stabelo

Information Memorandum

STABELO FUND I IN BRIEF

Strategy:	The Fund invests in Swedish residential mortgages that comply with the Fund's strict Credit Policy and are secured by Swedish private homes
Asset Management Target:	Achieving total net returns that correspond to the return of the Swedish prime residential mortgage market, adjusted for Fund fees / costs, while targeting only the most conservative part of the market and thereby keeping the risk profile low.
Inception date:	3 January 2018

INTERESTS, FEES, SUBSCRIPTION AND REDEMPTION

Interest payments:	Net yield distributed quarterly
Management fee:	0,10 – 0,25% per annum debited quarterly from gross yield
Sourcing & Servicing cost:	up to 0,25% per annum debited quarterly from gross yield
Subscription fee:	None
Investor commitments:	accepted on a continuous basis
Redemption:	Year 10

SUPERVISION

Licensing and supervisory authority:	"Finansinspektionen" (the Swedish Financial Supervisory Authority). The Fund Manager is a Swedish alternative investment fund manager under the Alternative Investment Fund Managers Act (Sw. "Lag (2013:561) om förvaltare av alternativa investeringsfonder").
Depositary & Custodian:	Intertrust Depositary Services (Sweden) AB, Sergels Torg 12, 103 25 Stockholm, Sweden
Listing:	NGM
Issuer's Central Securities Depositary and Registrar:	Euroclear
Paying agent:	Euroclear
Auditor:	Ernst & Young AB, Daniel Eriksson, Jakobsbergsgatan 24, 103 99 Stockholm, Sweden

FUND MANAGEMENT COMPANY

Fund under management:	Stabelo Fund I AB (publ) (reg.no. 559075-0203)
Fund Manager:	Stabelo Asset Management AB (reg.no. 559064-2384)
Owner:	Stabelo Group AB (100%)
Share capital:	1 500 000 kronor
Address:	Engelbrektsgatan 19, 114 32, Stockholm, Sweden
Telephone:	+46 701 722 184
E-mail:	info@stabelo.se
Website:	www.stabelo.se
Contact:	Mats Nilsson
Managing Director:	Mats Nilsson
Board of Directors:	Hans Schedin (Chairman), Michael Ingelög (Deputy Chairman), M Johan Widerberg
Compliance function:	Harvest Advokatbyrå AB
Risk control function:	RPM Risk & Portfolio Management AB
Complaints Officer:	Mats Nilsson

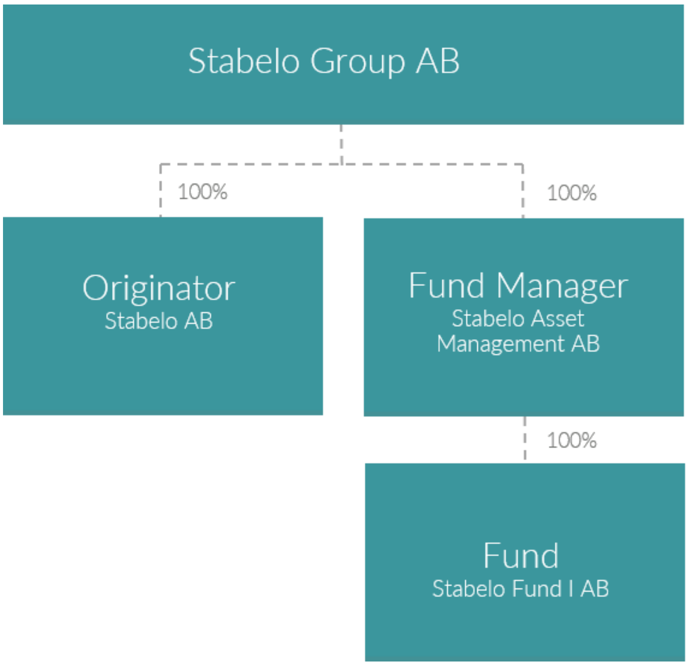
THE STABELO GROUP

The Stabelo Group is a Swedish fully digital residential mortgage lender with the purpose of offering residential mortgage borrowers with above average credit quality more appropriately priced mortgages than what is currently general market practice in the Swedish mortgage market. Apart from competing only on price the business objective is to offer its Swedish mortgage customers a superior mortgage product and application process by being transparent, easy to use and customer friendly.

The Originator, Stabelo AB, originates residential mortgages based on one of the most conservative credit policy in the Swedish market and is financed by a credit facility from one of the largest Nordic retail banks. Sweden's largest digital bank, Avanza, owns 27.3% of Stabelo Group AB. The mortgages are currently distributed by Avanza Bank, Nordnet Bank, Lärarnas Riksförbund and Stabelo AB. Stabelo's origination systems are integrated with the distributors systems. Stabelo is free to add additional distributors if that should be relevant.

Stabelo's mortgage lending is financed by large Swedish professional institutional investors through a fund, Stabelo Fund 1 AB, which issues long-dated, ten year, participating debentures. The Fund only invests in super-prime residential mortgages originated by Stabelo AB but will make independent investment decisions compliant with its independent and fixed Credit Policy.

Stabelo Asset Management provides institutional investors the opportunity to gain direct exposure to Swedish residential mortgages secured by single family homes or tenant-owned apartments.



The Originator and the Fund Manager are under the supervision of the Swedish Financial Supervisory Authority. The Originator is licensed as a Mortgage Institute according to Sw. "Lag (2016:1024) " om verksamhet med bostadskrediter". The Fund Manager is a Swedish alternative investment fund manager according to the Alternative Investment Fund Managers Act (Lag (2013:561) om förvaltare av alternativa investeringsfonder).

THE SWEDISH RESIDENTIAL MORTGAGE MARKET

GENERAL

The Swedish mortgage market is highly concentrated. Residential mortgages comprise almost half of Swedish banks' lending and outstanding residential mortgage loans amount to Skr 3'497 bn of which 89[1]% resides on the balance sheets of the six largest banks. The compound annual growth rate of Swedish mortgage loans has been around 7% over the last five years. The average loan-to-value ("LTV") for new mortgages in 2019 was 65.5%. For the entire stock the average LTV for single family houses was 56% in 2019 and 61% for apartments[2].

