

# Annual report including audited financial statements as at 31st December 2014

## **ETHOS FUND**

Investment Fund (F.C.P.), Luxembourg

## Notice

The sole legally binding basis for the purchase of units of the Fund described in this report is the latest valid sales prospectus with its terms of contract.

**ETHOS FUND**

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# ETHOS FUND

## Organisation

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### Management Company and Central Administration

SEB Fund Services S.A.  
4, rue Peternelchen  
L-2370 Howald

### Board of Directors of the Management Company

#### Chairman

Gustaf UNGER  
Head of Asset Servicing, Transaction Banking  
Skandinaviska Enskilda Banken AB (publ), Sweden  
(since 28th March 2014)

Ralf FERNER  
Managing Director  
SEB Asset Management S.A., Luxembourg  
(until 28th March 2014)

#### Vice-Chairman

Peter KUBICKI  
Head of Wealth Management  
SEB Wealth Management, Denmark

#### Directors

Ralf FERNER  
Managing Director  
SEB Fund Services S.A., Luxembourg  
(since 28th March 2014)

Göran FORS  
Head of Sales and Market Development  
Asset Servicing  
Skandinaviska Enskilda Banken AB (publ), Sweden

Jonas LINDGREN  
Head of Prime Brokerage  
SEB Enskilda, Securities Finance, Sweden

Magnus WALLBERG  
Deputy Managing Director, CFO/COO  
Skandinaviska Enskilda Banken S.A., Luxembourg  
(since 27th October 2014)

Ann-Charlotte LAWYER  
Managing Director and Head of  
SEB Fund Services S.A., Luxembourg  
(until 28th March 2014)

### Sub-Administrator, Registrar and Transfer Agent

European Fund Administration S.A.  
2, rue d'Alsace  
L-1122 Luxembourg

## ETHOS FUND

### Organisation (continued)

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**Custodian Bank**

Skandinaviska Enskilda Banken S.A.  
4, rue Peternelchen  
L-2370 Howald

**Paying Agents**

**In Sweden**

Skandinaviska Enskilda Banken AB (publ)  
Kungsträdgårdsgatan 8  
SE-106 40 Stockholm

**In Luxembourg**

Skandinaviska Enskilda Banken S.A.  
4, rue Peternelchen  
L-2370 Howald

**Investment Manager**

RobecoSAM AG  
Josefstraße 218  
CH-8005 Zürich

**Distributor**

Skandinaviska Enskilda Banken AB (publ)  
Kungsträdgårdsgatan 8  
SE-106 40 Stockholm

**Auditor of the Fund and of  
the Management Company**

PricewaterhouseCoopers, Société coopérative  
2, rue Gerhard Mercator  
L-2182 Luxembourg

# ETHOS FUND

## General information

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ETHOS FUND (hereafter the "Fund") is a mutual investment fund organised as an umbrella and governed by Part I of the amended Law of 17th December 2010 relating to Undertakings for Collective Investment. The Fund is set up in accordance with Management Regulations signed in Luxembourg on 26th April 2011 (the "Management Regulations") which entered into force on the same day.

The Fund's assets are the undivided joint property of the unitholders and are separated from the assets of the management company, SEB Fund Services S.A. (the "Management Company").

A notice of the deposit of the Management Regulations was published on 6th May 2011 in the "*Mémorial, Recueil des Sociétés et Associations*" (the "*Mémorial C*"). The Management Regulations are deposited with the "*Registre de Commerce et des Sociétés*", where they may be inspected and copies obtained.

At the date of the report, the following Sub-Fund is open:

- ETHOS FUND - Ethos Global Equities in SEK.

The Management Company may offer Class "R" units, available to all types of investors, and "I" units, available to Institutional Investors only. Class "C" units capitalize income whereas Class "D" units distribute income.

At the date of the report, the Classes IC (SEK) and ID (SEK) are issued.

The Net Asset Value per unit of the Sub-Fund is calculated, under the overall responsibility of the Management Company daily as of each business day in Luxembourg (the "Valuation Day"). A business day is a day on which banks are normally open for business in Luxembourg and Sweden.

