump Company Pension Fund

#### **Director of:**

Ferm Invest

#### **Special competences**

Lars Sylvest has a Master of Economics from the Department of Management at Aarhus University, and he has many years of experience with global responsibility for Grundfos group's financial affairs and asset management, with over 25 years as the CFO of Grundfos and managing director of the group's internal bank, Grundfos Finance. Throughout his professional career, Lars Sylvest has been engaged in banking and finance and financial markets, and as CRO he was responsible for Grundfos Group's overall risk management and insurance. Apart from his employment at Grundfos Group, he has previous professional experience from working for i.a. Alfa-Laval Financial Management, Privatbanken (now Nordea), Aalborg Shipyard and the Danish Export Financing Fund. Since 1995, Lars Sylvest has also served as a board member on several boards of financial and industrial companies.

#### **MICHAEL VINTHER**

Lawyer, Partner, DLA Piper Denmark Advokatpartnerselskab, Master of Law  
Skovholmvej 19  
DK-2920 Charlottenlund  
Born: 1963  
Joined the board of directors on 10 July 2013 and is up for election again in 2021.

#### **Chairman of the board of:**

Aktieselskabet Franske Vingårde  
Anlama 3 ApS  
AromaTeknik A/S  
BG Byg Odense A/S  
Bolliggruppen A/S  
Bolliggruppen Erhverv A/S  
Bolliggruppen Fyn A/S  
Bolliggruppen Sydfyn ApS  
Don Plast 2003 A/S  
Drømmeland A/S  
FB Gruppen A/S  
Gulvbutikken Erhverv A/S  
Indkøb DK A/S  
JMI Ejendomme A/S  
JMI Gruppen A/S  
JMI Investering A/S  
Justt A/S  
K. A. Invest Holding A/S  
MJJM A/S  
Nybolig Jan Milvertz A/S  
Ny Valby Byggemodning P/S  
Ny Valby Holding A/S  
Ny Valby Udvikling A/S  
Rossings Gaard II Slagelse ApS  
Sjællandske Ejendomme A/S

Tech Town Odense A/S  
Wibroe, Duckert & Partners A/S

**Board member of:**

Adelis Advisory I A/S  
AKP Group A/S  
CS Electric A/S  
C.S.E. Holding A/S  
Derma Pharm A/S  
DLA Piper Danmark Advokatpartnerselskab  
DLA Piper Danmark Komplementar ApS  
Ejendomsselskabet Reskavej 1 A/S  
Ejendomsselskabet Servicevej A/S  
Esoft Systems A/S  
Glasværket A/S  
Inox Stål Handelselskab A/S  
Intercool Technology ApS  
Investeringsforeningen Formuepleje  
Kameraudlejningen ApS  
Kapitalforeningen FP  
Kapitalforeningen Formuepleje Epikur  
Kapitalforeningen Formuepleje Fokus  
Kapitalforeningen Formuepleje Merkur  
Kapitalforeningen Formuepleje Pareto  
Kapitalforeningen Formuepleje Safe  
Kapitalforeningen Formuepleje Penta  
Formuepleje Triple Alfa Global Equities A/S  
K/S Hamborg Rennbahnstrasse  
Newcap Holding A/S  
Nordic Cooking & Catering A/S  
WD Production A/S

**Director of:**

Vimmi Holding ApS

**Special competences**

Michael Vinther is a lawyer and a partner at the law firm DLA Piper Denmark, and he has more than 25 years of experience in M&A as well as extensive board experience. During his career, Michael been a legal advisor for a number of private equity funds and businesses regarding matters of business and corporate law.

**HANNE SØNDERGAARD BIRKMOSE**

Professor, LL.M., Ph.D.

Alsvej 30  
DK-8240 Risskov  
Born: 1972

Joined the board of directors on 28 April 2020 and is eligible for re-election in 2022.

**Chairman of the board of:**

Århus Statsgymnasium

**Board member of:**

Foundation of the School of Business and Social Sciences  
The Jubilee Fund at the School of Business and Social Sciences,  
Aarhus University  
Investeringsforeningen Formuepleje  
Kapitalforeningen FP  
Kapitalforeningen Formuepleje Epikur  
Kapitalforeningen Formuepleje Fokus  
Kapitalforeningen Formuepleje Merkur  
Kapitalforeningen Formuepleje Pareto  
Kapitalforeningen Formuepleje Safe  
Kapitalforeningen Formuepleje Penta  
Formuepleje Triple Alfa Global Equities A/S

**Special competencies**

Hanne Søndergaard Birkmose has worked for many years in company law, corporate governance and regulation of the financial sector. She has written several books on the regulation of investment funds and alternative investment funds. Hanne

Søndergaard Birkmose has also worked as a lawyer at an investment management company.

**BOARD MEETINGS**

The board held four ordinary meetings in 2020.

**Remuneration of the board of directors**

A total of DKK 308,278.00 is proposed for approval by the general meeting as remuneration to the board for 2020.

The basic fee for a non-executive director is DKK 55,000.00. The chairman receives an additional supplement of DKK 55,000.00. Full members of the Audit Committee receive a further DKK 10,000.00, while the chairman of the Audit Committee receives DKK 20,000.00. Jørn Nielsen, who retired in April 2020, has received a proportional fee. Hanne Søndergaard Birkmose, who joined in April 2020, has also received a proportional fee.

In 2020, no additional expenses were incurred for the remuneration of board members for the performance of separate tasks for the Fund.

**FUND MANAGER**

Formuepleje A/S  
Værkmestergade 25  
DK-8000 Aarhus C

**SØREN ASTRUP, partner, director**

Master of Economics

Born: 1969

Appointed as director of Formuepleje A/S on 5 July 2013.

**Board member of:**

Honeycomb IO ApS

**Director of:**

Formuepleje A/S  
LMC Invest ApS  
Formuepleje Safe A/S  
Formuepleje Ejendomme 1 P/S  
Formuepleje Ejendomme 2 P/S  
Formuepleje Ejendomme 3 A/S  
Formuepleje Ejendomme 4 A/S  
Formuepleje Triple Alfa Global Equities A/S  
Emiliedalen Aarhus Holding ApS  
Finderupparken Aarhus Holding ApS  
Keep P1 Holding ApS  
KGV Aarhus Holding ApS  
Sigurdsgade Copenhagen Holding ApS

**Special competences**

Søren Astrup has a Master of Economics from Aarhus University and has been part of the Formuepleje Group since 2003: first, as chief investment officer and then as investment director and director of the Formuepleje companies. Throughout his professional life, he has been engaged in financial matters and the financial markets, and he was also an external lecturer in the Department of Finance at Aarhus University, where he is currently an examiner. Søren Astrup is also a member of Formuepleje's investment committee.

### The global economy

After a first half of 2020 marked by Covid-19, with most leading economies in lockdown, double-digit percentage drops in GDP, rising unemployment, fast-growing deficits in public budgets and oil prices in free fall, the global economy made a remarkable comeback in Q3, with economies gradually reopening and the massive stimulus of easing fiscal and monetary policy lifting activity significantly. Towards the end of the year, however, macroeconomic uncertainty increased again with the renewed spread of Covid-19. On the other hand, the approval and roll-out of vaccines helped to stabilise expectations for economic development.

The US election ended – after a somewhat chaotic process – in an outright victory for the Democrats, who ended up taking both the White House and a majority in both houses of Congress.

In Europe, a Brexit deal between the UK and the EU was reached at the very last minute.

### The equity market

Covid-19 has been the biggest influence on share performance in 2020. After being perceived as an isolated Chinese problem until mid-February, the picture changed dramatically when Covid-19 was detected in northern Italy and shortly afterwards in the rest of Europe and the USA. The aggressive spread put health systems under significant pressure and created a need to impose severe restrictions and lock down whole countries.

The spread of Covid-19 led to one of the fastest and sharpest corrections in equity markets in recent memory, with global equities falling over 30 per cent in just over a month. Developments in the wake of the sharp falls helped to accelerate the polarisation of the equity markets, in which technology, healthcare and growth companies outperformed companies in sectors such as energy and finance. Towards the end of the year, the prospect of normalisation in economies led to a strong comeback for value- and smallcap stocks.

Overall, the global equity markets rose by 6.9 per cent in 2020, with the more technology-heavy US stock indices outperforming the rest with returns in the 10-per-cent range, while the more value-oriented European indices delivered returns around -3 per cent.

Japan and Emerging Markets as a whole both delivered positive returns of 4.5 per cent and 7 per cent respectively.

In some areas, the Danish equity market can be said to resemble the American one, but where the American equity market is technology-driven, the Danish market has a significant representation of health-related companies. The positive year-on-year development of healthcare companies has thus been one of the reasons why the Danish equity market grew by around 35 per cent in 2020.

