

# Audited annual report as at 31st December 2012

## **Lancelot Ector**

Investment Company (SICAV), Luxembourg

R.C.S. Luxembourg B 54 040



The sole legally binding basis for the purchase of shares of the Fund described in this report is the latest valid sales prospectus with its terms of contract. Subscriptions cannot be received on the basis of financial reports.

**Lancelot Ector**

**Contents**

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**Organisation.....2**

**General information .....4**

**Report of the Board of Directors .....6**

**Graphics .....10**

**Audit report.....11**

**Lancelot Ector - Master Fund .....13**

    Statement of net assets ..... 13

    Statement of operations and other changes in net assets ..... 14

    Statistical information ..... 15

    Statement of investments and other net assets ..... 16

**Notes to the financial statements .....18**

## Lancelot Ector

### Organisation

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#### Registered Office

4, rue Peternelchen \*  
L-2370 Howald

#### Board of Directors of the SICAV

**Chairman**  
Tobias JÄRNBLAD,  
Managing Director  
Lancelot Asset Management AB, Stockholm, Sweden

Per LJUNGBERG  
Deputy Managing Director  
Lancelot Holding AB, Stockholm, Sweden

Jean-Claude WOLTER  
Honorary Lawyer, Director of Companies  
Luxembourg, Grand-Duchy of Luxembourg

#### Management Company and Central Administration

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

#### Board of Directors of the Management Company

**Chairman**  
Ralf FERNER  
Managing Director  
SEB Asset Management S.A., Luxembourg  
(since 16th November 2012)

Niklas NYBERG  
Global Head of GTS Financial Institutions  
SEB Merchant Banking, Sweden  
(until 15th November 2012)

**Vice-Chairman**  
Peter KUBICKI  
Managing Director  
Skandinaviska Enskilda Banken S.A., Luxembourg  
(since 1st June 2012)

William PAUS  
Managing Director  
Skandinaviska Enskilda Banken AB (publ), Oslo Branch, Norway  
(until 31st May 2012)

**Directors**  
Göran FORS  
Global Head of GTS Banks and Financial Institutions  
SEB Merchant Banking Sweden  
(since 16th November 2012)

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\* The registered office of all SEB entities in Luxembourg was transferred from 6a, Circuit de la Foire Internationale, L-1347 Luxembourg to 4, rue Peternelchen, L-2370 Howald with effect from 1st April 2012.

## Lancelot Ector

### Organisation (continued)

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	Ann-Charlotte LAWYER Managing Director SEB Fund Services S.A., Luxembourg
	Jonas LINDGREN Global Head of Prime Brokerage SEB Enskilda, Securities Finance, Sweden
	Jan HEDMAN Global Head of Fund Execution SEB Merchant Banking, Sweden (until 15th November 2012)
	Rudolf KÖMEN Managing Director SEB Asset Management S.A., Luxembourg (until 15th November 2012)
<b>Custodian Bank</b>	Skandinaviska Enskilda Banken S.A. * 4, rue Peternelchen L-2370 Howald
<b>Sub-Administrator, Registrar and Transfer Agent</b>	European Fund Administration S.A. 2, rue d'Alsace L-1122 Luxembourg
<b>Investment Manager</b>	Lancelot Asset Management AB Nybrokajen 7, PO Box 16172 SE-103 23 Stockholm
<b>Distributors and Placement Agents</b>	<b>In Sweden</b> Lancelot Asset Management AB Nybrokajen 7, PO Box 16172 SE-103 23 Stockholm
<b>Authorized Placement Agents</b>	<b>In Sweden</b> Consortum AB Wenner-Gren Center Sveavägen 166 SE-113 46 Stockholm Phone: +46 8 33 15 50 Fax: +46 8 33 11 50
<b>Auditor</b>	PricewaterhouseCoopers, Société coopérative 400, route d'Esch L-1471 Luxembourg

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## Lancelot Ector

### General information

Lancelot Ector (the "Company") is an open-ended investment Company incorporated on 28th February 1996 under the laws of the Grand Duchy of Luxembourg as a "*Société d'Investissement à Capital Variable*" ("SICAV"). The Company is registered under Part I of the Law of 17th December 2010 relating to undertakings for collective investment.

The Company is structured as an umbrella fund. At the date of the present report, the Company has only one active Sub-Fund:

- Lancelot Ector - Master Fund; expressed in SEK.

The Company issues shares of different classes:

- Class A Shares: subscribed and redeemed through Lancelot Asset Management AB,
- Class B Shares: subscribed and redeemed through any other Distributor or Placement Agent and/ or any sub-distributor or sub-placement agent.