The financial year of the Fund starts on 1st January and ends on 31st December in each year.

The accounts and the financial statements of the Fund are expressed in SEK and correspond to the financial statements of the sole Sub-Fund open.

Copies of the Management Regulations, of the current Prospectus, of the Key Investor Information Document (KIID) and of the latest reports of the Fund may be obtained free of charge at the registered office of the Management Company.

### Market review

Had 2013 been the perfect year for equity investors, was 2014 a good year. Measured in local currency, the S&P 500 increased 11% while the STOXX 600 posted a gain of roughly 4.5%. The MSCI World Index as a proxy for global equities closed 6.7% higher compared to the previous year. When adjusting for currencies though, the picture does look substantially different, dependent from the respective base currency. Relative to most other currencies the USD strengthened reflecting an increasing discrepancy between the economic momentum in various countries and regions. Economic growth in the US continued to be very robust, fueled by lower energy prices (shale revolution) and an ongoing improvement on the labor market. After a surprising contraction in Q1, business and consumer spending surged beginning of summer. House-building activity was reported quite strong as well. The US GDP is expected to grow approx. 2.3% in 2014. Consequently, the FED terminated its quantitative easing project and started to prepare market for a first raise of the Federal-Fund-Rate since 2006 (currently: 0% - 0.25%).

Different is the situation in Europe. The Eurozone was growing but only at a very modest pace. Germany and France, the two largest economies, have narrowly avoided recession. Italy however reported a contracting GDP in Q2 and Q3. While private consumption in Germany held up fairly well, capital investments actually turned quite negative. This trend was explained by sluggish growth in Emerging Markets but also by the political tension between the Ukraine and Russia that intensified over the course of the year. After Russia, which is one of the largest trade partners of Germany, illegally annexed Crimea and unofficially supported Russian friendly element in the Eastern part of the Ukraine in order to destabilize the country, the EU imposed restrictive measures against the Russian Federation. Clear that in an environment of low dynamic and falling inflation, investor's focus increasingly turned on the European Central Bank. And indeed, Mario Draghi, its president continued his supportive policy. To stimulate the economy, the European Central Bank lowered interest rate to zero (deposit rate is even negative) and announced a purchase program for asset-backed securities and covered bonds worth 500 billion euros. The EUR/USD rate dropped from nearly 1.4 reached in May to 1.2 at year end.

The other big theme in 2014 was the collapse in oil prices. With the US having become a large producer and global demand stabilizing because of modest economic growth, the market now is heavily over-supplied with oil. As neither the OPEC nor any other of the large producer is willing to cut production and lose market share, the price for one barrel oil (Brent) dropped to below USD 60 compared to USD 110 a year ago.

### Performance review

In 2014, the Ethos Global Equities Sub-Fund performed in line with the underlying benchmark, the DJSI Sustainability World Index TRN. Measured in SEK, the NAV of the Sub-Fund increased 22.56%, the benchmark 23.49%. With RobecoSAM, following a bottom-up fundamental investment process, performance is driven predominantly by stock selection. Other risk factors such as currencies or region are kept within certain boundaries. The same goes for GICS sectors, with the exception of Energy. The portfolio incorporates a number of exclusion criteria in order to adhere to high ethical standards. The Sub-Fund does not invest in all companies that produce energy with fossil fuels, such as coal, natural gas or oil. Instead, the portfolio invests in companies that offer solutions to a clean and renewable energy production. Consequently, the portfolio runs a larger underweight in the energy sector.

### Report from the Investment Manager (continued)

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The 5 most significant positive performance contributors in 2014 were L Brands, Oracle, Dollar Tree, Wells Fargo and Swisscom. Despite a choppy market environment, US retailer L Brands managed to constantly improve earnings per share over the past two years. The company owns a number of strong brands with high customer loyalty and successfully expanded outside the US. The share price of technology company Oracle profited from a successful transition of its hardware business to cloud related software applications. Wells Fargo and Swisscom both represent defensive but high quality names in their sector. As already in the previous year, Large Caps with solid earnings growth and reliable dividend policy outperformed the market as well as most cyclical growth sectors.