A dominant theme throughout 2020 has been a focus on a more responsible approach to investment, including investment in the green transition. Both the European and US relief packages will support this development in the years to come.

### The bond market

On the fixed-interest side, 2020 was also characterised by the Covid-19 crisis. In the run-up to the first lockdowns in Europe, interest rates fell sharply, with

German 10-year government bonds hitting a record low of -0.86 per cent on 9 March. Just 10 days later, the same rate had risen to -0.19 per cent, both because the Covid-19 crisis was prompting many players to demand liquidity – rather than liquid assets – and because it was becoming clear that government relief packages would bring a marked increase in the supply of government bonds. The response of virtually all central banks to the sharp rise in interest rates was to release liquidity into the system on a scale that exceeded the financial crisis of 2008. Central banks in the EU (ECB), the USA (FED), the UK (BoE) and Japan (BoJ) also decided to increase/extend bond purchase programmes.

Despite low or negative interest rates on many bonds, the Danish mortgage bond market delivered reasonable returns in 2020. Bonds with long maturities generally yielded higher returns than bonds with short maturities.

### Corporate bonds

Corporate bonds have provided significant excess returns for a number of years, and this trend continued in the first months of the year. 2020 thus started with continued tightening of credit spreads and positive excess returns over risk-free rates. In late February, the credit markets started to react to the Covid-19 crisis. For example, the credit spread on global high-yield bonds rose from 372 bp on 21 February 2020 to 1094 bp on 23 March 2020, causing many credit bonds to fall by 20–40 per cent. Not surprisingly, the worst performers were bonds with the lowest credit ratings, i.e. CCC-rated bonds and bonds from the most exposed sectors such as aviation and energy. However, credit spreads quickly fell again with the adoption of historic support programmes which partly targeted the credit markets in order to prevent a larger number of bankruptcies.

The bankruptcy rate for global high-yield bonds increased in 2020 compared to 2019, driven mainly by companies in the energy sector. Broken down by region, bankruptcy rates increased most in the USA and Europe and least in emerging markets. The bankruptcy rate rose to around 7 per cent for US companies, about 5 per cent for European companies and just over 3 per cent for emerging market companies.

From the bottom of the curve in March, the rest of 2020 saw a normalisation in credit spreads. The global high-yield spread ended at 400 basis points (bp), just 30 bp higher than at the beginning of 2020. As risk-free rates fell at the same time, this translated into positive credit bond yields for 2020.

### Currency

During 2020, the USD weakened quite sharply against the EUR. The main reason for this weakening was that the Fed cut interest rates significantly, while the ECB was already running negative rates when the Covid-19 crisis struck.

When the Covid-19 crisis was at its peak, Danmarks Nationalbank was forced first to intervene in EURDKK then to raise interest rates to enforce the fixed exchange rate policy. This rate hike was not reversed in 2020, which is why the EURDKK rate is near 744, which is at the low end of the historical band.

### Expectations for 2021

The combination of economic re-openings after Covid-19 and fiscal and monetary stimuli will add momentum to economic growth in the coming 12 months, and produce very favourable conditions for economies and corporate earnings. In the same vein, central banks are likely to keep interest rates low for an extended period.

In many areas, the main scenario for equities in 2021 will be determined by the normalisation process after Covid-19. The roll-out of effective vaccines and the resulting increase in immunity will dictate the speed at which economies normalise.

Corporate earnings, a reflection of economic activity over time, have been significantly better than was feared in 2020, with expected earnings in 2021 boosted in several sectors and regions towards the end of 2020.

The technology sector will remain a key driver of the equity markets, but increasing economic activity, combined with gradual normalisation, will benefit the paralysed sectors of the market in particular.

Overall, 2021 is expected to be a year in which economic foundations will improve and corporate earnings will increase, but investor optimism in some areas of the equity market is also strongly reflected in current valuations. The return expectations for equities for 2021 are therefore positive.

In the fixed-interest markets, there is every sign that 2021 will be characterised by stability. The major central banks will not easily be able to raise interest rates from their current, very low levels, and it will also be extremely difficult to extract the large amount of excess liquidity from the market. These two factors mean that short-term interest

rates in particular are expected to fluctuate very little in the coming year.

Despite the very low interest rates, Danish mortgage bonds remain cheap compared to the Northern European alternatives. It is therefore expected that the spread of Danish mortgage credit to government bonds will remain at its current level.

For high-yield bonds, the outlook for 2021 is also positive. Bankruptcy rates are expected to fall during 2021, with credit spreads falling further.

Overall, 2021 is expected to be a good year for investments, and the positive outlook is expected to be reflected in the Fund's returns for the year.

### Risk factors

In 2021, the greatest risk is still expected to relate to the coronavirus pandemic. There is a widespread expectation that an effective vaccination programme will lead to 'herd immunity' throughout much of the Western world by late summer. If vaccination programmes are delayed and/or virus mutations significantly reduce the efficacy of the vaccines, this will pose a very significant risk to prospects for economic growth and to the very positive expectations for corporate earnings growth.

The election of Joe Biden as US President and the Democratic majority in Congress are expected to lead to increased taxation and less business-friendly policies in Washington, but this is not considered to pose a significant threat in the next 1–2 years.



### Background and purpose

The following notes are based on the fund governance recommendations produced by the Danish Investment Association. These should be seen as a supplement to the legislation, so they do not generally encompass the governance issues covered by the comprehensive regulation.

### The relationship between the Fund and its manager

In accordance with the law, the Fund's board of directors, which is elected at the general meeting, has appointed Formuepleje A/S as manager of the Fund. This company is owned by Formuepleje Holding A/S.

## GENERAL MEETING AND INVESTOR RELATIONS

### Information on investor rights

The board of directors aims to promote active ownership of the Fund, partly by encouraging investors to attend the general meeting of the Fund. This is done through investors' access to information, including about investors' rights, through the website, investor disclosure documents, key investor information, and the annual and half-yearly reports.

### Influence

Each investor has one vote for every DKK 100 worth of shares they hold. The Fund's articles of association contain more extensive and detailed information, including about the general meeting of the Fund and investor matters.

### General meeting

A general meeting is called with sufficient notice to enable investors to prepare and decide on the issues to be considered at the meeting. The official invitation outlines the individual items on the agenda and is attempted to be prepared in easily understandable language.

Investors have the option of using proxy instructions to the board of directors or named proxies to make their voices heard in the treatment of the items on the agenda. Through the website, investors will be informed of the deadline for submission of written proposals for consideration at the annual general meeting. If there are proposals for amendments to the articles of association, interested parties can obtain the complete proposals by contacting Formuepleje A/S. The complete proposals are also published on [www.formuepleje.dk](http://www.formuepleje.dk). The aim is for all members of the board of directors and at least one member of the fund manager's executive board to be present at the annual general meeting.

## THE BOARD OF DIRECTORS

### Size of the board of directors

Elections to the board of directors are held at the annual general meeting. The board consists of a minimum of three and a maximum of six members, which is considered to be an appropriate number for enabling a constructive and effective debate in which all members have the opportunity to participate actively. The board of directors regularly assesses whether the number of board members is appropriate in relation to the Fund's needs. The board of directors elects its own Chairman and Vice-Chairman.

### Composition

Investment Denmark's fund governance recommendations recommend that board members should not be elected for a period longer than one year at a time, and that the chairman and other board members should only be allowed to serve a maximum number of terms. On these points, the Fund deviates from the recommendations, as only the two longest-serving members of the board of directors are up for election each year. Furthermore, no maximum number of terms has been set. These deviations have been chosen to ensure greater continuity in the board of directors.

Along with the invitation to the general meeting, where elections to the board of directors are on the agenda, a description of the candidates' qualifications is published, including details of their other management roles.

During the general meeting itself, investors can also nominate candidates for election to the board of directors. In these situations, it is expected that the candidate should have the opportunity to present their qualifications, including information about their other management roles, intentions and expectations with respect to the work of the Fund.

Where necessary, the chairman holds meetings with the fund manager's executive board, where the co-operation is regularly evaluated.

The board of directors has decided that target figures for the underrepresented gender among board members elected by the general meeting must be at least 20 per cent, or that at least one member of the board must be of the underrepresented gender. This objective will be met by continuous development of the board, and has already been achieved.

The board normally makes an annual assessment of the competencies it needs in order to best perform its tasks, and of whether there are areas in which the skills and expertise of its members need to be updated.

Upon joining, new board members receive an introduction to the Fund.

### The amount of time allocated to board work and the board members' other duties

Candidates for the board are asked to describe other board positions and offices they have held. Each board member is expected to be clear about the demands of board work on his or her time, and to devote sufficient time to these duties.

### Age limit

A member of the board of directors must step down no later than at the general meeting following the end of the financial year in which they reach 70 years of age.

