



11 September 2017

Information on alternative investment fund manager (AIFM) under AIFMD

CapMan Real Estate Ltd's ("CRE") is a licensed alternative investment fund manager ("AIFM") in accordance with Directive 2011/61/EU on Alternative Investment Fund Managers (the "AIFMD"). This document is a briefing of CRE's role and responsibilities as an AIFM in relation to CapMan Nordic Real Estate II Fund ("CMNRE II") and CapMan Nordic Property Income Fund ("CMNPI").

Portfolio management

Portfolio management includes the process of selecting, acquiring, managing and disposing of the assets of the funds in accordance with the funds' rules and/or agreements, including the

investment strategy, objectives and policies and applicable investment restrictions.

The Board of Directors of CRE oversees the portfolio management function, and makes the final decisions on the investments. Prior to the Board decision, the investment committee of each fund will discuss on the investment proposal and give their recommendation to the case.

Risk Management

The Board of Directors has the overall responsibility of the risk management function of CRE. The Board has appointed Milla Sylvänne as a risk manager to oversee the risk management function. The risk manager's role

is independent of the portfolio management function and the risk manager reports directly to the CEO and the Board of Directors of CRE.

The risk manager's tasks include ensuring, at a detailed operating level, the implementation of effective risk management policies and procedures approved by the Board, in order that the AIFM will be able to identify, measure, manage and monitor on an ongoing basis all risks relevant to an alternative investment fund's ("AIF") investment strategy.

In addition, the risk manager shall ensure that the reporting to each funds' investors complies with the AIFMD, monitor compliance of the risk profile with the risk limits and reports to the



Board of inconsistencies observed and of the adequacy and effectiveness of the risk management process to ensure prompt and appropriate action can be taken.

Internal Control system

The internal control system of CRE consists of the management supervision executed by the Board of Directors and of the control functions (compliance, risk management and internal audit) appointed by the Board. CRE (or Elite Rahastohallinto Oy in case of CMNPI) shall exercise risk management function internally as described above. The compliance function is delegated to the parent company CapMan Plc and the Group Compliance officer is responsible for the compliance of CRE. Internal audit

function is outsourced to KPMG Oy Ab (Finland).

Internal Valuation

CRE as AIFM is responsible for the proper valuation of fund assets and, therefore, a formal valuation procedure takes place when valuing the assets of the funds under management. Through this arrangement, CRE can ensure that the valuation is based on the correct information and executed with appropriate methods.

The investment properties are valued by independent professionally qualified valuers. These external valuations of individual investments, as well as the inputs, models and methodologies used in preparing them, are

reviewed and afterwards verified by the internal valuation controller of CRE.

Additional and support functions

CRE reserves a right to delegate parts of the additional functions to external service providers. Despite the delegation, CRE will be responsible for ensuring that the delegated functions meet the requirements under AIFMD. For CMNRE II, CRE has decided to use delegates to assist in administration (Alter Domus) and marketing (Wren Capital LLC & Scala Fund Advisory) of the fund. For CMNPI, the risk management and some administrative tasks are delegated to Elite Rahastohallinto Oy.

In addition, CRE has outsourced parts of its support functions to CapMan Group. CapMan



Group functions, servicing CRE and other CapMan business areas and subsidiaries, consist of Back office and Monitoring, Legal and Compliance, IT, Communication and IR, HR and Finance & Accounting.

Remuneration

As a licensed AIFM, CRE must follow the remuneration principles under AIFMD/R which means that specific remuneration policy is applied to the employees of CRE on the side of CapMan Group's general remuneration policy. The Board of Directors oversees the remuneration arrangements and has decided that CapMan's HR Committee shall act as an initiative function for remuneration matters.

Pursuant to the proportionality principle and the current business operations of CRE, not all remuneration rules under the AIFMD/R are fully applied within CRE because the AIFM licensed activities form only a part of the overall business of the entity. In general, fixed and variable remuneration components are balanced in order to ensure balanced and fair rewarding and sound and effective risk management. To comply with the remuneration rules of AIFMD/R, CRE has for example considered certain employees as risk takers and implemented ex-post risk adjustment arrangements, prohibited guaranteed bonuses and banned variable remuneration from the employees with non-compliant behaviour.

Best Execution

In general, the order handling/best execution rules do not apply to the AIFMs managing real estate type AIFs, which shall give the orders under the very detailed process and make the investment decisions after extensive negotiations on the terms of the agreement. In addition, there are no choice of different execution venues for the real estate transaction.

In general, CRE shall organize the order handling in prompt and accurate way and ensure that all orders are executed sequentially and recorded together with the due diligence material of the investment. CRE shall always take reasonable steps to obtain the best possible result for AIF and its investors and consider the relevant execution of the order. In



real estate, the best execution can be seen as a detailed due diligence evaluation of the counterparty and of the investment and as a well-established decision-making procedure.

Conflict of interest

CRE has established a procedure to identify, prevent, manage and monitor conflict of interest situations which may arise in the course of managing AIFs. The conflict of interest policy sets out the procedures to be followed and measures to be adopted in order to handle possible conflict of interest situations. The fund agreements contain also clauses on handling of conflict of interests. The general rule in managing the conflicts of interests is that if the conflict of interest cannot be avoided, it should be disclosed to the relevant counterparties

(including investors). All arose conflict of interest situations are listed in the conflict of interest register held by the Compliance officer of the CapMan Group.

Investor categorization

Alternative investment fund managers are required to categorize their investors as non-professional clients or professional clients in accordance with the AIFMD. To ensure adequate investor protection only a limited number of CRE funds are available for non-professional clients. In some cases, a non-professional client may request to be treated as a professional client in accordance with the local AIFM laws.

KYC, FATCA & CRS

Prior to investing in any fund managed by CRE, an investor is requested to fill in a client information form containing information on investor itself, business and source of wealth and tax residence in accordance with applicable laws and regulations.

Know Your Client ("KYC") refers to anti-money laundering regulations which require the financial institutions to establish procedures for identifying and verifying the potential investors and keeping the KYC information of existing clients up to date. CRE has implemented a comprehensive KYC procedure which ensures compliance with the 4th Anti-Money Laundering Directive (EU 2015/849) and the local AML laws.

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The tax information is requested as a part of KYC procedure because Foreign Account Tax Compliance Act (“FATCA”) and Common Reporting Standard (“CRS”) require financial institutions to identify the taxation countries of each client. The financial institutions must report annually the accounts of the clients who are tax residents outside of Finland to Finnish Tax Authority.

Inducements

CRE may pay inducements to third party service providers acting on behalf of the AIF or AIFM in case the quality enhance criteria are met, the amount/calculation of the inducement can be justified and the existence, nature and amount/calculation method of the inducement can be disclosed to the investors upon their

request. Any inducement shall not give rise to conflicts with the AIFM’s duties to act honestly, fairly and in accordance with the best interests of the AIFs it manages or the investors of the AIFs.

Internal procedures and guidelines

CRE has implemented formal policies and procedures to ensure compliance with the AIFMD.

More information

Should you need more information, please contact:

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