On the other side, Intel, Novartis, Adidas, HP and 3M contributed most negatively to the Sub-Fund's performance. While Adidas was overweight but suffered a poor performance, the other holdings were underweight relative to the performance. Despite an attractive valuation relative to its peers, Adidas again disappointed with weak sales, particular in the US. The shares tumbled as the company has a high exposure to the Golf business (which lost attractiveness) and Russia. HP and Intel surged in a very dynamic IT market. For valuation reasons, the portfolios favored Microsoft and IBM which delivered less positive returns.

As mentioned above, sectors were kept relatively close to the benchmark. Nevertheless, the overall portfolio allocation was slightly defensive with underweight in cyclical sectors (relative to benchmark DJSI Sustainability World Index TRN) such as Energy, Financials and Industrials. Overweight positions included Telecommunication, Utilities and Consumer Staples. In total, the allocation had a positive effect on the Sub-Fund's performance. In particular, the underweight exposure in Energy paid off with many commodities collapsing in the second half of the year. Divesting from fossil fuels added in a positive way to the 2014 result of Ethos Global Equities.

#### Market Outlook

Global economy growth is expected to slightly accelerate in 2015. Worldwide growth rates of ~3.5% look achievable, up from around 3.2% in 2014. Similarly to 2014, global growth will likely be driven by the US with estimated growth rates of 3.5%, and Asia ex-Japan (notably including China) with growth rates of 6-6.5%. The expansive monetary policy in Japan is stimulating the economy through currency depreciation, and might lead to real growth rates above 1% again, up from a very anemic 2014. The same applies for the euro area, where a slight increase of the growth rate above 1.0% looks achievable again, helped by currency depreciation and lower oil price.

Weak demographics, high leverage, a negative output gap and slowing China continue to induce disinflationary pressures in many countries, especially in Japan and Europe. Whilst being a boon for the global consumers and very welcome in redistributing global wealth, the currently weak oil prices generally add to these deflationary pressures, adding to the risk of countries being pushed into deflation.

Although the US monetary policy is likely to moderately tighten as a result of a strengthening US economy, the dampening impact of the stronger dollar as well as the decline in wage growth should not be overlooked. At the same time, the Bank of Japanese and particularly the ECB are expected to continue with very accommodative policies, thereby weakening their currencies.

## ETHOS FUND

### Report from the Investment Manager (continued)

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Besides a resurgence of stronger deflationary pressures, the most important risk factors for 2015 include any political uncertainties, especially in the Euro area through political upheavals and as populist protest parties might gain influence, possible social tensions in oil producing countries that might spill over to neighboring countries, as well as well as growing credit risks amidst a slowing property market in China.

Generally we remain very constructive on the overall equity markets as cheaper oil provides a boost for the consumers in the developed countries, as well as enabling the central banks to extend their very supportive monetary policies. Geographically, we are particularly constructive on the European and Japanese equities as valuation multiples may expand.

Luxembourg, 16th January 2015

The Investment Manager

Note: The information in this report represents historical data and is not an indication of future results.



## Audit Report

To the Unitholders of  
**ETHOS FUND**

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We have audited the accompanying financial statements of ETHOS FUND, which comprise the statement of net assets and the statement of investments and other net assets as at 31st December 2014 and the statement of operations and other changes in net assets for the year then ended, and a summary of significant accounting policies and other explanatory notes to the financial statements.

### *Responsibility of the Board of Directors of the Management Company for the financial statements*

The Board of Directors of the Management Company is responsible for the preparation and fair presentation of these financial statements in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the financial statements and for such internal control as the Board of Directors of the Management Company determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Responsibility of the "Réviseur d'entreprises agréé"*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier". Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the judgment of the "Réviseur d'entreprises agréé", including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the "Réviseur d'entreprises agréé" considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors of the Management Company, as well as evaluating the overall presentation of the financial statements.

