

# UNDERSTANDING

INVESTMENT FUNDS





# ESSENCE AND NATURE

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## OF INVESTMENT FUNDS

The task of the fund managers is to invest the money paid into the fund in such a way as to achieve the highest possible returns for the fund's investors, while at the same time limiting the investment risk.

# WHAT IS AN INVESTMENT FUND

Only an investment fund established in accordance with the Law on Investment Funds and Management of alternative investment funds of May 27 2004 (Journal of Laws of 2020 No. 95, as amended), has the right and obligation to use the name "investment fund".

Income of Closed-End Investment Funds is subject to an exemption from income tax, with the exception of income that has its source in tax transparent companies.

Investment funds are legal entities, they can be established in perpetuity or for a limited period of time.

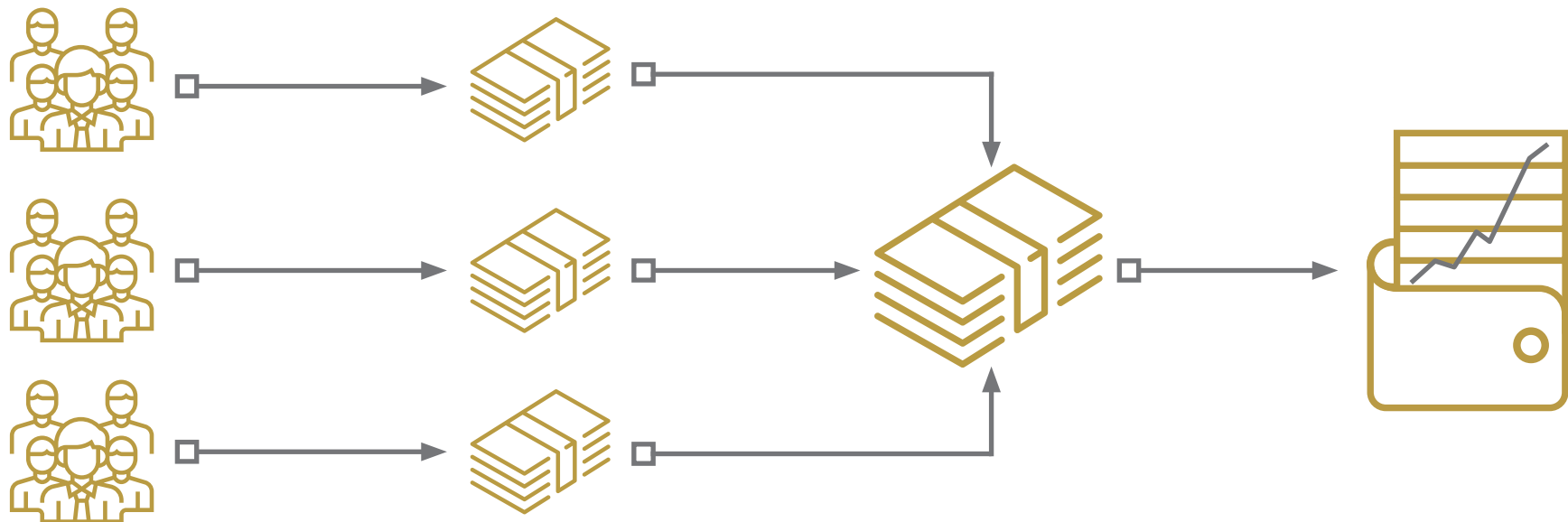
The primary objective of the investment policy is to develop the highest possible returns with limited risk through diversification of deposits.

The funds enjoy privileges available only to institutional investors.



# POOLING OF RESOURCES

An **investment fund** is a form of collective investment - this means that its assets are created by pooling the funds of individual investors (i.e., participants). Investments made by investors are converted into titles of participation (shares or **investment certificates**)\*.



\* Definition is from the [analizy.pl](http://analizy.pl) website.



# UNPRECEDENTED BENEFITS

Investing in closed-end investment funds brings a number of measurable benefits to the Investor. Among them it is worth mentioning:

A wide range of financial instruments that allow you to construct a diversified portfolio.