Individual board members' ages can be found elsewhere in the annual report, where the board of directors is presented in more detail.

### Election term

Every year, the two longest-serving board members are up for election, calculated from their last election. If more than two board members have served for an equal amount of time, the termination will be determined by drawing lots. Members of the board may be re-elected. This is considered to be beneficial for the Fund, as over time, a member will gain experience and specific knowledge of the Fund's affairs. Information regarding individual board members' term(s) can be found elsewhere in the annual report, where the board of directors is presented in more detail. Board members receive a fixed annual remuneration, subject to approval at the general meeting.

### The Fund's manager

Board member Carsten With Thygesen is a member of the board of the Fund's manager.

The collaboration between the board and the fund manager is continuously evaluated, including in regular discussions between the chairman and the fund manager's executive board.

## AUDIT COMMITTEE

The board of directors has appointed an audit committee consisting of Carsten With Thygesen and Lars Sylvest – the latter is chair of the committee. The audit committee meets with the Fund's external auditor and the Fund manager's executive board at least twice a year for, among other things, a closer examination of the accounting and auditing process, including a review of reports from the Fund manager's compliance and risk function. The audit committee subsequently informs all board members of these matters.

## COMMUNICATION AND MANAGEMENT OF STAKEHOLDERS

### Communication strategy

The Fund has chosen to rely on electronic communication, which can be justified on the grounds of timeliness, environmental considerations and cost. It is the view of the board of directors that all information about the Fund must be made available on the Fund's website, [www.formuepleje.dk](http://www.formuepleje.dk), to the extent that this does not compromise a current competitive situation. Among other things, details of the investments made have been delayed for the sake of the Fund's colleagues/competitors. The Fund complies with the industry standards laid down by the industry association Investment Denmark and therefore publishes all information about returns, risk and costs, in addition to complying with the standards which apply to the operation and marketing of the Fund.

### Management of stakeholder interests

Generally, management works from an ambition to constantly ensure the professional management of investors' assets, taking into account a variety of factors, including good practice, cost and availability. Direct investor contact is handled by Formuepleje, which is responsible for up-to-date information material and legal documents.

## REVISION

With a view to recommending auditors for appointment by the general meeting, the board of directors assesses the auditor's competence and independence, etc. The auditor's agreement and the auditor's remuneration is approved by the board of directors. The board of directors determines the overall general framework for the auditor's delivery of non-financial audit services in order to ensure the auditor's independence etc. The auditor participates in the board meeting where the annual report is processed, including discussion of accounting policy and audit actions. The result of the audit is discussed with the board of directors with a view to reviewing the auditor's observations and conclusions, potentially based on the draft auditor's records. The board of directors ensures that there is an exchange of dialogue and information between the auditor and the board. If the board considers it necessary, it will meet with the auditor once a year, without the executive board being present.

## SECURITIES LENDING

### Securities lending

Before the Fund makes use of securities lending, there must always be a concrete assessment of whether the transaction is in the interest of the investors. The basis of the decision will be a balancing of whether the expected earnings are in line with the cost and potential risk. Securities lending should be carried out exclusively for the benefit of the managed sub-fund.

Securities lending cannot take place during periods when dividends are paid out in the companies. The period for dividends is calculated as five business days before and five business days after the date on which dividends were paid. A control environment has been established to ensure that this is complied with.

Where securities lending is used, the Fund is required to state the extent of this and the income derived from it in the annual report, with a breakdown of income and expenses in the notes and a mention in the report for the sub-fund.

### Securities lending in connection with loan financing

The sub-fund's loan financing includes securities lending. Securities lending is loans where the borrower lends out securities and, in return, receives collateral in e.g. cash.

## VARIOUS

### Management of the Fund (board of directors and fund manager)

The general meeting, which is the Fund's highest authority, elects a board of directors at the ordinary general meeting. The board of directors will then appoint a manager responsible for the daily management of the Fund. As initially outlined, the board of directors has appointed Formuepleje A/S as its fund manager. In order to ensure that the manager has the necessary competencies, minimum requirements for the management have been implemented in the articles of association. Essentially, there is a requirement that the board of directors must have adequate experience to perform the duties and to take the necessary investment decisions. Furthermore, managers must have no criminal record, must not have filed for bankruptcy, must not be in receivership, etc. When there is a change in a fund manager's management group, the new members of management must be approved by the FSA.

The board of directors of the Fund must establish rules of procedure for the exercise of their duties. The rules of procedure also take into account that the general disqualification rules are complied with for decisions regarding board members' own buying and selling of investment assets, which is why a ban may e.g. be imposed on trading in securities that have been discussed at a meeting.

No fixed incentive programmes have been established for the board of directors or executive board. The Fund has hired Formuepleje A/S as its manager. This means that the Fund's board has no direct influence on the remuneration policy and executive remuneration in Formuepleje A/S. These are established by the board of directors of Formuepleje A/S, which is independent of the Fund. The Fund pays remuneration to Formuepleje A/S in accordance with the agreements.

### Business processes

In all material respects, the fund manager has established written business procedures and controls to safeguard daily operations as best possible. Moreover, developing and maintaining business procedures is a continuous process. In order to address any disputes with a member of the Fund, the board of directors has adopted a procedure which has been published on the Fund's website. The procedure gives priority to a rapid response in the form of dialogue, so that a formal complaint submission will only be necessary where satisfactory clarification cannot be obtained.

### Trade in capital fund certificates

In case of issues or redemptions in the Fund, it is important that the valuation takes place on a current basis. The fund manager has an IT system which continuously updates price information on the underlying assets for use in the calculation of the net asset value. This means that the valuation of the Fund's shares is always based on current prices. NAV is published via [IFX.dk](http://IFX.dk) and on the Fund's website when it is changed. In this way, all stakeholders, including depositaries, market makers and members, have access to the Fund's NAV and the relevant buying and selling prices at the same time. The Fund never trades with the individual member, but only with the market maker.

### Settlement of trades with the underlying securities

The Fund's manager and investment advisor assume all tasks related to trading, settlement and registration in deposit. All transactions are carried out on best execution terms and in order to get access to relevant market information, the investment advisor makes sure to place trades with many different market participants. Trading conditions are monitored continuously, as the intention is to maintain the conditions which apply to large-scale customers.

**Clients and brokers**

The agreement between the Fund and its manager includes the marketing of the Fund's shares. On a reciprocal basis, the agreement ensures that the Fund manager is informed about the Fund's products, so that the Fund manager can then provide the Fund's investors with professional advice, pursuant to the Executive Order on best practices for financial businesses.

**Relationship with advisors regarding the Fund's investments**

The Fund's manager is responsible for the Fund's portfolio management and is thus the Fund's primary advisor.

**Asset valuation**

The Fund's assets are valued in accordance with the applicable legislation. Valuation work is otherwise confined to the

management company and is carried out on the basis of price data gathered automatically by the Fund's IT systems. Elsewhere in this annual report, under "Accounting policies", the principles which apply to the valuation have been further explained.

**Risk management**

The investment policy for the Fund's sub-fund has been established by the Fund's manager in the form of an instruction which shows the latitude in the selection of assets and risks and the possibility of using currency hedging. The fund manager continuously monitors the sub-fund's placement framework and risk limits to ensure these do not differ from the investment framework set out by the board of directors.

Formuepleje aims to achieve an attractive long-term return for the sub-fund. This calls for focused risk management, which also includes assessment of environmental, social and governance-related (ESG) conditions. In its work with ESG, Formuepleje focuses on environmental and climate impact, labour rights, human rights and anti-corruption. The guidelines for the funds' work with CSR appear in the funds' responsible investment policies which cover all ESG areas, including environmental and climate impact, labour rights and employee matters, respect for human rights, anti-corruption and bribery. As a rule, Formuepleje addresses all areas in accordance with the same principles. Generally, Formuepleje aims to raise ESG standards in the markets where investments are made, as this has a number of social benefits in the form of e.g. higher growth and a more sustainable development. Thus, Formuepleje also considers companies that understand and manage ESG-related issues in a proper manner to be better long-term investments.

The Responsible Investment Policy, which includes active ownership, was adopted by the board of directors in December 2020. The current policy can be found on the Fund's website, [Formuepleje.dk](https://formuepleje.dk).

The basis for the Fund's responsible investment policy is the UN PRI (the United Nations Principles for Responsible Investment), which is a set of principles for responsible investment. The UN PRI is a global initiative to promote responsible investment and was established by some of the world's largest investors in co-operation with the UN. Formuepleje has endorsed these principles and conducts an annual reporting and assessment process under the guidelines of the PRI. Part of this report is published on the PRI website.

Formuepleje follows a number of principles regarding responsible investment, which means, among other things, that ESG analyses are included in all investment processes and that Formuepleje refrains from investing in companies which have an unacceptable risk of violating international principles of corporate responsibility.