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T: +352 494848 1, F: +352 494848 2900, [www.pwc.lu](http://www.pwc.lu)*

*Cabinet de révision agréé. Expert-comptable (autorisation gouvernementale n°10028256)  
R.C.S. Luxembourg B 65 477 - TVA LU25482518*



**Audit Report (continued)**

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of ETHOS FUND as of 31st December 2014, and of the results of its operations and changes in its net assets for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the financial statements.

*Other matters*

Supplementary information included in the annual report has been reviewed in the context of our mandate but has not been subject to specific audit procedures carried out in accordance with the standards described above. Consequently, we express no opinion on such information. However, we have no observation to make concerning such information in the context of the financial statements taken as a whole.

PricewaterhouseCoopers, Société coopérative  
Represented by

Luxembourg, 26th March 2015

A large, stylized handwritten signature in black ink, consisting of several overlapping loops and strokes, positioned over the text 'Represented by' and 'Philippe Sergiel'.

Philippe Sergiel

## ETHOS FUND - Ethos Global Equities

### Statement of net assets (in SEK)

as at 31st December 2014

#### Assets

Securities portfolio at market value	984,678,838.74
Cash at banks	31,716,122.82
Formation expenses, net	116,046.82
Income receivable on portfolio	657,798.59
Total assets	<u>1,017,168,806.97</u>

#### Liabilities

Expenses payable	<u>1,150,800.96</u>
Total liabilities	<u>1,150,800.96</u>

Net assets at the end of the year	<u><u>1,016,018,006.01</u></u>
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IC (SEK) units outstanding	5,197,540.863
Net asset value per IC (SEK) unit	157.22

ID (SEK) units outstanding	1,341,012.195
Net asset value per ID (SEK) unit	148.30

The accompanying notes are an integral part of these financial statements.

## ETHOS FUND - Ethos Global Equities

### Statement of operations and other changes in net assets (in SEK) from 1st January 2014 to 31st December 2014

#### Income

Dividends, net	19,667,473.76
Interest on bank accounts	35,836.26
Total income	19,703,310.02

#### Expenses

Management fees	3,567,544.89
Banking charges and other fees	2,190.76
Transaction fees	777,467.34
Central administration costs	928,296.04
Professional fees	149,532.02
Other administration costs	618,975.24
Subscription duty ("taxe d'abonnement")	90,143.39
Interest paid on bank overdrafts	10,987.01
Other expenses	93,266.37
Total expenses	6,238,403.06

Net investment income	13,464,906.96
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#### Net realised gain/(loss)

- on securities portfolio	84,211,402.81
- on forward foreign exchange contracts	5,065.50
- on foreign exchange	74,727.64
Realised result	97,756,102.91

#### Net variation of the unrealised gain/(loss)

- on securities portfolio	81,560,512.03
Result of operations	179,316,614.94

Dividends paid	-3,395,367.42
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Subscriptions	107,260,611.95
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Redemptions	-37,184,920.56
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Total changes in net assets	245,996,938.91
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Total net assets at the beginning of the year	770,021,067.10
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Total net assets at the end of the year	1,016,018,006.01
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The accompanying notes are an integral part of these financial statements.

## ETHOS FUND - Ethos Global Equities

### Statistical information (in SEK)

as at 31st December 2014

<b>Total net assets</b>	
- as at 31.12.2014	1,016,018,006.01
- as at 31.12.2013	770,021,067.10
- as at 31.12.2012	1,007,676,709.29
<b>Number of IC (SEK) units outstanding</b>	
- outstanding at the beginning of the year	5,181,986.764
- issued	187,952.192
- redeemed	-172,398.093
- outstanding at the end of the year	5,197,540.863
<b>Net asset value per IC (SEK) unit</b>	
- as at 31.12.2014	157.22
- as at 31.12.2013	128.28
- as at 31.12.2012	101.32
<b>Number of ID (SEK) units outstanding</b>	
- outstanding at the beginning of the year	844,018.245
- issued	588,320.743
- redeemed	-91,326.793
- outstanding at the end of the year	1,341,012.195
<b>Net asset value per ID (SEK) unit</b>	
- as at 31.12.2014	148.30
- as at 31.12.2013	124.71
- as at 31.12.2012	101.62
<b>Dividend paid</b>	
Ex-dividend date	26.05.2014
Dividend per unit	3.95
Units outstanding at dividend date	859,586.688

The accompanying notes are an integral part of these financial statements.