The scale of investment - thanks to pooled investing through the fund, individual investors can participate in larger ventures.

Tax Optimization.

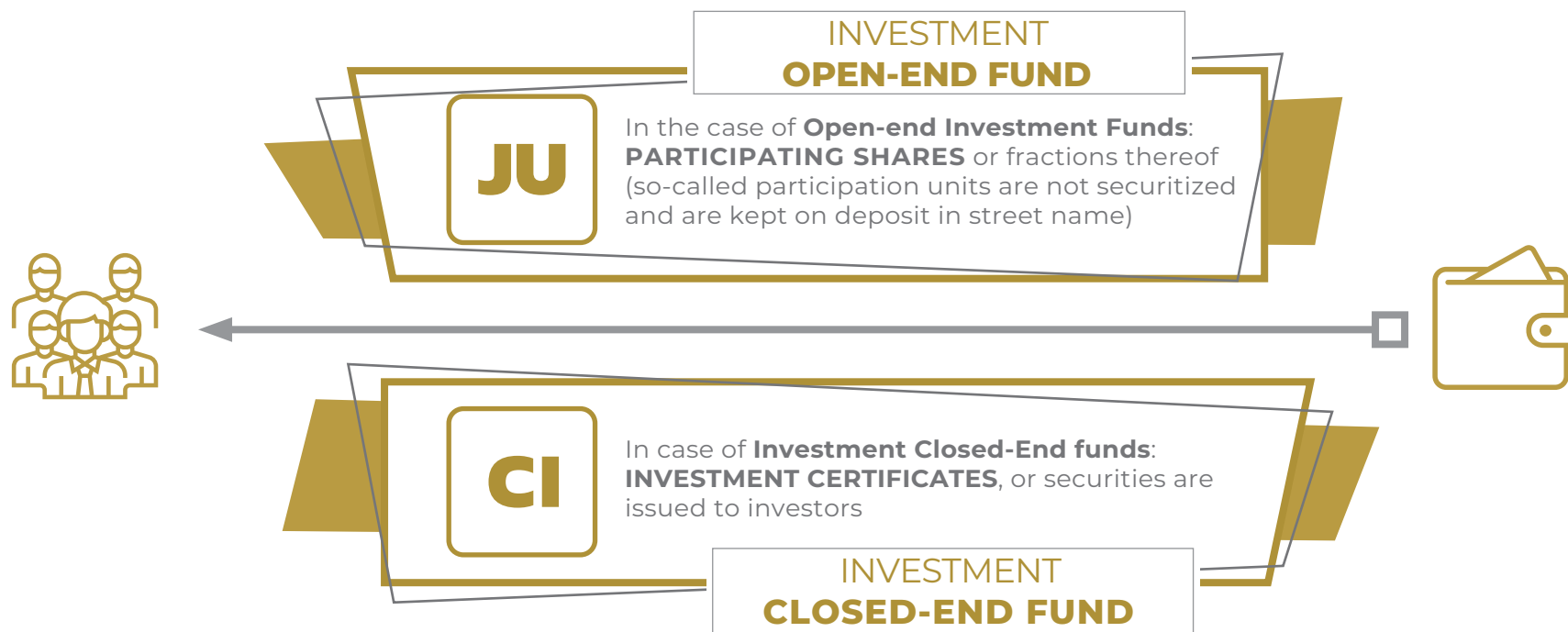
Fully supervised by the KNF (Financial Supervision Commission) and managed by specialists (licensed investment advisors).

THE ESSENCE AND NATURE OF INVESTMENT FUNDS

# INVESTMENT SHARES

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In return for payments into the fund, investors receive fund shares.





## THE ESSENCE AND NATURE OF INVESTMENT FUNDS

# SHARES CIRCULATION

The investment contributions of the investors invested by the investment fund create its investment portfolio. The investment portfolio is the source of income earned by the fund, which accrues to the investors in proportion to the number of shares held by the investors. **During the life-time of the fund:**

- An open-end investment fund sells or repurchases allocated shares to/from an investor upon request, while...
- a closed-end investment fund issues investment certificates and redeems them in cases specified in the fund's articles of association.