Formuepleje does not publish an external exclusion list, but can opt out of companies at any time if they are believed to violate international principles of social responsibility such as the UN Global Compact, UN Guiding Principles and the OECD Guidelines for Multinational Enterprises. As a rule, all equities featuring on Norges Bank's exclusion list, which features almost 150 companies, are excluded. Formuepleje cooperates with an external service provider from which reports on companies suspected of serious violations of international norms and conventions are regularly received. As a rule, these recommendations are followed, but all input is evaluated and Formuepleje's investment committee makes the final decision on possible exclusions of companies. Companies in the portfolios have already been through the relevant portfolio manager's own due diligence process, so it is rare that Formuepleje ends up excluding a company from the portfolios.

Formuepleje calculates the carbon footprint of all companies for which the relevant data is available (scope 1 and scope 2) and has set a target for all portfolios to have a lower carbon footprint than their respective benchmarks in 2021. Formuepleje does not pre-screen specific sectors, but calculates a CO<sub>2</sub> risk score for all companies, which is a measure of the companies' ability to manage carbon risk. All companies that receive the highest risk score (severe risk) are placed on a list and are assessed individually in order to decide whether they can remain in the portfolio. As a starting point, Formuepleje wants to limit the proportion of companies with the highest risk score, and in practice this means that

e.g. coal producers are only present to a very limited extent in the portfolios.

The work on responsible investment is co-ordinated by an ESG working group which reports to the investment committee. The ESG working group operates across the organisation to ensure that the responsible investment policy is implemented and adhered to. The ESG working group meets at regular intervals and evaluates the latest screening results and risk scores.

Regardless of the market being invested in or which company is being invested in, there is always a risk that violations of international norms and conventions may occur without detection. This may be due to a lack of regulatory control or circumstances that are kept hidden by the companies. The majority of the assets in Formuepleje are invested in Danish bonds or major global listed companies, where the risk of violations is limited. However, a minor proportion is also invested in emerging markets, where the risk of undetected violations of standards for environmental and climate impact, labour rights and employee conditions, respect for human rights, anti-corruption and bribery is greater, just as the ability to monitor ESG issues in the companies is lesser. Formuepleje is aware of these risks and seeks to mitigate them through collaboration with investment advisors who are specialists in the relevant markets, and with the external ESG advisor.

Formuepleje has entered into consulting agreements with external investment advisors for all equity sub-funds. The advisors have all signed the UN PRI or meet similar requirements, and all advisors incorporate ESG factors into their investment process. For example, this may happen by a worse ESG score or uncertainty about the ESG score detracting from the valuation of companies. Work on responsible investment is also an integral part of the ongoing evaluation of the advisors, and at least annually separate ESG meetings are held with investment advisors, where the ESG work is the main point on the agenda. Through the primary equity advisors, Formuepleje works actively to influence companies where there are suspected violations. Support for companies which move in the right direction with respect to ESG issues is generally more effective than selling.

Formuepleje's Better World Environmental Leaders (BWEL) and Better World Global Opportunities (BWGO) sub-funds invest in global equities that respectively support and are strongly committed to sustainable development. For both sub-funds, an investment advisor has been contracted who is a specialist in the green transition. Both sub-funds can show concrete results of their investments in a sustainable transition.

The policy for active ownership, which is part of the policy for responsible investment, is available on the website. Formuepleje can choose to exercise its voting rights when it is in the interest of investors based on a principle of proportionality. In 2020, Formuepleje entered into an agreement on proxy voting which ensures that Formuepleje has easier access to voting at companies' general meetings and has a better overview of the relevant resolutions. Whether Formuepleje publishes what was voted for depends on the specific case. So far, Formuepleje has often refrained from exercising its voting rights, as the effect of this in relation to the cost is small.

Formuepleje has not seen fit to exercise its voting rights in 2020, as there have been no votes for which the administrative costs to investors would be commensurate with the expected results. This should be seen in light of Formuepleje's very small stake in the companies, and the fact that, as a rule, Formuepleje seels off its investments where there is no trust in the management.

## Statements // Management's statement

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The Fund's board of directors and trustee have, today, examined and approved the annual report for 2020 for Kapitalforeningen Formuepleje Safe.

The annual report has been prepared in accordance with the Act on Managers of Alternative Investment Funds, etc., with the addition of the accounting provisions in the Act on Investment Funds, etc.

The financial statements for each sub-fund provide a true and fair view of its assets and liabilities, its financial position as of 31 December 2020, and its profit or loss for the period 1 January–31 December 2020.

The management report for the Fund and the management report for each sub-fund contain true accounts of the development in the Fund's and sub-fund's activities and financial positions, and describes significant risks and factors of uncertainty which the Fund, respectively the sub-fund, may be affected by.

The annual report is submitted for approval at the annual general meeting.

Aarhus, 8 March 2021

Fund manager  
Formuepleje A/S  
Executive board

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Søren Astrup

Board of directors

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Carsten With Thygesen  
Chairman

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Lars Sylvest  
Deputy chairman

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Michael Vinther

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Hanne Søndergaard Birkmose

### To the investors in Kapitalforeningen Formuepleje Safe

#### Conclusion

We have audited the financial statements of Kapitalforeningen Formuepleje Safe for the year ending on 31 December 2020, which comprise the income statement, balance sheet and notes, including the accounting policies used. The annual accounts have been prepared in accordance with the Act on Managers of Alternative Investment Funds, etc., with the adoption of the accounting provisions of the Act on Investment Funds, etc.

In our opinion, the financial statements give a true and fair view of the assets, liabilities and financial position of the Fund as of 31 December 2020 and of the results of its operations for the financial year from 1 January to 31 December 2020 in accordance with the Act on Alternative Investment Fund Managers, etc., as amended by the Act on Investment Funds, etc.

Our conclusion is consistent with the records submitted to the board of directors by our auditor.

#### Basis for conclusion

We have conducted our audit in accordance with international auditing standards, as well as in accordance with the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are described in more detail in the auditor's report, in the section "The auditor's responsibility for the audit of the annual accounts". It is our view that the obtained audit evidence is sufficient and suitable for constituting the basis of our conclusion.

#### Independence

We are independent of the fund in accordance with international rules of ethics for auditors (the IESBA's Code of Ethics) and the additional requirements applicable in Denmark, just as we have met our other ethical obligations under these rules and requirements. To our knowledge, no prohibited non-audit services detailed in Article 5(1) of Regulation (EU) No 537/2014 have been performed.

#### Appointment of auditor

We were first elected as auditors of Kapitalforeningen Safe on 25 April 2018 and are re-elected annually by resolution of the general meeting for a total assignment period of three years, up to and including the financial year of 2020.

#### Key issues of the audit

Key concerns for the audit are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ending on 31 December 2020. These issues were addressed as part of our audit of the annual accounts as a whole and the preparation of our conclusion thereon. We express no separate opinion on these matters. For each of the following matters, the description of how the matter was treated in our audit has been provided in this context.

We have fulfilled our responsibilities as described in "The auditor's responsibility for the audit of the annual accounts", including in relation to the following key aspects of the audit. Our audit has included designing and performing auditing procedures in response to our assessment of the risks of material misstatement in the annual accounts. The result of our audit procedures, including the audit procedures we have implemented to process the below issues, form the basis of our opinion on the annual accounts as a whole.

#### Valuation of financial instruments

The valuation of investments in shares, investment certificates and derivatives (collectively referred to as 'financial instruments') at fair

value is the main element in calculating the Fund's return and assets.

It is our view that, in relation to the valuation of the Fund's financial instruments, there is generally no significant risk of material misstatement in the annual accounts, since the Fund's financial instruments consist mainly of liquid, listed financial instruments for which a listed price in an active market is available, and only to a limited extent of less liquid listed and unlisted financial instruments whose fair value is determined using generally accepted valuation techniques and management estimates.

Due to the essential importance of the instruments to the Fund's total income and returns, the valuation of financial instruments is deemed to be the most central aspect of the audit.

Our audit procedures with regard to the valuation of financial instruments have included:

- Test of registration systems, business procedures and internal controls, including IT and system-based controls that support the valuation of financial instruments.
- Random checks of reconciliations of financial instruments against information from the depositary bank and random checks of the instruments' valuation by comparison with independent pricing sources.
- Assessments and spot-checks of valuation techniques used and management judgements in determining the fair value of less liquid financial instruments.

The percentage distribution of financial instruments across listed instruments, instruments listed on another regulated market and other financial instruments appears in the note in the annual accounts.

#### Statement on management's reviews

Management is responsible for the management's review and the sub-fund review for the sub-fund, subsequently referred to as the "management's reviews".

Our conclusion on the annual accounts does not cover the management reports, and we express no sort of certain conclusion on the management reports.