# ETHOS FUND - Ethos Global Equities

## Statement of investments and other net assets (in SEK) as at 31st December 2014

Currency	Number / nominal value	Description	Cost	Market value	% of total net assets
<b>Investments in securities</b>					
<b>Transferable securities admitted to an official stock exchange listing</b>					
<b>Shares</b>					
AUD	175,000	AGL Energy Ltd	17,085,884.46	14,988,716.16	1.48
AUD	57,064	Westpac Banking Corp	8,802,464.75	12,131,001.64	1.19
			25,888,349.21	27,119,717.80	2.67
CHF	76,000	ABB Ltd Reg	12,047,188.06	12,655,038.93	1.25
CHF	41,250	Nestlé SA Reg	16,526,634.96	23,702,500.22	2.33
CHF	39,000	Novartis AG Reg	27,825,427.90	28,369,156.10	2.79
CHF	15,400	Roche Holding AG B de jous Pref	17,092,650.37	32,739,234.12	3.22
CHF	9,579	Schindler Holding AG Partizipsch	9,368,542.36	10,864,946.09	1.07
			82,860,443.65	108,330,875.46	10.66
EUR	14,136	Adidas AG Reg	7,346,961.10	7,716,512.74	0.76
EUR	23,155	Akzo Nobel NV	9,424,115.95	12,646,355.43	1.25
EUR	14,000	Allianz SE Reg	14,230,792.73	18,217,047.31	1.79
EUR	180,000	Ansaldo STS SpA	11,107,088.70	14,204,920.04	1.40
EUR	76,000	Axa SA	11,430,042.28	13,827,675.86	1.36
EUR	80,000	CNP Assurances	11,100,220.01	11,160,061.23	1.10
EUR	25,000	Fresenius SE & Co KGaA	9,774,634.14	10,222,161.35	1.01
EUR	26,548	Henkel AG & Co KGaA Pref	13,545,332.42	22,489,912.27	2.21
EUR	39,007	Koninklijke DSM NV	13,774,669.00	18,713,608.27	1.84
EUR	7,500	Linde AG	9,972,144.35	10,956,375.90	1.08
EUR	11,000	Muenchener Rueckver AG REG	11,594,231.10	17,272,989.50	1.70
EUR	60,000	Raiffeisen Bank Intl AG	9,850,525.60	7,125,196.99	0.70
EUR	71,227	Royal Philips NV	12,706,785.99	16,296,077.25	1.60
EUR	32,000	Sanofi SA	24,336,463.67	22,937,052.16	2.26
EUR	30,000	SAP SE	15,678,637.87	16,558,196.11	1.63
EUR	254,558	Snam SpA	9,094,369.66	9,887,622.88	0.97
EUR	90,000	Suez Environnement Co	7,832,755.27	12,307,804.37	1.21
EUR	74,587	Unilever NV Certif of Shares	16,868,553.12	23,063,997.19	2.27
EUR	12,000	Volkswagen AG Pref	19,346,498.56	20,991,904.64	2.07
			239,014,821.52	286,595,471.49	28.21
GBP	30,000	AstraZeneca Plc	9,859,611.82	16,675,841.95	1.64
GBP	500,000	Barclays Plc	12,796,058.12	14,855,915.98	1.46
GBP	548,221	BT Group Plc	11,908,718.03	26,857,877.13	2.64
GBP	40,000	Croda International Plc	10,371,270.66	12,992,672.96	1.28
GBP	14,912	Indivior Plc	154,754.45	271,842.27	0.03
GBP	14,912	Reckitt Benckiser Group Plc	5,364,821.07	9,479,907.13	0.93
GBP	69,795	SSE Plc	10,757,723.11	13,813,560.24	1.36
			61,212,957.26	94,947,617.66	9.34
JPY	41,000	Honda Motor Co Ltd	8,959,398.30	9,436,338.18	0.93
NOK	160,000	DNB ASA	15,213,916.37	18,494,920.17	1.82
PHP	950,900	Manila Water Co Inc	4,663,693.21	4,818,460.17	0.48
SEK	43,044	Atlas Copco AB A	8,396,756.24	9,400,809.60	0.93
SEK	80,000	Boliden AB	8,425,335.24	10,040,000.00	0.99
SEK	62,060	Svenska Cellulosa SCA AB B	6,364,644.85	10,481,934.00	1.03
			23,186,736.33	29,922,743.60	2.95
USD	25,000	A.O.Smith Corp	10,135,950.78	11,037,039.62	1.09
USD	43,436	Abbott Laboratories	9,977,487.66	15,304,241.43	1.51
USD	26,000	Chubb Corp	16,349,729.37	21,054,468.87	2.07