The A and B Classes of Shares corresponding to the Lancelot Ector - Master Fund are issued in the form of two categories being accumulation shares and dividend shares.

The financial year of the Company ends on 31st December.

Subscription and redemption prices are available at the registered office of the Company.

Financial reports of the Company are published annually and semi-annually. At the date of the report, one Sub-Fund is offered for sale. As a consequence, the financial statements of the Sub-Fund Lancelot Ector - Master Fund reflect also the global situation of the Company.

These reports, as well as the offering prospectus, and all information concerning the Company can be obtained at the offices of the following agents: Skandinaviska Enskilda Banken S.A. and Lancelot Asset Management AB.

The financial reports can also be consulted under [http:// fundinfo.sebfundservices.lu/ lancelotEctor/](http://fundinfo.sebfundservices.lu/lancelotEctor/) .

### European Savings Tax Directive

The Council of the European Union adopted on 3rd June 2003 a Council Directive 2003/ 48/ EC on the taxation of savings income in the form of interest payments (the "European Savings Directive") under which Member States of the European Union ("Member States") will be required to provide tax authorities of another Member State with details of payment of interest or other similar income paid by a person within its jurisdiction to an individual resident in that other Member State. Austria and the Grand Duchy of Luxembourg have opted alternatively for a withholding tax system for a transitional period in relation to such payments.

The Luxembourg law of 21st June 2005 implemented the Savings Directive into Luxembourg (the "Savings Directive Law").

Pursuant to the Savings Directive Law, the withholding tax rate on interests is 35% since 1st July 2011. Article 9 of the Savings Directive Law provides that no withholding tax will be withheld if the beneficial owner expressly authorizes the Paying Agent to report information in accordance with the provisions of the Savings Directive Law.

Dividends distributed by a Sub-Fund will be subject to the Savings Tax Directive if more than 15% of the relevant Sub-Fund's assets are invested in debt claims as defined in the Savings Directive Law.

## **Lancelot Ector**

### **General information (continued)**

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Proceeds realised by Shareholders on the disposal of Shares will be subject to such reporting or withholding if more than 25% of the relevant Sub-Fund's assets are invested in debt claims as defined by the Savings Directive Law.

As per Resolution of the Board of Directors dated 28th June 2005, the classification of Lancelot Ector - Master Fund to be in or out of the scope of the EU-Savings Directive is subject to an Asset Test validated by Board decision. The Company's status arising from such Asset Test applies for one year starting from the 5th month after each financial year-end.

According to Asset Tests performed as at 31st December 2011 and 31st December 2012, Lancelot Ector - Master Fund:

- Is in scope of the EU-Savings Directive for dividends declared and paid out on its dividend shares until 30th April 2014.
- Is in scope for realised capital gains until 30th April 2014.

## **Lancelot Ector**

### **Report of the Board of Directors**

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Dear Shareholder,

Lancelot Ector was established as an umbrella fund on 28th February 1996.

Total subscriptions to the Sub-Fund Lancelot Ector - Master Fund, initially launched on 13th March 1996 at SEK 10.00 per share, amount to 23,657,717.884 accumulation (capitalisation) shares and 9,581,066.183 dividend (distribution) shares as of 31st December 2012, representing total assets of SEK 832,201,301. The net asset value per capitalisation share was SEK 27.69 i.e. increase of 176.90% after fees from launch date and increase of 5.05% during the year 2012.

The Sub-Fund Lancelot Ector - Master Fund is a so-called balanced fund, which seeks to achieve long-term growth from diversified investments both in equities and bonds. The asset allocation is flexible with the equity part primarily invested in Swedish and international stock market listed shares. The bond portion of the portfolio shall to a large extent be invested in Swedish bonds with low credit risks.