67% of Swedish mortgage borrowers have an interest rate fixing period of below 1 year (of which the majority are on 3-month variable rate) and 32% of mortgage borrowers have an interest rate fixing period of between 1-5 years. The Swedish market is characterized by full recourse mortgage contracts, insignificant volumes of teaser adjustable rate mortgages and, in an international context, relatively low average loan-to-value-ratios.

Of the outstanding mortgage volume, some Skr 2'400bn is financed by means of covered bond issuance. The outstanding bonds have an average maturity of around three years. The issuance of RMBS's in Sweden has traditionally been marginal and mortgages not financed through covered bonds have been financed mainly on an unsecured basis.

Mortgage interest rates have declined over the last five years and are at historically low levels. Falling interest rates has contributed to strong house price appreciation. In order to contain potentially unhealthy borrowing levels by residential mortgage borrowers, the Swedish Financial Supervisory Authority (the SFSA) has taken various measures over the last few years to mitigate household debt growth. In 2009, the SFSA introduced an LTV cap of 85% for residential mortgages and since 2016 mortgage borrowers are required to amortise 2% per annum on loans with LTVs exceeding 70% and 1% on loans with LTVs exceeding 50%. As of 1 March 2018 mortgage borrowers that take out a mortgage that is larger than 4.5 times of annual taxable income need to amortise an additional 1% annually. This has resulted in slowing increase in loan-to-income ratio and the percentage of households that amortise has increased.

House prices started to decline in late 2017 due to increased construction levels and tougher amortization requirements. By end-2019 however prices were back to levels of 2017. With the start of the pandademic of covid-19 March 2020 the prices have started to depreciate slowly.

Please see https://www.fi.se/contentassets/735154da28f04b0488a83af1b7c54e0f/den-svenska-bolanemarknaden-2020n.pdf for further information on the Swedish mortgage market developments from the Swedish FSA.

SWEDISH RESIDENTIAL MORTGAGE CREDIT RISK PERFORMANCE

The Swedish banks have historically recorded very low credit losses on prime residential mortgages. In 1992, during the peak of the Swedish financial crisis, the largest lender of mortgages recorded losses of 13 basis points ("bps"). Since then, credit losses on Swedish mortgages have been close to zero.

In its yearly mortgage market stress test the Swedish FSA runs a scenario which consists of a systemic crisis including a 30% decline in residential real estate prices in combination with an increase in interest rates to 7 percent . In the 2020 version of the test the FSA concluded that in this severe stress only around 3.9% of borrowers would end up with a combination of LTV above 100% and difficulty to service the loans, which is a decline from earlier years. If borrowers are allowed to pause their mortgage amortization, only 0,5 percent would have LTV above 100% and difficulties to service the loans. As much of the impacted volume would still be secured this

[1] SCB March 2020

[2] Finansinspektionen, Den svenska bolånemarknaden 2 april 2020

indicates that Swedish residential mortgage credit quality should be resilient even under severe stress.

FINANCIAL STABILITY CONSIDERATIONS

Based on ample international evidence, residential real estate lending and financial stability are closely interlinked. House price corrections tend to have a significant negative effect on private consumption which in turn affects the overall economy negatively. Although Swedish residential mortgage assets are considered to be low risk and historical losses associated with such assets have been low, a housing-led economic downturn increases the risk of bank loan losses related to corporate credit, which for the large Swedish banks make out roughly half of lending to the public. That in turn could increase the banks' overall funding costs. A negative feedback loop is initiated when banks pass on their increased funding costs to their mortgage customers that in turn will tighten consumption even further.

The above-mentioned negative feedback loop is particularly treacherous when shortening of the duration of outstanding mortgage bonds has taken place as is the case in Sweden in recent decades. Remaining maturities on Swedish mortgage bonds have over time been reduced from close to 50 years to around three years today.

From a financial stability perspective, every mortgage loan that is funded directly through a vehicle like the Stabelo Mortgage Fund results in one less mortgage loan included in the above-mentioned negative feedback loop.

Since the Fund is issuing quite long-term notes and is targeting institutional investors with long term liabilities (e.g. life insurance companies, occupational pension companies, national pension funds and pension foundations) it contributes to mitigating the maturity transformation in the residential mortgage space. Thereby the Fund contributes to making the overall financing of residential mortgages more stable.

The Secretary General of the Swedish FSA, Erik Thedéen, has publicly encouraged the development of mortgage Funds in Sweden to promote diversity and risk sharing in the Swedish mortgage market.

https://www.fi.se/contentassets/be35c6ade51f425683ae0db64c7e2896/nya_bolanaktorer_20190124ny.pdf

THE STABELO FUND

The Fund has an evergreen structure and is issuing fixed-term (10 year) Participating Debentures that entitle the Debenture holder to a share in the interest paid on the residential mortgage receivables in the underlying portfolio during the life of the Participating Debenture. Unless cash flow is needed to redeem fallen due Participating Debentures, proceeds from amortized mortgage receivables will be used to acquire new loans.

The Fund's medium target is to invest up to Skr10-15bn per annum.

TARGET GROUP OF INVESTORS

The Fund is only available to professional institutional investors and targets specifically institutions that have long-term liabilities and a strong visibility into future cash flows. This includes life insurers, occupational pension providers and pension foundations

ASSET MANAGEMENT TARGETS

Stabelo Fund's asset management target is aimed at achieving total net returns that correspond to the return of the Swedish prime residential mortgage market, adjusted for Fund fees / costs, while targeting only the most conservative part of the market and thereby keeping the risk profile low.

INVESTEMENT STRATEGY AND RISK PROFILE

The Fund will invest in Swedish residential mortgages collateralized by single family houses as well as tenant-owned flats. The Fund will have stricter requirements for maximum LTVs and borrower debt servicing capacity than what is currently the credit policies of the large Swedish residential mortgage providers. In the highly concentrated Swedish mortgage market, mortgage rates are not primarily distinguished based on credit risk. Thus, the best risk-reward is found in the highest quality tranche of the Swedish mortgage market and the Fund will allow a maximum LTV of 60% and expects to achieve an average LTV of below 40%

Additional features included in the Fund's strict Credit Policy include measures to capture the double leverage of tenant-owned apartment and their associations.