Termination of investment in a closed-end fund can also be done through the sale of certificates to other persons or entities in secondary trading.

# TYPES OF INVESTMENT FUNDS

**FIO**

**OPENED-END** INVESTMENT FUND

**SFIO**

SPECIALISED **OPEN-END** INVESTMENT FUND

which, in making investments, applies the investment rules and restrictions set forth for:

- open-end investment fund (with some variations)
- or
- closed-end investment fund

**FIZ**

**CLOSED-END** INVESTMENT FUND

**PUBLIC** - Investment certificates may be subject to

- a public offering, or
- traded on a regulated market, or
- traded on an alternative trading system

**NON-PUBLIC** - issues investment certificates

- exclusively in a manner that does not constitute a public offering, or
- through public offering that does not require a public offering prospectus pursuant to Article 1(4)(a) of the Regulation 2017/1129, as long as it is directed to less than 150 qualified investors, and pursuant to Article 1(4)(b) of Regulation 2017/1129
- **DEDICATED** - Individual, private fund for business purposes





# CLASSIFICATION

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## OF INVESTMENT FUNDS

## CLASSIFICATION OF INVESTMENT FUNDS

# FORMAL AND LEGAL ISSUES

	FIO	SFIO	FIZ
Type of participation shares	shares	shares	investment certificates ( <i>securities subject to registration in the KDPW*</i> )
Marketability	shares cannot be transferred		investment certificates can be transferred
Documents of Fund's Offering	<ul style="list-style-type: none"> <li>• prospectus</li> <li>• key investor information</li> </ul>	<ul style="list-style-type: none"> <li>• prospectus</li> <li>• key investor information</li> <li>• information for the client of the alternative investment fund</li> </ul>	depending on the nature of the fund and the type of investment certificates offered: <ul style="list-style-type: none"> <li>• prospectus</li> <li>• information memorandum</li> </ul> or <ul style="list-style-type: none"> <li>• terms and conditions of issue</li> <li>• and information for the client of the alternative investment fund</li> </ul>
Potential investors	unrestricted	targeted "profile investors"	persons to whom the certificates purchase proposal was offered

\*KDPW - National Depository of Securities

## CLASSIFICATION INVESTMENT FUNDS

# FORMAL AND LEGAL ISSUES

	FIO	SFIO	FIZ
Fund Authorities (apart from the TFI Manager which manages Fund)	Assembly of investors	<ul style="list-style-type: none"> <li>• assembly of investors,</li> <li>• investor council (optional)</li> </ul>	<ul style="list-style-type: none"> <li>• investor council</li> <li>or</li> <li>• assembly of investors</li> </ul>
Entry threshold of Fund (minimum investment in the fund) - Fund availability	generally low, widespread availability	<ul style="list-style-type: none"> <li>• depends on the investment policy adopted (opened-end/closed-end) and the targeted investor group.</li> <li>• even if the fund adopts an opened-end fund policy, a higher investment amount may be required from the investor than the typical opened-end amount</li> </ul>	<ul style="list-style-type: none"> <li>• Public Closed-End Fund - generally low, universal availability</li> <li>• Closed-End Fund that is not a public fund- limited availability, an individual investor must make one time deposit of the PLN equivalent of 40 thousand euros</li> </ul>
Frequency of asset valuation	not less frequently than once every 7 days, in practice every working day		not less than once every 3 months
The ability of acquiring shares	at any time shares are available for purchase by the investor		under the issuance of new certificates or offer of existing certificates on a secondary market



## CLASSIFICATION INVESTMENT FUNDS

# FORMAL AND LEGAL ISSUES

	FIO	SFIO	FIZ
Frequency of share redemption	not less frequently than once every 7 days, in practice every working day		the possibility of redemption and its frequency is determined by laws (in practice, no more often than 1-4 times a year)
Restrictions on redemption of shares	shares cannot be transferred	In a fund dedicated to a specific group, it is possible to define conditions for transferring of shares or repurchase payment schedule	the possibility of reducing redemption requests
Additional capabilities - entitlements for investors	<ul style="list-style-type: none"> <li>• systematic savings programs, individual retirement accounts (IKE), individual retirement security accounts (IKZE), employee pension programs.</li> <li>• additional cash benefits for investors declaring significant contributions.</li> <li>• establishment of inheritance instructions.</li> <li>• dividend payments.</li> </ul>		if allowed by law: <ul style="list-style-type: none"> <li>• additional cash benefits for investors declaring significant contributions.</li> <li>• dividend payments.</li> <li>• non-public asset fund - payment of proceeds from the sale of investments.</li> </ul>