In connection with our audit of the annual accounts, it is our responsibility to read the management's reviews and, in this context, consider whether the management's reviews are materially inconsistent with the annual accounts or our knowledge gained from the audit, or whether they appear to be otherwise materially misstated. Our responsibility is also to consider whether the management reports contain the information required under the Act on Managers of Alternative Investment Funds, etc., with the adoption of the accounting provisions of the Act on Investment Funds, etc.

Based on the work performed, it is our opinion that the management's reviews are consistent with the annual accounts and have been prepared in accordance with the requirements in the Act on Managers of Alternative Investment Funds, etc., with the adoption of the accounting provisions in the Act on Investment Funds, etc. We have not found material misstatements in the management's reviews.

#### Management's responsibility for the annual accounts

Management is responsible for the preparation of annual accounts which provide a true and fair view in accordance with the Act on Managers of Alternative Investment Funds, etc. with the adoption of the accounting provisions of the Act on Investment Funds, etc. Management is also responsible for any internal control which

management determines is necessary in order to prepare annual accounts free from material misstatement, whether due to fraud or error. In preparing annual accounts, management is responsible for assessing the Fund's ability to continue operation; to provide information on aspects of continuing operations where applicable; and to prepare annual accounts based on the accounting principle of continuing operations, unless management either intends to liquidate the Fund or cease operations or has no realistic alternative but to do this.

#### **The auditor's responsibility for the audit of the annual accounts**

Our aim is to obtain reasonable assurance as to whether, as a whole, the annual accounts are free from material misstatement, be this due to fraud or error, and to issue an auditor's report with a conclusion. A great degree of assurance is a high level of certainty, but not a guarantee, that an audit performed in accordance with international standards on auditing as well as additional requirements applicable in Denmark will always uncover significant misstatements where they exist. Misstatements can arise from fraud or error and can be considered material if it can be reasonably expected that, individually or collectively, they influence the financial decisions that users of the accounts make on the basis of the annual accounts.

As part of an audit performed in accordance with international standards on auditing, as well as additional requirements applicable in Denmark, we conduct professional assessments and maintain professional scepticism during the audit. In addition:

- ▶ We identify and assess the risks of material misstatement in the annual accounts, be this due to fraud or error, design and perform audit procedures in response to these risks, and obtain audit evidence that is sufficient and appropriate to provide the basis of our conclusion. The risk of failing to detect material misstatements caused by fraud is greater than the risk of failing to detect material misstatements caused by errors, as fraud may include conspiracies, forgery, deliberate omissions, misdirection or overriding of internal controls.
- ▶ We gain an understanding of internal controls relevant to the audit in order to design audit procedures which are appropriate in the circumstances, but not to express an opinion on the effectiveness of the Fund's internal controls.
- ▶ We determine whether the accounting policies applied by management are appropriate, and whether accounting estimates and related information drawn up by management is reasonable.
- ▶ We conclude whether management's preparation of the annual accounts based on the accounting principles of continuing operations is appropriate, and whether, on the basis of the audit evidence obtained, there is significant

uncertainty related to events or factors that may create substantial doubt about the fund's ability to continue operations. If we conclude that there is significant uncertainty, we must, in our auditor's report, identify these details in the annual accounts or, if such information is not sufficient, modify our conclusion. Our conclusions are based on the audit evidence obtained up until the date of our auditor's report. However, future events or circumstances may mean that the Fund can no longer continue operation.

- ▶ We consider the overall presentation, structure and content of the annual accounts, including the note information, as well as whether the annual accounts reflect the underlying transactions and events in such a way as to provide a true and fair view of these.

We communicate with senior management about e.g. the planned scope and timing of the audit and about significant audit observations, including any significant deficiencies in internal controls which we identify during the audit. We also provide a statement to senior management that we have complied with relevant ethical requirements regarding independence, and we inform management of all relationships and other matters that are reasonably likely to affect our independence and, where relevant, associated safeguards.

Based on the matters that have been communicated to senior management, we determine what factors were the most significant in the review of the annual accounts for the relevant period and are thus key aspects of the audit. We describe these matters in our auditor's report unless legislation or other regulation precludes that the matter is published or, in very rare cases, where we determine that the matter should not be communicated in our auditor's report because the negative consequences thereof could reasonably be expected to outweigh the public interest benefits of such communication.

Aarhus, 8 March 2021

EY GODKENDT REVISIONSPARTNERSELSKAB  
CVR 30 70 02 28

Thomas Hjortkjær Petersen  
State-authorised public accountant  
mne33748

Michael Laursen  
State-authorised public accountant  
mne26804

### Investment area and profile

The sub-fund implements its investment strategy on the basis of the theory of optimal portfolios. This means that, based on statistical and theoretical contexts, the sub-fund puts together a portfolio consisting mainly of bonds and equities, seeking to optimise the relationship between returns and risk. The sub-fund may then, by borrowing in Danish kroner or euros, invest more in the optimised portfolio. Thus, the expected return is increased. The strategy thus implies that the sub-fund uses loans. The aim of the strategy is for the returns/the risk profile to be different to that of traditional investment funds investing in bonds and equities. The sub-fund invests in foreign currency assets and can therefore be affected by changes in currency rates in the countries in which the sub-fund invests. The sub-fund uses financial instruments in its risk management.

### Cost structure

The sub-fund's administrative expenses cover both the cost of advice and management and the sub-fund's other operating costs. The fixed fee for the advisor and trustee is calculated on the basis of the sub-fund's assets, and amounts to a total of 1.75 per cent per annum of the assets.

The investment adviser also receives a performance-based payment totalling 10 per cent of the return on the sub-fund. Before triggering performance remuneration, the net asset value must exceed the most recent high water mark. Thus, performance remuneration is only paid out when the net asset value is greater than it was when performance remuneration was paid out last time. This is calculated on a monthly basis. For the year as a whole, it can therefore happen that performance-based remuneration is paid to the fund manager despite the returns of the financial year being negative.

Calculation by high-water mark ensures that performance-based remuneration is only paid when the sub-fund's assets have achieved a positive increase in value, and that no returns-based remuneration is paid more than once for the same returns.

If investments are made in the form of other collective savings products which the fund manager has entered into an investment agreement with, the fund manager's earnings from this are deducted from the fee paid to the fund manager.

### Performance and assets

During the financial period, the sub-fund had issues of DKK 1,080 million, and redemptions of DKK 771 million. kr. During the year a profit of 180 million was realised. The assets as of 31 December 2020 amounted to DKK 8,227 million.

### Return for the year and performance

The sub-fund delivered a return in the financial year of 1.80 percent, which is in line with the return expectation at the presentation of the annual report for 2019, where the Covid-19 pandemic led to great uncertainty about expected returns in 2020. An index with the same risk profile as the sub-fund, i.e. medium-risk, delivered a return of 5.01 per cent in the accounting period. Despite the fact that the sub-fund delivered a positive absolute performance, the board of directors considers that it is not satisfactory that the sub-fund did not perform on a par with an index with the same risk profile. It should be noted, however, that 2020 was characterised by particularly turbulent markets and the performance of the sub-fund is expected to improve in the coming period. The sub-fund has still delivered a significant positive return over the past five years which is even higher than an index with a similar risk profile; also see page 4.

The largest contribution to this year's return came from the investment in mortgage bonds, which contributed 1.6 percent. The relative performance in relation to a medium-risk index can, to a large extent, be explained by the contribution from the share return, given by Formuepleje LimiTellus. In particular, underperformance by certain technology stocks made a negative contribution to the relative performance of the sub-fund. For further comments, please refer to the annual report for Wealth

Management LimiTellus, just as it is recommended that you read the section on general market development on page 7.

### Expectations for 2021

For 2021, the outlook remains positive. This applies to all three asset classes in which the sub-fund is invested – equities, corporate bonds and mortgage bonds. Overall, a return of 7–10 percent is expected. For further remarks on the various asset classes, reference is made to the general management's report and to the annual accounts of other sub-funds in which the sub-fund is invested – see also note 9 in the annual accounts.

### Securities lending

In accordance with the Fund's articles of association, the sub-fund may lend securities to optimise the return on the assets in which the sub-fund invests. In 2020, no loans of securities were made.

### Securities lending in connection with loan financing

The sub-fund's loan financing includes securities lending. Securities lending is loans where the borrower lends out securities and, in return, receives collateral in e.g. cash.

### Uncertainty in recognition or measuring

The manager estimates that there is no uncertainty in the recognition and measurement of the value of assets.

### Significant events after the reporting period

No events of significance to the financial statements have occurred after the end of the financial year.

### Payroll information

According to the Act on Managers of Alternative Investment Funds Etc. (the AIFM Act), in accordance with Section 61(3), 5th and 6th sentences, the following information must be provided.