THE FUND'S CURRENCY

The value of Participating Debentures in the Fund is stated in Swedish kronor (Skr). As the Skr is the Fund's denomination currency, the value of assets and liabilities will be stated in Skr in the Fund's annual report, for example. Consequently, Debenture Holders' investments and repayments will be denominated in Skr.

INVESTMENT PROCESS

Newly originated loans will be acquired from the Originator on a monthly basis when available and added to the existing portfolio of mortgage receivables. The Fund acquires the mortgage receivables at par value and in the case the mortgage receivables have accrued unpaid interest while on the Originator's balance sheet the purchasing price will include accrued interest. Unless cash flow is needed to redeem fallen due Participating Debentures proceeds from amortized mortgage receivables will be used to acquire new loans.

LISTING

The Fund's Participating Debentures are listed on Nordic Growth Market (a Swedish Regulated Market).

FINANCIAL INDEBTEDNESS

The Fund shall not create or permit to subsist any security over its assets, except for financial indebtedness. The financial indebtedness shall not at any time exceed 5% of the nominal amount of the outstanding mortgage receivables plus the market value of cash and bonds.

EQUAL TREATMENT OF DEBENTURE HOLDERS

All Debenture Holders are investing on equal terms.

ORIGINATOR AND SERVICER

The origination and servicing are done by the Originator. The Originator is under the supervision of the Swedish Financial Supervisory Authority and is licensed as a Mortgage Institute according to Sw. "Lag (2016:1024) " om verksamhet med bostadskrediter".

The servicing of the mortgage book is performed by the Originator under a Service Agreement. The task of the servicer consists of assignments such as communication with clients, rate resets, redemptions etc. The Servicer is outsourcing parts of the servicing through servicing agreements.

RISK MANAGEMENT

Risk management is an integrated and important part of the management of the Fund. The Fund Manager company and its Board of Directors have identified various types of risks and define guidelines for how these should be managed. The Board of the Fund Manager regularly adopts a risk management plan, which provides more detailed guidance on how the Fund Manager should identify, monitor and control these risks. The Fund Manager also sets limits for the risks that the portfolio managers are allowed to take in their portfolio management activities. A robust risk management process comprises risk monitoring, risk control and risk management. Under service agreements, risk monitoring and risk control are performed by professional specialised subcontractors that operate independently from the Fund Manager.

RISK CONTROL

The Fund Manager has a separate risk control function that operates independently of the Fund's other operations. The risk control function is performed by RPM Risk & Portfolio Management AB under a service agreement and in accordance with instructions adopted by the Fund Manager's Board. The task of the independent risk control manager includes examining that the Fund is operating in accordance with the Fund's terms and conditions.

COMPLIANCE

The Fund Manager has a separate compliance function that operates independently of the Fund's other operations. Apart from training and providing information to the employees the function ensures the Fund is compliant with all applicable rules and regulations. The compliance function is performed by Harvest Advokatbyrå AB under a service contract and in accordance with instructions adopted by the Fund Manager's Board. The purpose of compliance is to ensure that the Fund Manager can meet its obligations under the laws, regulations and internal rules that regulate the activities of the Fund Manager.

INTERNAL AUDITING

The Fund Manager has established an internal audit function that is separated from and is independent from the other activities of the Fund. The internal audit is performed by Lüsch & Co Revision AB. The task of the internal audit function is to examine and assess whether the Fund Manager's systems, internal control mechanisms and procedures are appropriate and effective. Another task is to promote improvements. The function thus monitors the Fund Manager's risk management and compliance activities and reports directly to the Board of Directors. The internal audit function devotes particular attention to examining how the Fund Manager handles regulatory rules and reporting requirements, the Fund Manager's internal rules and security as well as administration. The Fund Manager has adopted a set of instructions governing the activities of the internal audit function as well as an audit plan for its activities.

INDEPENDENT VALUATION

The Fund Manager has an internal valuation function that operates independently of the Fund's other operations under the oversight of the Fund's Independent Valuation Officer and in accordance with instructions adopted by the Fund Manager's Board. The valuation covers the assets and liabilities of the Fund including the valuation of individual mortgage loans on a monthly basis.

DEPOSITARY

The depositary services are performed by Intertrust Depositary Services (Sweden) AB. The Depositary is registered by the Swedish Financial Supervisory Authority. The tasks of the depositary are:

- Cash flow monitoring/reconciliation,
- Safekeeping of financial assets, verification of ownership of all assets,
- Oversight duties.

Intertrust Group is a global leader in the corporate services sector and provides a broad range of services to funds and financial institutions. Intertrust Group is listed on Euronext Amsterdam.

CENTRAL SECURITIES REGISTRAR AND PAYING AGENT

The Fund Manager has appointed Euroclear as Central Securities Registrar and Paying Agent. Euroclear is responsible for maintaining the Fund Debenture Holder register and arranging interest rate payments.

THE FUND MANAGER'S LEGAL STATUS

The Fund Manager is a Swedish Alternative Investment Fund Manager ("AIFM") according to the Alternative Investment Fund Managers Act ("Lag (2013:561) om förvaltare av alternativa investeringsfonder"). The Fund Manager is an external manager managing the Fund. The Fund Manager is under supervision of the Swedish Financial Supervisory Authority. In order to cover potential claims resulting from potential legal disputes the Fund Manager will at all times have the legally required available funds according to chapter 7, article 5.

LEGAL IMPLICATIONS OF INVESTING IN THE FUND

The Fund is a Swedish limited company (AB) according to the Swedish Company Act. The Fund Manager is a Swedish limited company (AB) according to the Swedish Company Act. The manager is under supervision of Finansinspektionen.
The Paticipating Debentures are governed by Swedish law and are listed on a regulated market in Sweden (NGM). By signing a Subscription Undertaking the Debenture Holder will be legally bound Terms & Conditions of the Fund. Swedish law is applicable in case of any disputes concerning an investment in the Fund and shall be finally settled by arbitration in accordance with the Arbitration Rules of the Arbitration Institute of the Stockholm Chamber of Commerce.

CORPORATE GOVERNANCE POLICY

The Fund Manager, in its management of the Fund, shall act exclusively in the interest of the Debenture Holders. The Fund Manager works continually to identify and manage any potential conflicts of interest. The custodian and administrative tasks have both been outsourced to Intertrust (Sweden) AB. The service agreement governing the relationship between the Fund Manager and Intertrust (Sweden) AB does not give rise to conflicts of interest. Intertrust Depositary Services (Sweden) AB is a separate legal entity isolated from Intertrust (Sweden) AB. In the event of a (possible) conflict of interests that may arise during the normal course of events, the Custodian, Depositary and the Administrator will comply with the applicable legislation.