#### **Global economy and financial markets**

In a year when news about global growth was mostly disappointing, the global outlook brightened in December as the closely followed purchasing management index (PMI) rose in the US, China and Eurozone. The manufacturing PMI data, which cover the world's three largest goods-producing economies, indicate that global manufacturing is showing renewed signs of life. Improved contributions from greater industrial production and higher worldwide trade flows should help bolster global economic growth. The strongest gain was seen in the United States, where the PMI hit an eight-month high, broadly consistent with US manufacturing output growing at a 4% annualised rate. The PMI for China hit a 14-month peak in December. The index has risen for four successive months, rising above the no-change level of 50 in the final two months of 2012, providing strong evidence to suggest that industrial production growth will have continued to revive. Even the Eurozone manufacturing PMI improved in December, rising to its highest since March. However, although well up on the three-year low seen in July, the rise in the Eurozone PMI was only very marginal, and the index remains firmly in the contraction territory, contrasting with the expansions seen in the US and China. The PMI data therefore indicate that the Eurozone recession deepened in the fourth quarter after a mild 0.1% contraction in the third quarter. But, the rise in the PMI nevertheless suggests that the picture for 2013 is beginning to brighten somewhat. The contrasting picture of stronger growth in the US and China compared to ongoing decline in the Eurozone was further highlighted by the PMI surveys' employment sub-indices. Job creation in the US manufacturing sector gathered pace to its highest since April, while in China the December survey saw headcounts held steady after net job losses had been reported in each of the past nine months. In the Eurozone, in contrast, job losses continued to be reported at a significant pace, accelerating slightly on November as firms sought to reduce capacity in line with an uncertain economic outlook and the need to raise productivity.

The Federal Reserve (Fed) maintained the federal funds rate at a range of 0-0.25%. The Fed noted in its December meeting that the economic activity and employment in the US have continued to expand at a moderate pace. Although the unemployment rate has declined somewhat since the summer, it remains elevated. Household spending has continued to advance, and the housing sector has shown further signs of improvement, but growth in business fixed investment has slowed. The Fed further noted that longer-term inflation expectations remain stable. To support continued progress toward maximum employment and price stability, the Fed decided to keep the target range for the federal funds rate unchanged and anticipated that this exceptionally low range for the federal funds rate will be appropriate at least as long as the unemployment rate remains above 6.5%, inflation between one and two years ahead is projected to be no more than a half percentage point above the 2% longer-run goal, and longer-term inflation expectations continue to be well anchored. The Fed suggested that



these thresholds are consistent with its earlier date-based guidance. When the bank decides to begin to remove policy accommodation, it will take a balanced approach consistent with its longer-run goals of maximum employment and inflation of 2%. In Europe, the European Central Bank (ECB) lowered its refi rate by 0.25% in July. Monetary analysis showed that the underlying pace of monetary expansion continues to be subdued, and inflation expectations for the euro area remain firmly anchored in line with the aim of maintaining inflation rates below, but close to, 2% over the medium term. The ECB further expect the economic weakness in the eurozone to extend into 2013, but that economic activity gradually should recover in the latter part of next year, as global demand strengthens and the accommodative monetary policy stance and significantly improved financial market confidence work their way through to the economy. But in order to sustain confidence, it is according to the ECB essential for governments to reduce further both fiscal and structural imbalances and to proceed with financial sector restructuring. The Bank of Japan (BoJ) decided to keep its policy rate unchanged at around 0 to 0.1%. The bank also decided to increase the total size of its asset purchase program by about ten trillion yen. Further, the BoJ stated that it will discuss the medium- to long-term price stability that it aims to achieve in the conduct of monetary policy at the next meeting. This should be viewed in the context of the newly elected Prime Minister Shinzo Abe, who has pressured the supposedly independent BoJ to impose higher inflation target. The Swedish Riksbank lowered the repo rate twice during the latter part of the year, from 1.50% to 1.00%. The cuts were motivated by the weak development in the euro area affecting the domestic economy in a negative way via soft private consumption, rising unemployment, and low inflationary pressures.

With the eurozone crisis under better control since the ECB revealed its potential outright monetary purchases program, the euro strengthened against the US dollar during the back-half of the year. The US currency is possibly also used as a funding vehicle for carry trades, whereby investors borrow in low interest rate, weak currency countries in the developed world to invest in currencies and commodities in higher growth countries. The Japanese yen fell against both the US dollar and the euro as market anticipated a more aggressive monetary policy from a BoJ under political pressure. The Swedish krona was generally stronger during 2012. In the commodity space the Reuters/ Jefferies CRB index (about a third is petroleum products) fell by 3.5%. Crude oil prices ended the year at USD 111 per barrel, while the price of gold reached its year high in early October but still finished the year up 6%.

Global stock markets enjoyed a strong 2012. This was solely due to so-called multiple expansion, as analysts were busy downgrading their profit estimates. The higher prices that investors were willing to pay for the lower profits was to a large extent the result of a considerably lower probability for worst-case scenarios such as a euroarea break-up, a Chinese hard landing or a renewed US recession. For the full year, the EU markets rose by 11% in local currency terms (MSCI), with the Nordic region 14% higher. Among the big European bourses Germany was the best performing market with an increase of 25%. In Sweden, the equity market rose by 13%. The North American region rose 13% (USA +13.5%) while the Pacific region ended the period 18% higher. The Japanese market rose by 19%.