The total salary bill for 2020 for employees, excluding management, of the management company Formuepleje A/S amounts to (TDKK = thousand DKK) TDKK 82,463, of which TDKK 65,718 is fixed salary and TDKK 16,745 is variable pay.

The total payroll for the management of the fund manager amounts to TDKK 7,576, of which TDKK 6,193 is fixed salary and TDKK 1,383 is variable salary.

The total salary bill for employees of the management company who have a material influence on the risk profile of the managed funds as defined in the AIFM Act amounts to TDKK 24,359, of which TDKK 19,335 is fixed salary and TDKK 5,024 is variable pay.

There will be no preference return to any employees or the management of Formuepleje A/S from any of the managed funds.

No information is available which allows for the total salary amounts to be attributed to the individual funds under management.

The average number of employees at the fund manager in 2020, converted to full-time equivalents, is 66.



## Inventories // Formuepleje Safe KL

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The fund's equity and bond exposure is made via Danish and foreign investment and capital funds.

For further information about the underlying funds, see note 9 of the annual accounts and the respective annual reports on investment and capital funds for 2020. The figures are as of 31 December 2020.

The sub-fund's 10 biggest indirect equity investments as a % of investors' assets	%
Microsoft Corp.	2.74
Alphabet Inc CLC	2.66
Anthem Inc	2.54
Samsung Electronics Co Ltd	2.42
Naspers Ltd	2.05
Julius Baer Group Ltd	2.03
Cognizant Tech	1.99
SAP AG	1.95
Otis Worldwide Corp	1.82
Facebook Inc	1.82
The sub-fund's indirect bond exposure by issuer, as % of investors' assets	%
Nykredit	99.56
Realkredit Danmark	31.79
Nordea Realkredit	20.24
DLR Kredit	13.01
Jyske Realkredit	10.39
Market-neutral investment as % of investors' assets	%
Triple Alfa Global Equities A/S	7.71

## Risk limits and risk assessment // Formuepleje Safe KL

The table below shows numerical risk limits in accordance with the sub-fund's articles of association and risk limits set by the Fund's manager (Formuepleje A/S), with the risk calculated as of 31 December 2020. The Fund's manager (Formuepleje A/S) has adopted numerical risk limits which involve lower risk and apply at the time of investment. They can thus subsequently be exceeded due to market fluctuations. In the table, investors' assets are defined as assets.

	Statute lower limit	Board of directors lower limit	Risk per 31-12-2020	Board of directors upper limit	Statute upper Limit
<b>Position and market risk</b>					
Equity exposure as % of assets	0%	0%	89.1%	90.0 %	105%
Alpha strategy exposure as % of assets	-	0%	7.7%	10.35%	-
Other securities as % of assets	0%	0%	0.0%	10.0 %	10%
Other bonds as % of assets	0%	0%	0.33%	10.0 %	10%
Option-adjusted duration	-2	-1	1.94	6	8
<b>Concentration risk</b>					
Single greatest exposure towards single equity as % of equity investments	0%	0%	4.27%	10.0 %	13%
Sum of equity positions exceeding 5% of equity investments	0%	0%	0.0%	40.0 %	42%
Largest issuer as % of bond investments	0%	0%	55.5	80.0%	80%
<b>Currency risk</b>					
Foreign currency loans in EUR as % of foreign currency loans	0%	0%	100.0%	100.0%	100%
Hedging of EUR loans as % of EUR loans*	-	0%	100.0%	100.0%	-
Unhedged foreign currency loans in currencies other than EUR and DKK as % of assets	0%	0%	0.0%	10.0 %	10%
<b>Gearing risk</b>					
Loan gearing as % of assets	0%	0%	173.5%	500.0 %	500%
Market value of long dispositions as % of assets	0%	0%	286.1%	500.0 %	600%
Gross exposure in % of assets	0%	0%	337.3%	850.0%	900 %
<b>Standard deviation</b>					
Return over 12 months**	0%	0%	26.3%	34.0 %	40%
Return over 36 months**	0%	0%	18.5%	24.0%	29 %
Return over 60 months**	0%	0%	16.7 %	21.0 %	27 %

\* The sub-fund has hedged its foreign currency loans in EUR via forward foreign-exchange contracts. The sub-fund also uses forward foreign-exchange contracts to hedge the bond portfolio.

\*\* Standard deviations are measured here at the reference index for the portfolio's sub-elements. This gives an impression of the risk involved in the portfolio as it is currently composed.

Income statement (in TDKK)

Note	2020	2019
Interest and dividend yields		
1 Interest income	0	27,996
2 Interest expenses	-1,630	-3,640
3 Dividend yield	3,092	6,469
<hr/>		
Total interest and dividend yields	1,462	30,826
Capital gains and losses		
4 Bonds	0	24,787
4 Equity holdings	371,618	1,529,974
4 Derivatives	-55,687	-37,052
Currency accounts and loans		
	3,519	4,867
Other assets and liabilities		
	16	-5
5 Trading costs	-214	-107
<hr/>		
Total capital gains and losses	319,252	1,522,463
Total revenue	320,714	1,553,289
6 Administrative expenses	-140,665	-214,094
<hr/>		
Net result for the year	180,048	1,339,195
Total transferred to assets	180,048	1,339,195

Balance (in TDKK)

Note	ASSETS	2020	2019
	Cash and cash equivalents		
	Balance with depositary	35,930	53,180
	Cash and cash equivalents total	35,930	53,180
	Equity holdings		
	Unlisted equity holdings from Danish companies	634,416	638,654
	inv. certificates in other Danish UCITS, etc.	7,210,897	6,652,490
	inv. certificates in foreign investment funds	1,193,813	1,098,107
	Total equity holdings	9,039,126	8,389,251
	Derivatives		
	Unlisted derivatives	48	528
	Total derivatives	48	528
	Other assets		
	Balance due to trade settlement	76,165	65,993
	Total other assets	76,165	65,993
	ASSETS TOTAL	9,151,269	8,508,953
	LIABILITIES	2020	2019
7	Investors' assets	8,226,673	7,730,074
	Derivatives		
	Unlisted derivatives	128	0
	Total derivatives	128	0
8	Loans	878,410	687,564
	Other debt		
	Owed expenses	302	246
	Balance due to trade settlement	45,756	91,069
	Total other debt	46,058	91,315
	TOTAL LIABILITIES	9,151,269	8,508,953
	Notes to which no reference is made		
9	Additional notes on financial instruments		
10	Underlying exposures from forward foreign-exchange contracts		
11	Underlying exposure from futures		
12	Mortgages as security for loans		
13	Unlisted ownership shares wherein the fund possesses more than 5% of the capital or the votes		
14	Key figures		
15	Audit fees		

## Notes (in DKK thousands)

Note	2020	2019
<b>1 Interest income:</b>		
Loans	0	3,111
Listed bonds from Danish issuers	0	24,699
Listed bonds from foreign issuers (Swedish)	0	187
<b>Total interest income</b>	<b>0</b>	<b>27,996</b>
<b>2 Interest expenses:</b>		
Balance with depositary	378	578
Loans	1,253	0
Interest rate swaps	0	3,062
<b>Total interest expenses</b>	<b>1,630</b>	<b>3,640</b>
<b>3 Dividend yields:</b>		
inv. certificates in other Danish UCITS, etc.	959	472
inv. certificates in foreign investment funds	2,133	5,997
<b>Total dividend yields</b>	<b>3,092</b>	<b>6,469</b>
<b>4 Capital gains and losses, bonds</b>		
Listed bonds from Danish issuers, realised	0	29,171
Listed bonds from foreign issuers (Swedish), realised	0	-4,384
<b>Total capital gains and losses, bonds</b>	<b>0</b>	<b>24,787</b>
<b>Capital gains and losses, equity holdings:</b>		
Unlisted Danish equities, realised	149	0
Unlisted Danish equities, unrealised	-129,913	8,071
Investment certificates in other Danish UCITS, etc., realised	-140,622	184,969
Investment certificates in other Danish UCITS, etc., unrealised	594,413	1,250,470
Investment certificates in foreign investment funds, realised	-7,027	5,789
Investment certificates in foreign investment funds, unrealised	54,617	80,675
<b>Total capital gains and losses, equity holdings</b>	<b>371,618</b>	<b>1,529,974</b>
<b>Capital gains and losses, derivatives:</b>		
Interest rate swaps, realised	0	-19,850
Forward foreign-exchange contracts, realised	-2,472	4,473
Forward foreign-exchange contracts, unrealised	48	528
Futures, realised	-53,136	-22,204
Futures, unrealised	-128	0
<b>Total capital gains and losses, derivatives</b>	<b>-55,687</b>	<b>-37,052</b>
<b>5 Trading costs:</b>		
Gross trading costs	219	107
Covered by issue and redemption income	-5	0
<b>Total trading costs</b>	<b>214</b>	<b>107</b>