The accompanying notes are an integral part of these financial statements.

## ETHOS FUND - Ethos Global Equities

### Statement of investments and other net assets (in SEK) (continued) as at 31st December 2014

Currency	Number / nominal value	Description	Cost	Market value	% of total net assets
USD	135,000	Cisco Systems Inc	21,202,955.20	29,387,952.27	2.89
USD	24,000	Discover Financial Services	12,147,155.28	12,301,065.34	1.21
USD	27,000	Dollar Tree Inc	9,845,537.35	14,872,004.90	1.46
USD	33,000	Emerson Electric Co	11,862,004.42	15,942,877.53	1.57
USD	20,000	Fossil Inc	13,933,718.22	17,333,689.31	1.71
USD	51,000	Hartford Fin Serv Gr Inc (The)	8,610,149.37	16,640,200.86	1.64
USD	12,894	IBM Corp	14,692,239.69	16,190,371.43	1.59
USD	18,000	Johnson & Johnson	14,408,230.93	14,731,131.49	1.45
USD	39,626	L. Brands Inc	13,687,881.85	26,841,315.72	2.64
USD	19,580	Master Card Inc A	6,330,706.66	13,203,068.33	1.30
USD	10,635	Mead Johnson Nutrition Co	5,379,038.63	8,368,215.74	0.82
USD	108,000	Microsoft Corp	26,699,623.57	39,261,416.73	3.86
USD	60,000	Oracle Corp	12,014,781.64	21,116,922.74	2.08
USD	18,000	Pepsico Inc	11,466,377.07	13,320,988.76	1.31
USD	40,000	Pfizer Inc	5,388,512.78	9,751,569.84	0.96
USD	27,000	PNC Financial Serv Group	16,627,697.39	19,277,820.50	1.90
USD	35,000	SunPower Corp	7,482,891.91	7,075,366.54	0.70
USD	27,000	United Health Group Inc	12,238,260.50	21,361,338.09	2.10
USD	60,000	Wells Fargo & Co New	18,154,130.02	25,742,266.06	2.53
USD	50,000	Xylem Inc	10,836,732.50	14,897,362.11	1.47
			<u>289,471,792.79</u>	<u>405,012,694.21</u>	<u>39.86</u>
Total investments in securities			750,472,108.64	984,678,838.74	96.92
Cash at banks				31,716,122.82	3.12
Other net assets/(liabilities)				-376,955.55	-0.04
Total				<u>1,016,018,006.01</u>	<u>100.00</u>

The accompanying notes are an integral part of these financial statements.