The world index increased by 13.01% in local currency terms, and by 6.97% in Swedish krona terms as the Swedish currency strengthened.

#### **The Fund**

As of 31st December 2012 the Swedish equity exposure amounted to 14.88%, international equity exposure amounted to 18.50%, bonds amounted to 65.96% and cash and other assets amounted to 0.66% of total net asset value. The equity portion of the Fund was increased during the second half of the year from approximately 28% to 33%. The duration of the bond portfolio at the turn of the year was 0.96 years.

Some changes were made in the equity portfolio during the last six months of 2012. A position in *Electrolux* was established. The global appliance market has been pressured since 2001 by low-cost

producers mainly from South Korea. There are signs though that these companies which are suffering from low profitability and a decreasing cost advantage, are less prone to chase market shares and instead start to focus on profitability. Consequently rising prices, easing steel costs, US housing recovery, increased emerging market exposure and continued cost savings programs will not be competed away, leading to rising margins. The investment company *Investor* was also added to the portfolio. With a discount of 38% to net asset value we feel we have a reasonable margin of safety. The company is expected to improve its cash flow through increased dividend inflows, realizations of a number of private equity holdings through EQT, and a strong underlying performance from Mölnlycke. Smaller positions in the US investment bank *Morgan Stanley* and the US Insurance company *AIG* were also bought. Both investments are turnaround stories after the meltdown that happened in 2007-08. Morgan Stanley has shown inconsistent quarterly results, and has struggled to improve profitability. As a result, the stock is cheap, trading significantly below tangible book value. This implies that the company could theoretically be acquired and liquidated with money left over. The same basic reasoning holds true for AIG as well. The market is reluctant to put a higher price on the stock with a massive overhang of stock held by the US Treasury (now sold), and the uncertainty regarding the impact of Fed regulation for AIG. More importantly the company's reconstruction is about to finish, and the next step is more of an earning story with improving long-term prospects. The position in *Pfizer* was reduced by more than one percentage point. The investment has yielded an average annual return of almost 21% included dividends since the stock position was initiated in March 2009.

The value of the Fund increased by 5.05% during the year. The main positive contributors to the Fund's performance were Bank of America, Britvic and Pfizer. Intrum Justitia and Ratos, on the other hand lagged. Performance from the bond portfolio was positive.

### **Outlook for 2013**

Although there are visible signs that the global economy have turned a short-term corner and will improve near-term, the world economy still faces a lot of challenges. Of the world's four major developed economies plus China, the US was the only country to grow in 2012 roughly as fast as economic forecasters projected in the fall of 2011. Europe and the UK actually contracted, while China, and several other emerging economies, grew notably less briskly. Still, one big risk for the US in 2013 is that it will follow the formula of the UK and Europe in 2012. Even if the bulk of the so-called fiscal cliff is avoided, the US should count on fiscal tightening in the area of 1.5% to 2% of GDP. The mere prospect that policy might tighten that much has been a major dampener on business investment and thus GDP lately. If private domestic demand does not recover enough to compensate for the tightening, the US performance next year will be dependent on whether the rest of the world gets its act together. China has emerged from its soft landing but its new leadership seems determined to keep stimulus to a minimum and allow growth to maintain its relatively slower pace of 7.5% to facilitate transition to a more consumer-led economy. The leaders of the Eurozone are slowly remaking the region's institutions with the backing of the ECB. The threat of a disorderly euro break-up and sovereign default have receded. Whether that is enough to bring the region out of recession remains to be seen. In the face of austerity, many developed economies will have to rely on the central banks pushing quantitative easing (QE) even further. Put another way, QE sets the short-term rate to zero, and then tries to persuade everyone to spend rather than save by driving down the rates of return on all other assets, by direct purchases and indirect effects, towards zero, until there is nothing left to hold savings in. This could, and probably will, all things equal lend support to equity markets, but could very well lead to stretched valuations and increased future risks for capital losses.

## **Lancelot Ector**

### **Report of the Board of Directors (continued)**

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For 2013 the big question is whether the world's central bankers are "all in" and have overextended themselves and would be powerless if the post-crisis deleveraging era continued to show anaemic growth. Diminishing returns and loss of potency and credibility are a big danger going forward.