Notes (in DKK thousands)

Note	2020	2019
6 Administrative expenses:		
Administration	17,892	16,514
Investment management	122,774	197,580
– of which performance fee	7,148	93,935
Distribution, marketing and communication	0	0
<b>Total administrative expenses</b>	<b>140,665</b>	<b>214,094</b>
	Circ. certificates	Asset value
7 Investors' assets 2020	(Nom. in TDKK)	(in TDKK)
Investors' assets (start of year)	4,221,968	7,730,074
Issues during the period	657,571	1,080,158
Redemptions during the period	-465,181	-770,836
Net issue and redemption charges		7,230
Transferred from income statement		180,048
<b>Total investor assets</b>	<b>4,414,359</b>	<b>8,226,673</b>
Investors' assets 2019	(Nom. in TDKK)	(in TDKK)
Investors' assets (start of year)	3,730,855	5,531,460
Issues during the period	493,113	858,146
Redemptions during the period	-2,000	-3,045
Net issue and redemption charges		4,318
Transferred from income statement		1,339,195
<b>Total investor assets</b>	<b>4,221,968</b>	<b>7,730,074</b>
8 Loans	2020	2019
Loans with depositary bank and other financial institutions	878,410	687,564
<b>Total loans</b>	<b>878,410</b>	<b>687,564</b>

Notes to which no reference is made (in TDKK)

9 Financial instruments as percentage of assets:	2020	2019
Listed financial instruments	85.17%	84.73%
Other financial instruments	24.70%	23.80%
<b>Total financial instruments</b>	<b>109.87%</b>	<b>108.53%</b>
Other assets and debt	-9.87%	-8.53%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>

Asset breakdown as a % of investors' assets as of 31 December 2020

	%
Share-based investment funds	69.88
Unlisted shares – market-neutral strategy	7.71
<b>Total equity-based investments</b>	<b>77.59</b>
Bond-based investment funds	32.28
<b>Total bond-based investments</b>	<b>32.28</b>
<b>Total</b>	<b>109.87</b>

Notes to which no reference is made (in TDKK)

Note

9	Specification of investment and mutual fund certificates as of 31 December 2020	%
	<i>Danish bond-based inv. certificates</i>	
	Formuepleje EM Virksomhedsobligationer	0.13
	Formuepleje Obligationer	0.62
	Formuepleje Global High Yield	0.03
	Kapitalforeningen FP Fokus II	16.99
	Total Danish bond-based inv. certificates	17.77
	<i>Danish equity-based inv. certificates</i>	
	Formuepleje LimitTellus	67.58
	Formuepleje Better World Environmental Leaders	2.20
	Formuepleje Better World Global Opportunities	0.10
	Total Danish equity-based inv. certificates	69.88
	<i>Foreign bond-based inv. certificates</i>	
	Absalon – Global High Yield R	0.26
	Absalon – Global High Yield I – EUR	6.79
	Absalon – EM Corporate Debt R	0.26
	Absalon – EM Corporate Debt I	6.42
	Absalon – EM Corporate Debt I – USD	0.78
	Foreign bond-based inv. certificates, total	14.51
	Total investment fund certificates, proportion of assets	102.16

The specification of securities may be obtained by contacting Formuepleje A/S

10	Underlying exposures from forward foreign-exchange contracts	2020	2019
	DKK (counterparty Danske Bank A/S)	-349,908	-37,355
	DKK (counterparty Jyske Bank A/S)	-506,072	-664,263
	EUR (counterparty Danske Bank A/S)	349,845	37,362
	EUR (counterparty Jyske Bank A/S)	506,158	665,050
11	Underlying exposure from futures		
	US interest rate futures (counterparty Nordea Bank Plc)	0	-648,018
	US interest rate futures (counterparty Danske Bank A/S)	-563,639	0
12	Mortgages as security for loans		
	Balance with depositary	0	5,835
	Inv.certificates in other Danish UCITS	1,107,477	891,939
	<b>Total</b>	<b>1,107,477</b>	<b>897,775</b>
13	Unlisted ownership shares wherein the fund possesses more than 5% of the capital or the votes		
	2020	Equity	Ownership share
	Triple Alfa Global Equities A/S, Værkmestergade 25, DK-8000 Aarhus C	1,912,253	33.16%
	Formuepleje Safe A/S, Værkmestergade 25, 8000 Aarhus C	1,842	14.13%
	2019	Equity	Ownership share
	Triple Alfa Global Equities A/S, Værkmestergade 25, DK-8000 Aarhus C	1,909,675	33.43%
	Formuepleje Safe A/S, Værkmestergade 25, 8000 Aarhus C	1,842	14.13%

Notes to which no reference is made

Note

14	Key figures	2020	2019	2018	2017	2016
	Net result (in TDKK)	180,048	1,339,195	-160,869	454,837	494,651
	Assets (TDKK)	8,226,673	7,730,074	5,531,460	5,145,559	3,979,028
	Circulating shares (pcs.)	44,143,590	42,219,681	37,308,553	33,853,329	28,950,861
	Net asset value per share	186.36	183.09	148.26	152.00	137.44
	Return for the year in %	1.80	23.49	-2.46	10.59	15.01
	Cost percentage.	1.87	3.16	2.44	2.91	2.82
	Cost percentage, excl. performance fee	1.78	1.77	1.79	1.78	1.81
	Sharpe ratio	0.63	0.88	0.89	1.02	0.93
	Standard deviation	14.60	10.97	9.41	9.57	10.39

15	Audit fees	2020	2019
	Statutory audit fee	90	133
	Fees for services other than statutory audit	16	12
	Total fee	106	145



### General

The annual accounts have been prepared in accordance with the Act on Managers of Alternative Investment Funds, etc. with the adoption of the accounting provisions in the Act on Investment Funds, etc., including the FSA's Executive order on financial reports for Danish UCITS.

The annual report is presented in DKK thousands (TDKK) and each figure is rounded separately. Therefore, there may be deviations between the stated totals and the sum of the underlying figures.

The accounting policies are unchanged from last year.

### General information on recognition and measurement

Assets are recognised on the balance sheet when, as a result of a past event, it is probable that future economic benefits will flow to the sub-fund and the asset's value can be measured reliably.

Liabilities are recognised on the balance sheet when, as a result of a past event, the sub-fund has a legal or actual obligation, and it is likely that future economic benefits will flow from the sub-fund, and the obligation's value can be measured reliably.

When recognising and measuring, predictable losses and risks arising before the annual report is presented and which confirm or invalidate the conditions that existed on the balance date are included.

### INCOME STATEMENT

Income and expenses have been accrued and thus include the amounts attributable to the financial year.

### Interest and dividend yields

Interest includes interest on bonds and derivatives, interest on deposits with custodian banks and other financial institutions, and interest on loans, including securities lending. Dividend yields comprise dividends from equity stored with depository. Gross dividend yields received are adjusted for non-refundable dividend tax.

Interest and dividend yields in foreign currencies are translated into Danish kroner on the transaction date.

### Capital gains and losses

The financial result includes realised and unrealised capital gains and losses. The realised gains and losses are calculated as the difference between the selling price and the value at the beginning of the financial year or the acquisition cost in the accounting period. The unrealised price earnings and losses are calculated as the difference between the market value at the end of the financial year and the market value at the beginning of the financial year or the acquisition cost during the financial year.

Changes in the fair value of derivatives are recognised in the income statement under capital gains and losses from derivatives.

Under trading costs, all direct costs related to transactions made in connection with the ongoing portfolio management are stated. Trading costs related to issue or redemption are recognised as an issue/redemption cost on assets.

### Administrative expenses

The breakdown of the sub-fund's administrative expenses is shown in a note to the financial statements.

'Administration' represents costs incurred under a separate agreement with Formuepleje A/S for the management function and all other costs not related to investment management.

'Investment management' represents costs under a separate agreement with Formuepleje A/S for investment advice. The return-dependent portion of the remuneration is stated separately.

No other fees, commissions, etc. are paid in connection with distribution, marketing and dissemination under MiFID II.

When a sub-fund owns shares in another sub-fund, the parent sub-fund is partially reimbursed for certain costs in the underlying funds. Accrued costs in underlying funds are included in the fair value, and thereby in the calculation of capital gains and losses. To signal as correct a calculation of administrative expenses as possible, in terms of money and as a percentage, the reimbursements received in the parent sub-fund are recognised under "Capital gains and losses on investment certificates" on the income statement.

### Tax

Tax includes dividend yield tax and interest rate tax withheld abroad and not refundable.

### BALANCE SHEET

#### Cash and cash equivalents

Cash and cash equivalents include bank deposits. Cash and cash equivalents in foreign currencies are measured at nominal value and translated at the currency rates quoted on the balance sheet date.