## ETHOS FUND - Ethos Global Equities

### Industrial and geographical classification of investments as at 31st December 2014

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#### Industrial classification

(in percentage of net assets)

Pharmaceuticals and biotechnology	14.87 %
Insurance	9.66 %
Banks	9.60 %
Software and services	8.87 %
Capital goods	8.46 %
Consumer durables and apparel	6.71 %
Utilities	6.20 %
Food and beverage	5.91 %
Materials	5.36 %
Technology hardware and equipment	4.48 %
Household and personal products	4.17 %
Automobiles and components	3.00 %
Health care equipment and services	2.92 %
Telecommunication services	2.64 %
Retailing	1.46 %
Transportation	1.40 %
Diversified financial services	1.21 %
Total	<u>96.92 %</u>

## ETHOS FUND - Ethos Global Equities

**Industrial and geographical classification of investments (continued)**  
as at 31st December 2014

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### **Geographical classification**

(by domicile of the issuer)  
(in percentage of net assets)

United States of America	39.86 %
Germany	12.25 %
Switzerland	10.66 %
United Kingdom	9.34 %
The Netherlands	6.96 %
France	5.93 %
Sweden	2.95 %
Australia	2.67 %
Italy	2.37 %
Norway	1.82 %
Japan	0.93 %
Austria	0.70 %
Philippines	0.48 %
Total	<u>96.92 %</u>

**Note 1 - Significant Accounting policies**

**a) Presentation of the financial statements**

The financial statements of the Fund are established in accordance with the Luxembourg legal and regulatory requirements concerning Undertakings for Collective Investment.

**b) Valuation**

- 1) Securities listed on Regulated Markets, which operate regularly and are recognised and open to the public, are valued at the last available price; in the event that there should be several such markets, on the basis of the last available price of the main market for the relevant security. Should the last available price for a given security not truly reflect its fair market value, then that security is valued on the basis of the probable sales price which the Management Company deems it is prudent to assume.
- 2) Securities not listed on Regulated Markets, which operate regularly and are recognised and open to the public, are valued on the basis of their last available price. Should the last available price for a given security not truly reflect its fair market value, then that security is valued by the Management Company on the basis of the probable sales price which the Management Company deems it is prudent to assume.
- 3) Securities that are not officially quoted on a stock market are valued at a rate that may not be lower than the buying price and not higher than the selling price at the time of the valuation and which the Management Company maintains to be the best possible rate the securities can be sold for.
- 4) The value of any cash on hand or on deposit, bills and demand notes and accounts receivable, prepaid expenses, cash dividends and interest declared or accrued as aforesaid, and not yet received are deemed to be the full amount thereof, unless, however, the same is unlikely to be paid or received in full, in which case the value thereof shall be determined after making such discount as the Management Company may consider appropriate in such case to reflect the true value thereof.

**c) Net realised gain/(loss) on sales of securities**

The net realised gain/(loss) on sales of securities is determined on the basis of the average cost of securities sold.

**d) Cost of securities**

The acquisition cost of a security denominated in a currency other than that of the Sub-Fund is converted to the Sub-Fund's currency at the exchange rate prevailing on the date of purchase.

## ETHOS FUND

### Notes to the financial statements (continued)

as at 31st December 2014

#### e) Exchange translation

Bank balances, other assets and liabilities and the value of securities held that are denominated in other currencies than the Sub-Fund's currency are converted at the prevailing exchange rate of the closing day. Income and expenses incurred in currencies other than the Sub-Fund's currency are converted at the prevailing exchange rate of the day of each transaction. Exchange gains and losses are recorded in the statement of operations and other changes in net assets.

At the date of the report, the prevailing exchange rates on the closing day were as follows:

1	SEK	=	0.1559840	AUD	Australian Dollar
			0.1269565	CHF	Swiss Franc
			0.1055550	EUR	Euro
			0.0819539	GBP	Pound Sterling
			15.3201377	JPY	Japanese Yen
			0.9576684	NOK	Norwegian Krona
			5.7230109	PHP	Philippian Peso
			0.1277743	USD	US Dollar

#### f) Formation expenses

Expenses incurred in connection with the establishment of the Fund are amortised over a period of five years.

Formation expenses are included in the caption "Other expenses" in the statement of operations and other changes in net assets.

#### g) Investment income

Dividend income is recognised on an ex-dividend basis and is recorded net of withholding tax.