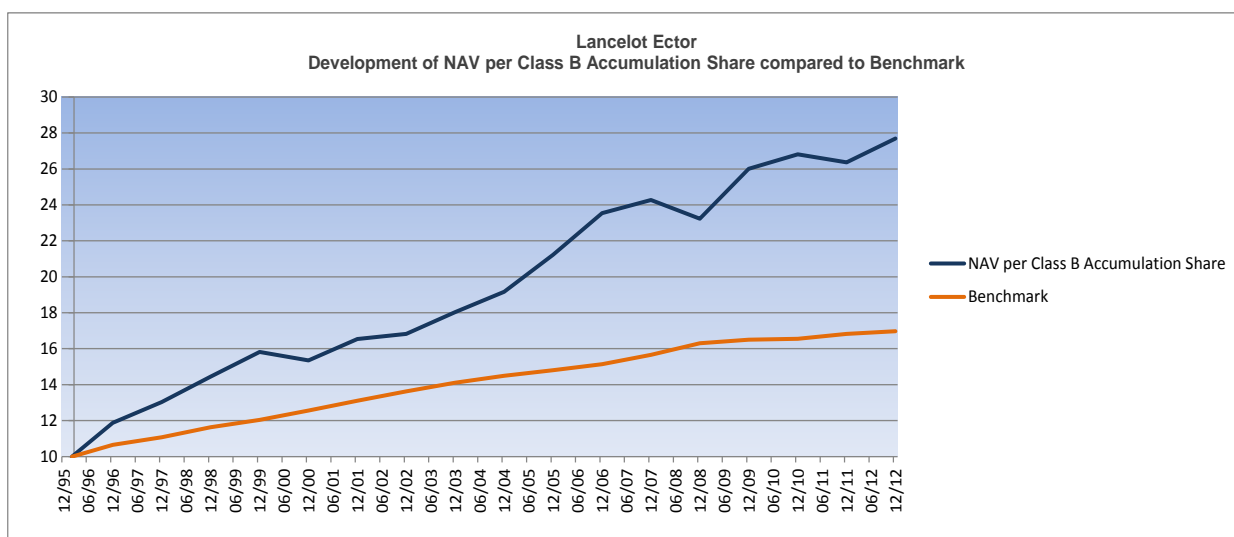
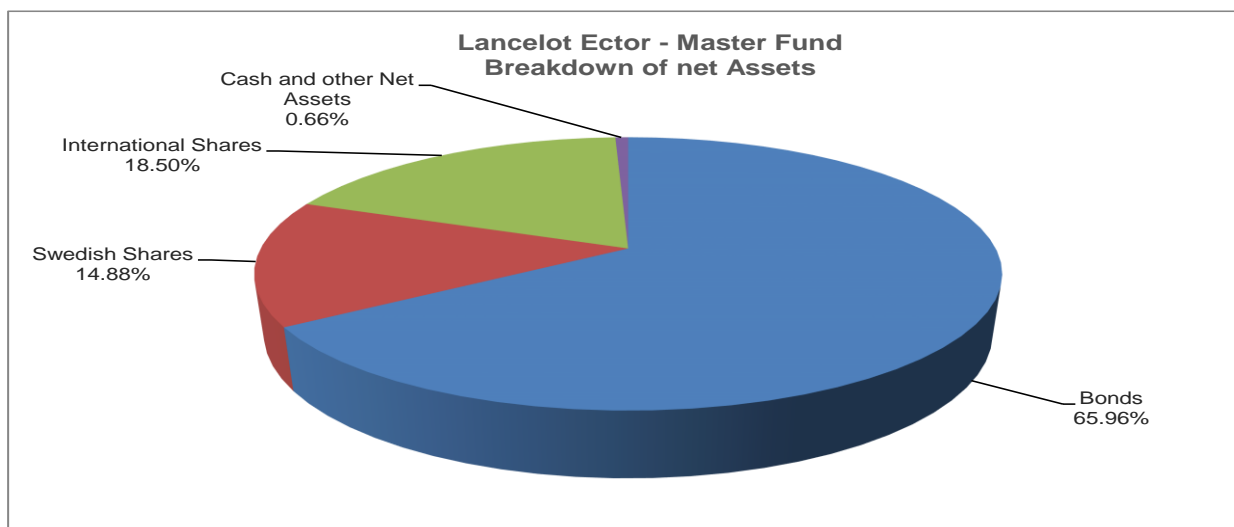
Luxembourg, 15th January 2013

The Board of Directors

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

# Lancelot Ector

## Graphics



Year	NAV Development	Benchmark Development	Year	NAV Development	Benchmark Development
1996	18.75% *	6.56% *	2005	10.74%	2.15%
1997	9.72%	3.97%	2006	10.86%	2.26%
1998	10.84%	5.02%	2007	3.15%	3.44%
1999	9.51%	3.53%	2008	-4.28%	4.11%
2000	-2.97%	4.28%	2009	11.90%	1.19%
2001	7.79%	4.31%	2010	3.12%	0.33%
2002	1.73%	3.95%	2011	-1.68%	1.61%
2003	7.22%	3.55%	2012	5.05%	0.92%
2004	6.26%	2.77%			

\* Relating to the period 15/ 03/ 1996 to 31/ 12/ 1996, i.e. since the Fund's inception.