#### Bonds and equity holdings

Bonds and equity holdings are measured at fair value both at initial recognition and at subsequent measurements. For listed bonds and shares, fair value is determined at the closing price on the balance sheet date or, if this is unavailable, another official price likely to correspond to this. If this price does not reflect the instrument's fair value because of the absence or inadequacy of trade in the run-up to the balance sheet date, the fair value is determined using a valuation technique that aims to determine the transaction price that would result from a transaction at the measurement date between independent parties acting on normal commercial considerations.

Listed securities denominated in foreign currencies are measured at the currency rates quoted on the balance sheet date. Drawn bonds are measured at present value priced at 100 with discounting according to individual assessment. Unlisted bonds and equities are measured at fair value, which is determined according to generally accepted methods. For investment certificates in sub-funds of investment funds in which the fund's manager has full knowledge of the composition of the sub-fund's underlying bonds and equity holdings (funds of funds), these are measured on the basis of the above measurement principles, applied to the underlying bonds and capital investments. Securities are taken in and out on the trade date.

#### Securities lending, Repo and equity swap activities

Bonds and shares subject to the aforementioned lending agreements are included in the balance sheet under the respective securities and are recognised according to the same principle as described under bonds and equity holdings. The associated liabilities are included under loans.

#### Derivatives

Derivatives are measured at fair value on initial recognition and subsequent measurements. Derivatives with a positive fair value are recognised as assets and, if they have a negative fair value, as liabilities. Change in fair value is recognised in the income statement under "Capital gains and losses".

## Other assets

“Other assets” are measured at fair value and include:

- “Receivable interest” consisting of accrued interest at the balance sheet date.
- “Receivable dividend yields” consisting of dividend yields declared before the balance sheet date for settlement after the reporting period.
- “Current tax assets” consisting of refundable dividend yield tax and interest rate tax withheld abroad.
- “Balance due to trade settlement” consisting of the value of the proceeds from the sale of financial instruments (equities and bonds), borrowing and issues before the balance sheet date, where settlement occurs after the balance sheet date.

## Investors' assets

Net issue charge and net redemption charge are calculated after recognition of trading costs incurred in connection with issue or redemption.

## Loans

The sub-fund's loans from banks consist of loans which are classified as short-term. Initial recognition is done for the net proceeds received. Subsequently, measurement is done at fair value.

## Other debt

“Other liabilities” are measured at fair value.

“Balance due to trade settlement” consists of the value of the proceeds from the sale of financial instruments (equities and bonds), borrowing and issues before the balance sheet date, where settlement occurs after the balance sheet date.

## Translation of foreign currency

Currency differences arising between the transaction date rate and the currency rate on the payment date are recognised in the income statement under “Capital gains and losses”.

Transactions in foreign currencies are translated at the transaction date price. Holdings of securities, cash and receivables in foreign currencies are translated at the balance sheet day exchange rate. The difference between the balance sheet date price and the price at the time of acquisition of the securities holding or the existence of the receivable is recognised in the income statement under “Price gains and losses”.

## KEY FIGURES

### Net asset value per share

Calculated as Investors' assets/Circulating shares and expresses the value per share.

### The returns for the year as a percentage

Calculated as follows:

$((NAV \text{ end of year} / NAV \text{ start of year}) - 1) \times 100.$

### Administrative expenses as a percentage

Calculated as  $(\text{Administrative expenses} / \text{Investors' average assets}) \times 100.$

For “Administrative expenses”, the corresponding item in the income statement is used, and “Investors' average assets” is calculated as a simple average of the asset value calculated at the end of each month.

The key ratio is calculated both incl. and excl. performance remuneration.

## Annual percentage rate (APR)

The APR is calculated on the basis of the latest expected recurring costs and the Fund's direct trading costs. The maximum possible issue charges and redemption deductions are added to this. The issue premium and redemption charge are spread over the time period. In the standardised APR, as mentioned above, the time period is seven years. All APR figures are calculated as a percentage and on an annual basis.

The data source for recurring administrative expenses, issue premiums, redemption charges and performance fees, if any, is the ‘Key Investor Information’ document published on the Fund's website. This document will be updated during the year if necessary.

Trading costs are not shown in the ‘Key Investor Information’. These can be obtained from the Fund's annual report unless there have been significant changes in exchange rates during the year. For new sub-funds, ongoing administrative and trading costs may be estimated. The costs of any sub-funds are automatically included in the APR.

For sub-funds with performance-based fees – i.e. where the costs depend on how well the Fund performs – performance-related fees are included in the APR, calculated on the basis of administrative costs.

Here you can see an example of the APR with a time period of seven years: The running costs make up 0.9%. Direct trading costs in ongoing operation are 0.2%. The issue surcharge is 2%. The redemption charge is 1%. The APR is then:  $(0.9 + 0.2) + ((2 + 1)/7) = 1.53\%.$

APR assumes that the investor always buys the certificates at issue price and sells at redemption price. But this is not always the case. Investors' actual costs may therefore be lower than the APR indicates. The explanation is that investors' trading cost in sub-funds traded on NASDAQ OMX (IFX) is the current difference between buying and selling price at IFX, plus the investor's brokerage of selling and buying. At IFX, an investor can often purchase their certificates at prices below the issue price and sell them at prices higher than the redemption price. The difference between buying and selling price on IFX is typically only around half of the difference between issue and redemption price according to the APR.

## Key figures for risk

The Sharpe ratio is calculated by dividing the investment's additional returns by its volatility/standard deviation. The Sharpe ratio measures the return on investment relative to investment risk. The greater the positive Sharpe ratio, the higher the risk-adjusted return. Using the Sharpe ratio, the return on investments with different risk levels can be compared. The Sharpe ratio is only calculated for sub-funds that have existed for at least 36 months.

Standard deviation is a measure of the return's volatility over time. The greater the volatility, the greater the uncertainty surrounding the investment's future performance. Thus, volatility is a measure of risk. Volatility is usually expressed as a percentage per year. Volatility is a measure of the return's spread around its mean value – the return's standard deviation. If the return follows a normal distribution, it is expected that approx. 2/3 of all observations of returns fall between the mean plus the standard deviation and the mean minus the standard deviation. Standard deviation/volatility is only calculated for sub-funds that have existed for at least 36 months.

### **Fund management agreement**

The Fund has entered into a management agreement with Formuepleje A/S. Formuepleje A/S is therefore responsible for the day-to-day management of the Fund in accordance with the law, the guidelines from the FSA and ESMA, the Fund's articles of association, and instructions from the Fund's board of directors, including investment limits, portfolio advice and portfolio management.

### **Agreement on deposit and depositary function**

The Fund has an agreement with Danske Bank A/S whereby the bank, as a depositary, holds securities and cash separately for the Fund's sub-fund. The depositary undertakes the control tasks and obligations laid down in EU and Danish law in force at any given time and the provisions of the FSA and ESMA.

### **Agreements regarding the provisioning of capital fund certificates**

As part of fund management agreement, Formuepleje A/S mediates the sale of capital fund certificates in the Fund's sub-fund and may conclude agreements with other distributors.

The manager does not receive a separate fee for the provision of investment fund certificates.

The manager has entered into agreements with external finance companies for the distribution of investment fund certificates, partly to increase accessibility for investors.

The Fund pays no subscription, dissemination or stock commissions.

Formuepleje A/S determines its own marketing measures with a view to promoting sales of the Fund's investment fund certificates.

### **Agreements regarding portfolio advisory**

Formuepleje A/S is also responsible for portfolio management of the Fund's sub-fund and is authorised by the Fund to enter into agreements with third parties for investment advice or portfolio management of the Fund's sub-fund. The authorisation has not so far been used.

After selecting transactions that are considered to be advantageous as part of portfolio management, Formuepleje A/S decides whether and to what extent transactions should be executed. The individual proposals for investment must be within the framework and guidelines i.a. laid down in the Fund's sub-fund investment policy. The execution of securities transactions as part of the ongoing maintenance of the individual portfolios is an integral part of the Fund's agreement with the manager, who has a 'best execution' obligation towards the Fund. The trades are made at prices in the professional/institutional market domestically and abroad, plus relevant deductions of any brokerage for brokers, taxes, foreign costs, settlement fees and the like.

### **Agreement on pricing in the market and issue of certificates**

With Danske Bank A/S, the Fund has entered into an agreement to the effect that, in e.g. NASDAQ Copenhagen's trading systems, the bank continuously — except under special circumstances — prices the sub-fund's investment certificates with the aim of promoting liquidity and reducing the cost of trading the certificates. Pricing must be done with both purchase and sales prices, and in view of the current issue and redemption prices.

The Fund has also entered into an agreement with Danske Bank A/S on the Fund's issuing function. The bank assumes the role of issuer with VP Securities A/S (VP).