#### h) Forward foreign exchange contracts

Forward foreign exchange contracts are valued at prevailing market rates for the remaining period from valuation day to the maturity of the contracts. Unrealised gain/(loss) is recorded in the statements of net assets. Net variation of the unrealised gain/(loss) and the net realised gain/(loss) are recorded in the statement of operations and other changes in net assets.

#### i) Transaction fees

Transaction costs disclosed under the caption "Transaction fees" in the expenses of the statement of operations and other changes in net assets are mainly composed of broker fees incurred by the Fund relating to purchases or sales of securities and of fees relating to liquidation of transactions paid to the custodian bank.

## ETHOS FUND

### Notes to the financial statements (continued)

as at 31st December 2014

#### **Note 2 - Subscription, redemption and conversion fees**

No subscription, redemption or conversion fees are charged.

#### **Note 3 - Management fees**

The Management Company receives an infrastructure fee, accrued daily and payable monthly in arrears, of 0.025% per annum of the net assets of the Sub-Fund, subject to an annual minimum of EUR 15,000. Furthermore the Management Company is entitled to be reimbursed out of the assets of the Sub-Fund for its reasonable out-of-pocket expenses and disbursements.

This fee is recorded under the caption "Management fees" in the Statement of operations and other changes in net assets.

#### **Note 4 - Investment management fee**

The Investment Manager receives out of the Sub-Fund's assets a fee of maximum 0.50% per annum, subject to an annual minimum of SEK 600,000. This fee is payable quarterly in arrears based on the Sub-Fund's average net assets calculated each Valuation Day.

The applicable annual fee for the Investment Manager amounts to:

- Tranche < SEK 250 Mn: 0.50% p.a.
- Tranche > SEK 250 Mn > SEK 1,000 Mn: 0.35% p.a.
- Tranche > SEK 1,000 Mn: 0.25% p.a.

This fee is recorded under the caption "Management fees" in the Statement of operations and other changes in net assets.

#### **Note 5 - Central administration costs**

Out of the Sub-Fund's assets, an administration fee consisting of a flat fee of EUR 27,000 per annum plus a variable fee of maximum 0.0758% per annum is payable to the Central Administrator. This fee is accrued on a daily basis, based on the net assets of the Sub-Fund and is paid out monthly in arrears. This fee includes the fee due to the Custodian.

As at the date of the report, the applicable rate of administration fee is as follows:

- Tranche < EUR 50 Mn: 0.0758% p.a.
- Tranche > EUR 50 Mn < EUR 125 Mn: 0.0576% p.a.
- Tranche > EUR 125 Mn: 0.0470% p.a.

#### **Note 6 - Distribution Fee**

The Distributor receives out of the Sub-Fund's assets a fee of maximum 0.05% per annum. This fee is payable monthly in arrears based on the Sub-Fund's average net assets calculated each Valuation Day.

This fee is recorded under the caption "Other administration costs" in the Statement of operations and other changes in net assets.

## ETHOS FUND

### Notes to the financial statements (continued)

as at 31st December 2014

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#### **Note 7 - Subscription duty ("taxe d'abonnement")**

The Fund is governed by Luxembourg law.

Pursuant to the legislation and regulations which are prevailing, the Fund is subject to an annual subscription duty ("*taxe d'abonnement*") of 0.05% which is payable quarterly and calculated on the basis of the net assets of each Sub-Fund on the last day of each quarter.

The rate of this tax is reduced to 0.01% of the value of the net assets for Sub-Funds or Classes of units reserved to institutional investors.

According to Article 175 (a) of the amended Law of 17th December 2010, the net assets invested in Undertakings for Collective Investments already subject to the "*taxe d'abonnement*" are exempt from this tax.

#### **Note 8 - Risk management**

As required by Circular CSSF 11/512, the Board of Directors of the Management Company needs to determine the global risk exposure of the Fund either by applying the commitment approach or the VaR approach. In terms of risk management, the Board of Directors of the Management Company decided to adopt the commitment approach as a method of determining and monitoring the global exposure.

#### **Note 9 - Changes in the investment portfolio**

The statement of changes in the investment portfolio for the year covered by the report is available free of charge upon request from the registered office of the Management Company.

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