## **Audit report**

To the Shareholders of  
**Lancelot Ector**

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We have audited the accompanying financial statements of Lancelot Ector, which comprise the statement of net assets and the statement of investments and other net assets as at 31st December 2012 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 SICAV for the financial statements*

The Board of Directors of the SICAV 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 SICAV 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 SICAV, as well as evaluating the overall presentation of the financial statements.

*PricewaterhouseCoopers, Société coopérative, 400 Route d'Esch, B.P. 1443, L-1014 Luxembourg  
T: +352 494848 1, F: +352 494848 2900, 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*

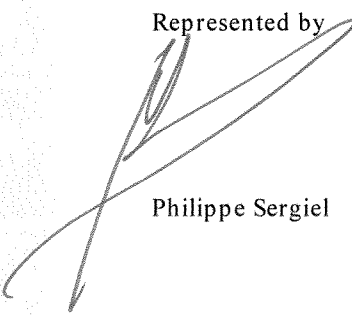
In our opinion, the financial statements give a true and fair view of the financial position of Lancelot Ector as of 31st December 2012, and of the results of its operations and changes in its net assets for the year then ended in accordance with Luxembourg legal and regulatory requirements relating 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, 21st March 2013



Philippe Sergiel

## Lancelot Ector - Master Fund

### Statement of net assets (in SEK)

as at 31st December 2012

#### Assets

Securities portfolio at market value	826,694,263
Cash at banks	14,316,297
Receivable on sales of securities	958,743
Income receivable on portfolio	5,040,984
Unrealised gain on forward foreign exchange contracts	3,374,928
Total assets	850,385,215

#### Liabilities

Bank liabilities	3,350
Payable on purchases of securities	788,694
Interest on bank liabilities and expenses payable	7,378,013
Other liabilities	10,013,857
Total liabilities	18,183,914

Net assets at the end of the year 832,201,301

Number of Class A Accumulation Shares outstanding 13,352,019.037  
Net asset value per Class A Accumulation Share 27.69

Number of Class A Dividend Shares outstanding 4,946,676.311  
Net asset value per Class A Dividend Share 18.48

Number of Class B Accumulation Shares outstanding 10,305,698.847  
Net asset value per Class B Accumulation Share 27.69

Number of Class B Dividend Shares outstanding 4,634,389.872  
Net asset value per Class B Dividend Share 18.48

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

## Lancelot Ector - Master Fund

### Statement of operations and other changes in net assets (in SEK)

from 1st January 2012 to 31st December 2012

#### Income

Dividends, net	8,709,125
Interest on bonds and other debt securities, net	18,957,378
Interest on bank accounts	327,213
Total income	<u>27,993,716</u>

#### Expenses

Management fees	9,056,826
Performance fees	6,417,836
Transaction fees	226,607
Central administration costs	1,119,954
Professional fees	124,892
Other administration costs	164,631
Subscription duty ("taxe d'abonnement")	435,486
Interest paid on bank liabilities	43
Other expenses	176,601
Total expenses	<u>17,722,876</u>

Net investment income	10,270,840
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#### Net realised gain/(loss)

- on securities portfolio	21,202,837
- on forward foreign exchange contracts	2,505,296
- on foreign exchange	-661,362

Realised result	<u>33,317,611</u>
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#### Net variation of the unrealised gain/(loss)

- on securities portfolio	7,740,493
- on forward foreign exchange contracts	2,372,428

Result of operations	<u>43,430,532</u>
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Dividends paid	-3,099,060
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Subscriptions	17,268,214
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Redemptions	-149,294,011
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Total changes in net assets	<u>-91,694,325</u>
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Total net assets at the beginning of the year	<u>923,895,626</u>
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Total net assets at the end of the year	<u><u>832,201,301</u></u>
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The accompanying notes are an integral part of these financial statements.