INVESTING IN THE FUND

Set out below is information summarising the way participation in the Fund takes place. For more detailed information, investors are referred to the Fund Terms and Conditions.

The Participating Debenture entitles the Debenture Holder to a share in the interest paid on the residential mortgage receivables in the underlying portfolio during the life of the Participating Debenture.

SUBSCRIPTION

Commitments are accepted and registered on continuous basis. Debenture Holders agree to the total amount that they wish to make available to the Fund (the Committed Amount) for a minimum of 12 months or longer based on the Debenture Holders' preferences. The Outstanding Committed Amounts of Debenture Holders whose Entry Form was received in a previous quarter will be called up first until these Debenture Holders are filled. Consequently, subscription undertakings received in a later quarter will only be processed subsequently. When allocating Participations, the Manager will call up the Debenture Holders' Outstanding Committed Amount received within an individual quarter pro-rata. The manager may deviate from the foregoing if it is in the interest of all Debenture Holders.

Subscriptions are made on a Subscription Undertaking, which can be ordered from the Fund Manager and by returning the signed version as an attachment to an email. Payment instructions are provided on the subscription form. Debenture Holders agree the total amount that they wish to make available to the Fund (the Committed Amount). The minimum commitment is Skr 50,000,000.

The frequency with which the Fund is issuing the Participating Debentures is dependent on the mortgage receivables available for sale from the Originator.

REPAYMENT

Repayment of Participating Debentures is to take place on the last day of the tenth (10) calendar year after the issue date. Each Participating Debenture shall be repaid with its Repayment Price no later than (10) Business Days after its Repayment Date. The Issuer shall calculate the Repayment Price for the relevant Repayment Date. Interest on a repaid Participating Debenture shall be paid by the Issuer on the following Interest Payment Date.

If the Fund does not have principal proceeds available for a scheduled repayment and it determines (acting reasonably) that it is not possible to sell a sufficient part of the portfolio for a purchase price equal to the principal capital amount of the relevant mortgage loans plus accrued interest, the Fund may postpone a scheduled repayment, in whole or in part, up to 12 months, if all affected Debenture Holders are treated equally.

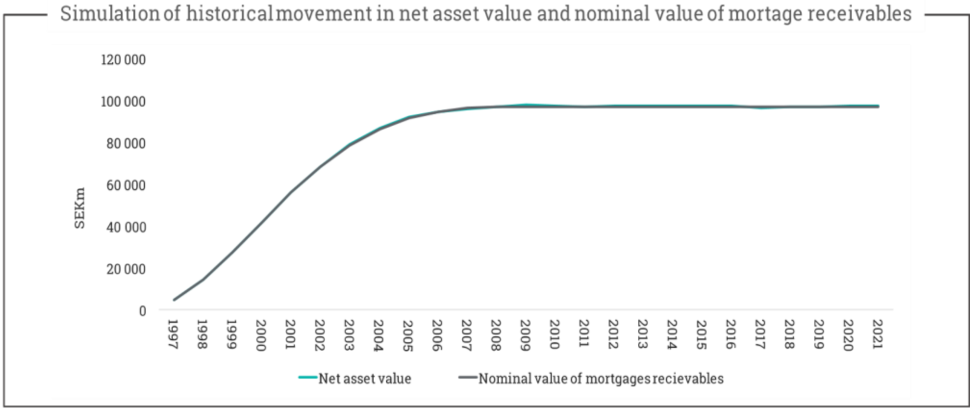
TRANSFERRAL OF PARTICIPATING DEBENTURES

If a Debenture Holder wish to sell its debentures instead of requesting prepayment, this is allowed according to the Terms and Conditions of the Fund. Participating Debentures may be both transferred or pledged by the initial Debenture Holder to a third party.

VALUATION OF THE FUND

The net asset value of the Fund is determined monthly although the Manager may decide to determine the net asset value more frequently.

The value of a mortgage receivable is determined by discounting the future contractual cash flows. Cash flows are discounted using a discount rate which is equivalent to the market rate of newly issued mortgage receivables with the equivalent remaining maturity. In practice this means that the net asset value of all loans at the time of purchase is equal to par. It also means that the calculated value of variable rate mortgages will not deviate from par in any meaningful way whereas fixed rate mortgages will vary to some extent around the nominal value of the receivables. Simulations based on historical interest rate movements (from 1997) give an overall deviation in net present value of the Fund from the nominal value of the underlying mortgage receivables that is very limited. This is not necessarily a guide to future performance but should be a strong indication of limited volatility in the net asset value. See chart below for simulation of historical net asset value relative to nominal value of mortgage receivables.



Cash at hand or investments in short dated government or covered bonds are valued at market value.

ISSUE AND REPAYMENT PRICE

The issue price is determined by the net asset value of the portfolio. The share of the overall portfolio that is acquired by a Debenture Holder in a new issue is calculated as the Debenture Holder's investment in the issue, divided by the sum of the pre-issue net asset value of the Fund, plus the value of the new issue.

Repayment value is calculated as the Debenture Holder's share of the Fund multiplied by the net asset value of the mortgage receivables and any cash at hand prior to repayment.

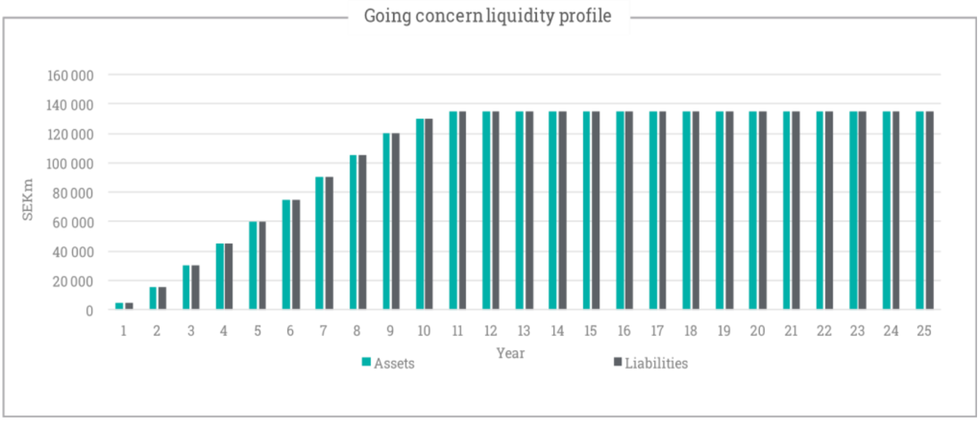
The technical term for the nominal value of all outstanding Participating Debentures is the "Total Base Amount". The Total Base Amount is a multiple of the Base Amount per each Fund Share which is fixed at Skr 1,000,000. At the opening of the Fund the Total Base Amount will be equivalent to the net asset value of the Fund.