## OTHER FUND CLASSIFICATIONS

### DUE TO THE **INVESTMENT POLICY**

- Equity funds
- Mixed funds (balanced, stable growth, active allocation)
- Debt securities (bond) funds
- Money market funds and cash funds

(Funds were ranked according to decreasing level of risk)

### DUE TO **CONSTRUCTION**

- funds with different categories of shares
- funds with separate sub-funds
- master funds and affiliated funds
- funds of funds

### DUE TO **SPECIFIC TYPES**

- money market funds
- portfolio funds
- non-public asset funds
- debt funds

## OTHER FUND CLASSIFICATIONS

### BY **GEOGRAPHICAL COVERAGE**

- Domestic investment funds
- Funds investing abroad, both regional (e.g., in so-called emerging markets), as well as global
- Funds without a specific geographic scope

### DUE TO **ASSET ALLOCATION METHODS**

- Money market funds
- Cash funds
- Debt funds
- Non-public asset funds
- Real estate funds
- Funds of funds
- as well as industry funds (e.g., medical, technology, etc.), investing in companies in specific industries





# **BENEFITS**

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OF INVESTING IN FUNDS



## BENEFITS OF INVESTING IN FUNDS

# SAFETY

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- The activities of Closed-END Funds and Investment Fund Companies are strictly regulated by the Law on Funds and are supervised by the KNF (Financial Supervision Commission)
- Investment fund Company establishes and manages the funds always in accordance with the laws, considering the needs of the Investor. The laws specify the activities of the fund that require the consent of the Assembly of Investors.
- Fund assets are kept by a custodian bank.
- The custodian bank, acting in the interest of the Investor, approves each transfer and verifies investment decisions.
- Assets secured with the custodian bank are separate from the custodian's bankruptcy estate.
- Fund's financial statements are subject to appropriate review / audit by a certified auditor.
- Offering documents and advertising materials of the fund must be prepared in accordance with the requirements for clear and reliable information.



BENEFITS OF INVESTING IN FUNDS

# MANAGEMENT

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- The investment fund manager is obliged to exercise the utmost diligence when investing the entrusted funds.
- An investment fund company may delegate the management of, part or all of the portfolio to a third party. The transfer of management does not relieve the investment company from liability toward the fund investors.







BENEFITS FROM INVESTING IN FUNDS

## CHOICE OF STRATEGY

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Thanks to the variety of investment funds, investor decides by himself what level of risk he is able to accept.

Numerous closed-end investment funds focus on investments in deposits, that are expected to yield returns over the long term, and by design are less sensitive to business cycles.



## BENEFITS FROM INVESTING IN FUNDS

# INVESTMENT POLICY

The type of investment fund determines the degree of flexibility of the investment policy.

- Closed-end investment funds and specialized open-end investment funds that are using Closed-end investment funds policy, have the ability to pursue a more relaxed investment policy than open-end investment funds and traditional specialized open-end investment funds.
- This is reflected in the fund's broader catalog of permissible deposits. For example, a closed-end investment fund, in addition to standard deposits, can invest in receivables, shares of limited liability companies, real estate, or commodity derivatives. These investments are often subject to high risk and low liquidity, but they offer potentially higher returns.
- Closed-end investments funds possess greater permissible investment limits, in terms of the percentage of the fund's total Assets.



# CLOSED-END INVESTMENT FUNDS

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## MOST FLEXIBLE

The possibility of diversifying the investment policy of a closed-end fund, the range of vested rights for certificate holders, status of securities and many other aspects, make closed-end investment funds most attractive for investors.