## Lancelot Ector - Master Fund

### Statistical information (in SEK)

as at 31st December 2012

<b>Total net assets</b>	
- as at 31.12.2012	832,201,301
- as at 31.12.2011	923,895,626
- as at 31.12.2010	1,064,438,888
<b>Number of Class A Accumulation Shares</b>	
- outstanding at the beginning of the year	14,731,362.581
- issued	0.000
- redeemed	-1,379,343.544
- outstanding at the end of the year	13,352,019.037
<b>Net asset value per Class A Accumulation Share</b>	
- as at 31.12.2012	27.69
- as at 31.12.2011	26.36
- as at 31.12.2010	26.81
<b>Number of Class A Dividend Shares</b>	
- outstanding at the beginning of the year	6,048,845.433
- issued	111,544.896
- redeemed	-1,213,714.018
- outstanding at the end of the year	4,946,676.311
<b>Net asset value per Class A Dividend Share</b>	
- as at 31.12.2012	18.48
- as at 31.12.2011	17.88
- as at 31.12.2010	18.46
<b>Dividend paid</b>	
Payment date	12.01.2012
Dividend per share	0.2886
Shares outstanding at dividend date	6,048,845.433
<b>Number of Class B Accumulation Shares</b>	
- outstanding at the beginning of the year	13,040,363.917
- issued	547,387.456
- redeemed	-3,282,052.526
- outstanding at the end of the year	10,305,698.847
<b>Net asset value per Class B Accumulation Share</b>	
- as at 31.12.2012	27.69
- as at 31.12.2011	26.36
- as at 31.12.2010	26.81
<b>Number of Class B Dividend Shares</b>	
- outstanding at the beginning of the year	4,689,407.979
- issued	27,609.055
- redeemed	-82,627.162
- outstanding at the end of the year	4,634,389.872
<b>Net asset value per Class B Dividend Share</b>	
- as at 31.12.2012	18.48
- as at 31.12.2011	17.88
- as at 31.12.2010	18.46
<b>Dividend paid</b>	
Payment date	12.01.2012
Dividend per share	0.2886
Shares outstanding at dividend date	4,689,407.979

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

## Lancelot Ector - Master Fund

### Statement of investments and other net assets (in SEK)

as at 31st December 2012

Currency	Number / nominal value	Description	Cost	Market value	% of total net assets
<b><u>Investments in securities</u></b>					
<b><u>Transferable securities admitted to an official stock exchange listing</u></b>					
<b>Shares</b>					
<b>Banks</b>					
USD	215,000	Bank of America Corp	11,903,261	16,242,798	1.95
SEK	140,000	Skandinaviska Enskilda Banken A	7,651,612	7,735,000	0.93
			<u>19,554,873</u>	<u>23,977,798</u>	<u>2.88</u>
<b>Commercial services and supplies</b>					
SEK	496,500	Securitas AB B	37,835,923	28,151,550	3.38
<b>Consumer durables and apparel</b>					
SEK	114,204	Electrolux AB B	17,972,381	19,471,782	2.34
<b>Diversified financials</b>					
SEK	286,041	Intrum Justitia AB	22,139,245	27,745,977	3.33
USD	64,000	Morgan Stanley	7,422,073	7,969,522	0.96
			<u>29,561,318</u>	<u>35,715,499</u>	<u>4.29</u>
<b>Energy</b>					
USD	39,250	Marathon Oil Corp	6,710,778	7,837,476	0.94
<b>Food and drug retailing</b>					
USD	73,000	Walgreen Co	16,251,071	17,595,692	2.11
<b>Food, beverage and tobacco</b>					
GBP	415,092	Britvic Plc	13,649,486	17,869,105	2.15
EUR	77,925	Unilever NV Certif of Shares	14,672,304	19,299,236	2.32
			<u>28,321,790</u>	<u>37,168,341</u>	<u>4.47</u>
<b>Health care equipment and services</b>					
USD	86,500	Medtronic Inc	21,186,903	23,108,735	2.78
<b>Insurance</b>					
USD	36,400	American Intl Group Inc	8,564,913	8,368,363	1.01
<b>Investment companies</b>					
USD	25	Berkshire Hathaway Inc A	19,903,882	21,827,482	2.62
SEK	138,155	Investor AB B	18,641,531	23,486,350	2.82
			<u>38,545,413</u>	<u>45,313,832</u>	<u>5.44</u>
<b>Pharmaceuticals and biotechnology</b>					
USD	84,500	Pfizer Inc	10,168,218	13,802,211	1.66
<b>Technology hardware and equipment</b>					
SEK	266,000	Ericsson B	17,407,366	17,316,600	2.08
<b>Total shares</b>			<u>252,080,947</u>	<u>277,827,879</u>	<u>33.38</u>