LIQUIDITY RISK MANAGEMENT

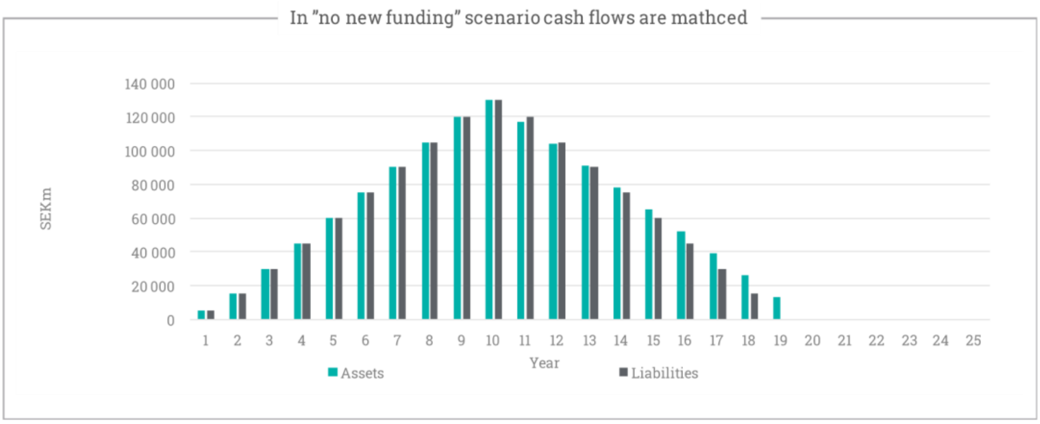
The Fund is set up to fund residential mortgage loans with significantly lower maturity transformation than what is currently the general practice in the Swedish mortgage market. This is achieved by issuing Participating Debentures with a final maturity of 10 years to fund a residential mortgage portfolio consisting of mortgages with a behavioural maturity estimated at 7 [3]- 10 years (30-year legal maturity) resulting in an assumed overall annual amortisation rate of 10-14%. In Sweden, individual mortgage lenders typically have higher amortisation rates than the mortgage system as a whole. This is because borrowers change suppliers from time to time and thus pay back their loans with their existing mortgage provider.

After year 2, the Group plans to issue and fund Skr 10-15 bn mortgages annually. In such a scenario 10% or less of liabilities matures annually as of 10 years from the first issue date.

[3] FI PM Dnr 19-1738, page 8



Under periods of severe funding market stress, the behavioral maturity of the residential mortgages enables controlled dismantling of the portfolio. Matching of asset and liability maturity relates to both mortgage borrowers and investors.



In determining (acting reasonably) that it is not possible to sell a sufficient part of the portfolio for a purchase price equal to the principal capital amount of the relevant mortgage loans plus accrued interest, the Fund may postpone a scheduled repayment, in whole or in part, up to 12 months, if all affected Debenture Holders are treated equally.

INTEREST PAYMENTS

Interest paid on Participating Debentures is distributed quarterly as a net yield and calculated according to the following formula:

(+) Interest paid on the mortgage receivables. The interest on mortgage receivables at any given time will depend on prevailing actual market residential mortgage rates as well as the distribution of interest rate fixing periods in the mortgage portfolio

(+) Loan loss recoveries. Should loan losses have been recorded on the portfolio of mortgage receivables in previous quarters these losses will have been subtracted from Debenture Holders' interest (see next paragraph). Any recoveries in subsequent quarters will be added to Debenture Holders' interest,

(-) Loan losses. Provisions arising are deducted from the quarterly interest payments to Debenture Holders. The proceeds from the undistributed interest payments will be reinvested in newly issued mortgage receivables,

(-) Sourcing & Servicing cost of up to 25 bps is reimbursed from the Fund to the Originator to cover costs related to the origination of new loans and management of outstanding loans. Managing of the existing loan book includes handling loan terminations, requests for changes in lending terms, managing amortisations, ensuring correct and timely payments from borrowers, borrower communication etc. The sourcing and servicing cost is calculated on the aggregate principal capital amount of all Mortgage Loans in the Portfolio (gross yield),

(-) Management fee of 10-25 bps is reimbursed from the Fund to the Fund Manager. Activities performed by the Fund Manager include investing, loan book credit quality monitoring, reporting, cash management, NAV calculation, supporting activities for investor's regulatory reporting, investor relations etc. The management fee is calculated on the aggregate principal capital amount of all Mortgage Loans in the Portfolio (gross yield).

The management fee will vary on a monthly basis subject to the level of the discount to banks' average actual lending rates the previous month. If Stabelo applies a higher discount than 25bps, there will be a deduction from the management fee and if the discount is smaller than 25bps, the management fee will increase in line with the table below.

Monthly average discount to average actual bank rates	0	5	10	15	20	25	30	35	40	45	50
Management fee	25	24	23	22	21	20	19	18	17	16	15

The Management fee incentive structure is applied to further align incentives between institutional investors and Stabelo.

The base level of the Management fee is negotiated with each individual investor.

INTEREST PAID ON MORTGAGE RECEIVABLES

The Pricing Policy is defined as the maximum discount that can be applied to the interest on mortgage receivables. The discount is deducted from the average actual residential mortgage rate charged by the six largest mortgage lenders in the Swedish market. The average actual mortgage rate for various interest rate terms is calculated by each institution in accordance with the Swedish Financial Supervisory Authority's regulations and general guidelines (FFA 2015:1) that entail that banks and credit market companies offering mortgages to consumers must report the actual mortgage rates their customers are paying monthly. The Fund's Pricing Policy is expressed as a maximum 50 bps discount relative to the average rate of the six largest mortgage lenders. We are guiding towards a discount of around 25bps. The Fund also has a possibility of using some of its origination cost to lower mortgage rates without impacting the investors' returns.