CLOSED-END INVESTMENT FUND -  
THE MOST ELASTIC INVESTMENT FUND

## INVESTOR BENEFITS

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A dedicated closed-end fund offers the Investor the benefits reserved for funds, while not limiting operating activities of the companies

- The investor, through the Board of Directors or the Management Company, fully manages the operational activities of the companies in the closed-end investment fund's portfolio. The Fund Company does not manage these companies.
- The investment certificate represents the investor's property rights and is a security.
- Income from investment in the fund's investment certificates is taxed only when it is realized by the investor (redemption/sale of certificates, payment of dividends from the fund).
- investment certificates of a closed-end investment fund may be pledged as collateral, both as ordinary and registered collateral as well as fiscal collateral.

CLOSED-END INVESTMENT FUND - THE MOST ELASTIC INVESTMENT FUND

## PROFIT TAKING MECHANISMS

**REPURCHASE OF A PORTION OF INVESTMENT CERTIFICATES (REDEMPTION)**

**SALE OF CERTIFICATES TO A THIRD PARTY**

**PAYMENT OF DIVIDENDS BY THE FUND**

**LIQUIDATION OF THE FUND**



# ENTITIES

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OPERATING THE FUND



## ENTITIES OPERATING THE FUND

# SYSTEMATICS

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- INVESTMENT FUND COMPANY  
(See next page)

- INVESTMENT FUND's CUSTODIAN BANK

- DISTRIBUTOR OF INVESTMENT CERTIFICATES  
and Investment Company Agent

- SHARE DISTRIBUTOR

Distribution of investment certificates may be carried out by the fund, brokerage houses, and by agents of investment companies with which investment companies have entered into an agreement to perform intermediary activities in the scope of activities carried out by the investment company.



## ENTITIES OPERATING THE FUND

# INVESTMENT FUND COMPANY

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- The Investment Fund Company operates in the form of a joint stock company and is the only entity authorized to create investment funds, manage them, and represent them.
- A necessary condition for the Investment Fund Company to operate is to obtain a permit from the Financial Supervision Commission, have adequate capital and organizational & personnel resources.
- The Investment Fund Companies are subject to numerous rigors set forth in the Law on Investment Funds, the purpose of which is to maximize the protection of fund investors, among other things: in the event of the need to satisfy the claims of fund investors. The Investment Fund Company must comply with the capital requirements of the Act at every stage of the fund's "life".
- The Investment Fund Company is required to act in the interests of fund investors.
- The Investment Fund Company must operate with internal controls, which examine the correctness and compliance of the activities carried out by the company and the funds.
- The Investment Fund Company is required to document the sources that are the basis for investment decisions.
- The Investment Fund Company has numerous information obligations to the Financial Supervision Commission and fund investors.
- The Investment Fund Company may, based on an agreement on the management of the fund's investment portfolio or a part thereof, entrust management to a third party, however, the transfer of management does not relieve it from liability to fund investors.
- Persons comprising the management board, the supervisory board of The Investment Fund Company and persons making investment decisions in the fund must meet the requirements set forth in the Investment Funds Act (among other things, they must demonstrate appropriate qualifications and professional experience, enjoy a good reputation in connection with their functions, and in addition, they must not have been convicted of intentional crimes or fiscal offenses).

## ENTITIES OPERATING THE FUND

# CUSTODIAN BANK

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- is an institution independent of the Investment Fund Company.
- keeps a record of the fund's assets.
- controls on an ongoing basis the correctness of the management of the fund and the determination of the net asset value of the fund.
- takes legal action against an Investment Fund Company on behalf of fund investors.



WHITE BERG TFI S.A.

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WHITE BERG TFI S.A.

# CONTACT DETAILS

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**White Berg Towarzystwo Funduszy Inwestycyjnych S.A.** with its headquarters in Warsaw.

National Court Register No. (KRS): **0000273227**

Tax identification number (NIP): **2060000588**

Business evidence number (REGON): **240520950**

Share capital of PLN 3 210 000 PLN, fully paid-up.

## ADDRESS:

### **White Berg TFI S.A.**

75 Sienna Street

Zip code 00 833

Warsaw, Poland

Telephone: (+48) 22 299 03 20

e-mail: [tfi@whitebergtfi.pl](mailto:tfi@whitebergtfi.pl)