According to the terms and conditions of the Fund, it takes the votes of a minimum of 90% of the Fund's investors to change the Pricing Policy of the Fund.

CREDIT LOSS PROVISIONS AND RECOVERIES

Historical credit losses on Swedish residential mortgages have been low. Nevertheless, the Fund should at every point in time have an up-to-date assessment of the current loan loss provision requirement. Provisions are made for both specific and collective expected credit losses. Examples of indications of provision need are:

- significant difficulties for the borrower to service its debt,
- breach of contract, for example in the form of cancelled or late payments of interest rates or agreed-on amortisations,
- that the Fund has granted a borrower any kind of forbearance,
- that a default of the borrower is deemed likely,
- other observable factors that indicate that there is a measurable decline in the expected future cash flow from the outstanding mortgage receivables even though the individual problem loans have not yet been identified.

A credit loss provision is calculated as the difference in the nominal value of the receivable and the present value of the best estimate of the future cash flows from that receivable. Future expected cash flows should be discounted using the interest rate charged on mortgage receivables with the corresponding interest rate fixing term. For loans with an LTV below 100% it is typically assumed that the pledge will be realized.

Any recoveries of previous loan loss provisions will be added to the interest paid on the Participating Debenture as they are recorded.

ESG

SIGNATORY

Stabelo is a signatory to the UN PRI and supports UN's view that incorporating ESG factors in the investment process will enhance returns and enable us to better manage risks.

GREEN MORTGAGES

In Sweden 40% of the total energy consumption comes from homes and in the EU 36% of CO_2 emissions comes from buildings. By improving the energy efficiency of buildings alone, the EU's total energy consumption could be reduced by 5-6% and CO_2 emissions by 5%.

Stabelo's Green Mortgage initiative is intended to incentivize home owners to improve the energy efficiency of their buildings or acquire an already energy efficient property by way of preferential financing conditions linked to the mortgage. Home owners who own a home in a building that holds a valid Energy Performance Certificate ("EPC") from Boverket with an A or a B rating get a discount of 10bps on their mortgage rate.

Institutional Investors that invest in Stabelo Fund I will contribute to incentivizing home owners to invest in the retrofitting of buildings to enhance their energy efficiency. The Green Mortgage initiative will also contribute to increasing awareness related to the benefits of having a more sustainable home.

Another important aspect is that energy efficient properties ("green properties") have a lower risk profile than "brown properties". International research indicates that energy efficiency has a risk mitigation effect as a result of its impact on a borrower's ability to service their loan and on the value of the property. This means that energy efficient mortgages represent a lower risk.

1) Energy efficient borrowers have a lower probability of default as a result of more disposable income in the household due to lower energy bills, reducing a bank's credit risk
2) Improving the energy efficiency of a property has a positive impact on property value, reducing the risk of the asset and thereby have a positive impact on LGD

INVESTOR INFLUENCE

The Fund will operate based on a set of policies regulating items such as interest charged on outstanding mortgage receivables (The Pricing Policy), credit quality (The Credit Policy) and valuation (The Valuation Policy). The policies under which the Fund will operate are designed to remain fixed. The share of Debenture Holders consent that is needed to make alterations to policies differ depending on subject.

The following matters require the consent of Debenture Holders representing at 90 % of the value of the Fund:

- a change to the calculation of interest, issue price or repayment price,
- a change to the Funds' right to utilise the proceeds from the Participating Debentures,
- a change to the business activity that the Fund shall engage in,
- any change to the fact that the Debentures are freely transferrable,
- amendments only applicable for future Debenture Series,
- any amendment to, or replacement of, the Valuation Policy,
- any amendment to, or replacement of, the Credit Policy,
- any amendment to, or replacement of, the Pricing Policy,
- any amendment to, or replacement of, the Mortgage Loan Arrears Policy
- a change to the terms dealing with the requirements for Debenture Holders' consent.

The following matters require the consent of Debenture Holders representing at 67% of the value of the Fund:

- any change to, or waiver of, the terms and conditions,
- any transactions or agreements between the issuer and an affiliate (with some exceptions which are described in the terms and conditions,
- a consent to a change of control event,
- a consent to engage in competitive business.

The following matters require the consent of Debenture Holders representing at 50% of the value of the Fund:

- approvals of acquisitions, or mandates for acquisitions, of portfolios of mortgage loans.

Information about decisions taken at a Debenture Holders' meeting or by way of a written procedure shall promptly be sent by notice to each Debenture Holder.

REPORTING

The Fund Manager is committed to providing professional, transparent and clear reporting. The Fund Manager prepares half-yearly and annual financial reports, which are sent to all Debenture Holders. The yearly financial statement is prepared according to the AIF Act. In addition, each quarter a written comment from the Portfolio Manager, as well as a report on the Fund's performance, net asset value and risk are sent to all Debenture Holders. The reports will be posted on the Fund Manager's web site.

RISK FACTORS

All Fund management activities are subject to various types of risk. The Fund's risk profile is the product of various types of risk, which in varying degrees and at different times can affect the overall risk. Any assessment of the Fund or decision to invest must be based on a careful assessment of the risks associated with the Fund. Outlined below is a summary of various types of risks. The summary does not claim to present an exhaustive list of risks that may affect the Fund and the management of the Fund.

MARKET RISK

Market risk, i.e. interest rate risk with regard to the Fund, is the risk that the valuation of an instrument will change because of a change in the absolute level in the interest rate or a change in the yield curve. In the event of an interest rate increase, the value of a mortgage receivable will generally decline, although historical simulations indicate low volatility in Fund value due to changes in interest rates.

CREDIT RISK

The value of the Fund's holdings will be dependent on mortgage borrowers' capacity to service the loans. In the event of failure by individual borrowers to service their debt, credit losses will materialize if the collateral value of the property securing the loan is not high enough to cover the Fund's claims on the borrower. Credit risk thus also hinges on the development in property values of the dwellings that are pledged as security for the residential mortgage loans.

LIQUIDITY RISK

Liquidity risk consists of the potential for market conditions to change in a way that would result in longer behavioural maturity on the asset side at the same time as the term on outstanding Participating Debentures remain fixed.

OPERATIONAL RISK

Risks associated with the Fund Manager or servicer. Operational activities, including dependence on IT systems, procedures, etc. Other systemic risks and changes in legislation that change the Fund Manager's operating environment. Model-related risks that are due to simplified assumptions, and misinterpretations in risk management models.

OUTSOURCING RISK

Risks associated with services provided by third-party suppliers.

For a more extensive risk description, see Appendix 2.

APPENDIX 1 – BOARD OF DIRECTORS

HANS SCHEDIN - CHAIRMAN

Hans Schedin has a broad background from financial legislation and regulation. Mr Schedin has been responsible for bank and insurance regulation at the Ministry of Finance and was involved in the resolution of the Swedish financial crisis in the early 1990s as a representative of the Swedish government. At the Swedish Financial Services Authority Mr Schedin acted as Deputy Director-General, General-Counsel and Head of the Life Insurance team.

Mr Schedin is independent to both the company and its major shareholders.

MICHAEL INGELÖG

Michael Ingelög was up until August 2014 the CEO for Credit Suisse Group in the Nordic region and part of the EMEA Operating Committee for the bank, reporting to the EMEA Group CEO. In this role Mr Ingelög oversaw and built the bank's activities across its different divisions. Previous to Credit Suisse, Mr Ingelög ran Deutsche Bank's Global Markets division in the Nordic region between 2006 and 2010 and sales Sales for Holland in parallel between 2008 and 2010. Michael Ingelög is an entrepreneur and a private investor in financial technology and venture capital and is a board member in a number of businesses both in the UK

and in the Nordic region

M. JOHAN WIDERBERG

M. Johan Widerberg has a broad background in retail banking. At Handelsbanken Group he was Group Executive Vice President and Head Of Western Sweden Region. Mr Widerberg held several board positions in Handelsbanken including its Capital Markets Division, International Division and workout unit Handelsbanken Handel & Industri.

Mr Widerberg is independent to both the company and its major shareholders.

APPENDIX 2 – RISKS RELATING TO THE DEBENTURES

Risks relating to the nature of the Debentures

Limited recourse debt

The Issuer is a special purpose company with no business operations other than holding the Portfolio and issuing, and making payments on, the Debentures. The ability of the Issuer in respect of payments of interest and principal under the Debentures and its other costs and expenses, including following the occurrence of any event of default, will depend upon and is limited to the receipt of funds from the Portfolio. Hence, if funds from the Portfolio, including proceeds following an enforcement of collateral, is insufficient to satisfy the Issuer's obligations under the Debentures any unpaid amount shall nevertheless be deemed discharged in full and any relevant payment shall be deemed to cease. Accordingly, should the Portfolio Value and the value of the collateral substantially decrease, there is a risk that the Debentureholders will lose some or all of their investments in the Debentures.

Preferential rights of creditors in the event of insolvency

The obligations of the Issuer under the Debentures will be unsecured and unsubordinated obligations, and will at all times rank at least *pari passu* with all other unsecured and unsubordinated indebtedness and monetary obligations of the Issuer, present and future, in the event of insolvency, subject to the provisions of applicable legislation. This means that in the event of the Issuer's liquidation, company reorganisation, bankruptcy or other insolvency proceedings or similar, the Debentureholders normally receive payment after any prioritised creditors, including those which are mandatorily preferred by law, have been fully paid. Further, following prioritised creditors having received payment in full, the Debentureholders will have an unsecured claim against the Issuer for the amounts due under or in respect of the Debentures, which means that the Debentureholders normally would receive payment *pro rata* with other unsecured creditors. Under the General Terms and Conditions, the Issuer is permitted to incur financial indebtedness in addition to the Debentures in a maximum amount of five per cent. of the Total Base Amount, and may also create security over its assets to secure such indebtedness. Such indebtedness may as a consequence rank ahead of the obligations under the Debentures, which may impair the Debentureholders' rights to payment in the event of insolvency of the Issuer. Accordingly, there is a risk of the Debentureholders losing entire, or parts of, their investments in the event of the Issuer's liquidation, company reorganisation, bankruptcy or similar should there be prioritised or other unsecured creditors with claims on the Issuer.

Risks relating to the Terms and Conditions

Risks relating to the right to receive the Repayment Price

A Debenture shall be repaid by the Issuer at its Repayment Price no later than ten Business Days after the stipulated Repayment Date or earlier at the option of the Debentureholder, but in no event before five (5) years have elapsed after the year during which the relevant Debenture Series was created. The Issuer's ability to repay a Debenture is dependent on a number of factors, of which many are outside of the Issuers control. For example, due to the fact that the Programme is a so called evergreen program (i.e. with no predetermined end date) the primary source of funds to repay the Debentures is the issue of new Debenture Series. The Issuer's ability to issue new Debenture Series will depend on market conditions pertaining to investments in debt in general and to investments in mortgage loans in particular, as well as the availability of competing investment opportunities. Hence, there can be no certainty about the timing of the issue of new Debenture Series and there is therefore a risk that funds received from issues of new Debenture Series will not be sufficient to enable timely or accurate repayment of the Debentures.

Another important source of funds for repayment of the Debentures is the Portfolio. The timing of repayment of the Mortgage Loans include mortality rates, permanent moving rates and the rate of voluntary prepayments of such promissory notes. As there can be no certainty about the timing of repayment of any of the Mortgage Loans, there is a risk that there will not be sufficient receipts from the Portfolio alone or together with the finds raised from the issues of new Debenture Series, to enable the timely repayment of the Debentures. If the Portfolio does not generate sufficient cash flow, or the Issuer is unable to issue new Debentures Series, it will adversely affect the Issuer's ability to repay the Debentures at maturity.

Further to above, the General Terms and Conditions gives the Manager a right to, at its sole discretion, postpone a scheduled repayment in whole or in part up to twelve (12) months, if it determines that it is not possible to sell a sufficient part of the Portfolio for a purchase price equal to the principal capital amount of the relevant Mortgage Loans. There is a risk that such postponement is not aligned with the interests of all or some of the Debentureholders. Furthermore, there is a risk that such postponement may entail financial deficit for a single Debentureholder in need of the funds from such postponed repayment.

Risks relating to prepayment of the Debentures

According to the General Terms and Conditions, the Issuer may, without any extraordinary compensation to the Debentureholders, prepay the Debentures if it becomes unlawful, or such unlawfulness is imminent, for the Issuer to perform its obligations under the General Terms and Conditions, or if a substantial decrease in revenue occurs, or is imminent, for the Issuer or substantial additional or increased cost are incurred or suffered by, or are imminent for, the Issuer, as a result of (i) the introduction of or any change in (or in the interpretation, administration or application of) any law or regulation or (ii) compliance with any law or regulation made after the date of General Terms and Conditions. The Issuer is subject to a large number of laws and regulations as well as government policies and general recommendations, such as the Consumer Credit Act. In addition, the Issuer is under regulatory supervision. As a result there is a higher risk of changes to such regulatory framework that could result in a situation where it becomes unlawful or more burdensome for the Issuer to conduct its operations being implemented and thus give rise to a prepayment of the Debentures as previously described.

In addition, the Manager is authorised and registered by the SFSA as an alternative investment fund manager. The Manager is therefore subject to the requirements imposed on fund managers pursuant to the Swedish Alternative Investment Fund Managers Act (*lag (2013:561 om förvaltare av alternativa investeringsfonder*) (the "AIFM Act") (including, but not limited to, requirements on conduct of business, regulatory capital and marketing). The Manager's compliance with the AIFM Act requirements is outside of the Issuer's control and there is a risk that the Manager does not comply with such requirements, which could result in the SFSA imposing additional requirements on the Manager or, in the worst case, revoking the Manager's authorisation as an alternative investment fund manager. This may give rise to a prepayment of the Debentures as mentioned above. Should such prepayment risk materialise and the Issuer resolves to prepay the Debentures as a result thereof, there is a risk that the Mortgage Loans in the Portfolio in such a situation cannot be sold for a purchase price equal to their respective principal capital amount and thus risking the Debentures being repaid at a price lower than the Repayment Price.

Inaccurate valuation of the Portfolio

The Issue Price and the Repayment Price for the Debentures will depend on the Portfolio Value, which will be determined in accordance with the Valuation Policy. The method for valuation set out in the aforementioned policy is based on discounting of future cash flows in respect of the assets in the Portfolio. The method uses a valuation routine based on the average interest rates of the Swedish banks in respect of mortgage loans, made public in accordance with regulation adopted by the SFSA. There is a risk that this valuation method does not accurately reflect the actual market value of the Portfolio. Thus, investors may, at issuance, pay an Issue Price for new Debentures exceeding the actual market value, or, upon redemption, receive a Repayment Price falling below the actual market value of the Debentures repaid or repurchased by the Issuer. Accordingly, the Debentureholders may, at issuance, pay an Issue Price for new Debentures that exceeds the actual market value and existing Debentureholders will be diluted and thus negatively affected if new Debentures are issued at an Issue Price that is below the actual market value of the Debentures, which presents a significant risk for the value of a single Debentureholder's investment.

Majority decisions by the Debentureholders

According to the General Terms and Conditions, certain majorities of the Debentureholders have the right to make decisions and take measures that bind all Debentureholders. The General Terms and Conditions sets out three different majority requirements, ninety (90), sixty seven (67) and fifty (50) per cent. of the Base Amount for which Debentureholders are voting at a Debentureholders' Meeting or for which Debentureholders reply in a Written Procedure. Quorum at a Debentureholders' Meeting or in respect of a Written Procedure only exists if a Debentureholder(s) representing at least fifty (50) or twenty (20) per cent., as applicable, of the Total Base Amount participates. Based on the aforementioned majority and quorum requirements and the composition of the Debentureholders as of the date of this prospectus, a relatively small number of Debentureholders will be able to make decisions that bind all Debentureholders. Consequently, there is a risk that the actions of a majority of Debentureholders could impact other Debentureholders' interests and rights under the General Terms and Conditions in a manner that is undesirable for a Debentureholder. An example is a majority decision to prepay a Debenture Series, which may not be in the interest of certain Debentureholders who has no interest to realise its investment prior to the Repayment Date and has calculated with the future cash flow from the Interest on the Debentures. If such majority decisions are adopted, it would have a material impact on the concerned Debentureholders' interests and rights under the General Terms and Conditions.

Risks relating to the admission of the Debentures to trading on a regulated market

There may not be an active trading market for the Debentures

Although the Debentures are intended to be admitted to trading on a regulated market, the Issuer is of the opinion that Debentureholders who subscribe for Debentures on the primary market will do so with the intention of retaining such Debentures until the Repayment Date, which is in line with, as far as the Manager is aware, the fact that no active secondary trading has been developed in respect of the debentures previously issued and admitted to trading on a regulated market by the Issuer. Furthermore, the Debentures are new securities that have limited distribution and for which there is currently no established trading. There is thus a risk that an active trading market for the Debentures will not develop, or, if one does develop, that it will not be maintained. If an active trading market for the Debentures does not develop or is not maintained, the market or trading price and liquidity of the Debentures may be adversely affected. The Debentures may consequently trade at a discount to their initial issue price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer. If, for any reason, a Debentureholder needs to realise its investment prior to the Repayment Date, it may, due to the foregoing, be difficult to dispose the Debentures and it may thus be difficult to ensure that the price corresponds to the real value of the Debentures. Failure or inability to dispose of the Debentures due to lack of active trading would adversely affect Debentureholders possibility to realise its investment prior to its maturity and presents a significant risk for a single Debentureholder.

Market price of the Debentures may be volatile

The market price of the Debentures could be subject to significant fluctuations in response to actual or anticipated variations in value and yield of the Portfolio, adverse business developments, changes to the regulatory environment in which the Issuer operates, as well as other factors. In addition, in recent years, the global financial markets have experienced significant price and volume fluctuations which, if repeated in the future, could adversely affect the market price of the Debentures without regard to the value and yield of the Portfolio. An example of the foregoing is the current outbreak of the coronavirus during 2019 and 2020 that, as of the date of this Base Prospectus, has had a significant impact on the financial markets (including increased volatility). The degree to which the market price of the Debentures may vary in the future is uncertain and presents a significant risk for a single Debentureholder who wishes to dispose its Debentures on the market.