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

## Lancelot Ector - Master Fund

### Statement of investments and other net assets (in SEK) (continued)

as at 31st December 2012

Currency	Number / nominal value	Description	Cost	Market value	% of total net assets
<b>Bonds</b>					
<b>Corporate bonds</b>					
SEK	40,000,000	Akademiska Hus AB FRN EMTN 10/ 15.10.15	40,000,000	40,448,400	4.86
SEK	20,000,000	Castellum AB FRN MTN Ser 100 12/ 03.09.15	20,039,800	20,064,700	2.41
SEK	40,000,000	Fortum Oyj FRN EMTN 10/ 14.09.15	40,000,000	40,289,400	4.84
SEK	10,000,000	Husqvarna AB FRN Sen 12/ 28.11.17	10,000,000	10,063,000	1.21
SEK	35,000,000	Sveaskog AB FRN Ser 123 Sen 12/ 12.10.15	35,000,000	35,187,250	4.23
SEK	40,000,000	Vasakronan AB FRN MTN Ser 417 12/ 25.01.16	40,360,400	40,739,600	4.89
			185,400,200	186,792,350	22.44
<b>Financial Institution bonds</b>					
SEK	25,000,000	Danske Bank A/ S FRN EMTN Sen 12/ 17.08.15	25,000,000	25,559,250	3.07
SEK	10,000,000	Lansforsakringar Bank FRN MTN Ser 727 12/ 06.07.15	10,007,600	10,121,300	1.22
SEK	25,000,000	Lansforsakringar Bank FRN Sen 12/ 04.06.14	25,000,000	25,179,250	3.03
SEK	30,000,000	Nordea Bank AB FRN Ser 214 12/ 27.02.15	30,000,000	30,498,750	3.66
SEK	25,000,000	SBAB Bank AB FRN EMTN Sen 12/ 23.03.17	25,263,500	25,798,750	3.10
SEK	25,000,000	Stadshypotek AB 6% Ser 1578 04/ 21.09.16	28,469,750	28,849,750	3.47
SEK	40,000,000	Swedbank AB FRN EMTN 11/ 03.11.14	39,944,000	40,907,824	4.92
SEK	25,000,000	Swedbank Mortgage AB 3.75% Ser 182 09/ 18.03.15	26,127,390	26,271,750	3.16
SEK	30,000,000	Swedish Export Credit FRN EMTN Sen 12/ 15.08.16	30,000,000	30,091,800	3.62
			239,812,240	243,278,424	29.25
<b>Municipal bonds</b>					
SEK	37,000,000	Kommuninvest I Sverige AB 2.75% Ser K1508 10/ 12.08.15	37,918,063	38,286,860	4.60
SEK	40,000,000	Kommuninvest I Sverige AB 4% Ser 1708 11/ 12.08.17	43,582,400	44,114,000	5.30
			81,500,463	82,400,860	9.90
<b>Sovereign bonds</b>					
SEK	35,000,000	EIB 2.95% EMTN 09/ 17.02.15	34,960,800	36,394,750	4.37
<b>Total bonds</b>			541,673,703	548,866,384	65.96
Total investments in securities			793,754,650	826,694,263	99.34
Cash at banks				14,316,297	1.72
Bank liabilities				-3,350	0.00
Other net assets/ liabilities				-8,805,909	-1.06
Total				832,201,301	100.00

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

**Note 1 - Significant accounting policies**

a) Presentation of the financial statements

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

b) Valuation

- 1) Securities admitted to official listing on a stock exchange or which are traded on another regulated market which operates regularly and is recognised and open to the public within the EU or the OECD Member States are valued on the base of the last known sales price. If the same security is quoted on different markets, the quotation of the main market for this security will be used. If there is no relevant quotation or if the quotations are not representative of the fair value, the evaluation will be done in good faith by the Board of Directors or its delegate with a view to establishing the probable sales prices for such securities.
- 2) Non-listed securities are valued on the base of their probable sales price as determined in good faith by the Board of Directors and its delegate.
- 3) Liquid assets are valued at their nominal value plus accrued interest.
- 4) Time deposits may be valued at their yield value if a contract exists between the Company and the Custodian Bank stipulating that these time deposits can be withdrawn at any time and their yield value is equal to the realized value.
- 5) All assets denominated in a different currency than the respective Sub-Fund's currency are converted into this respective Sub-Fund's currency at the exchange rates used for the respective Valuation Day.
- 6) Financial instruments which are not traded on the futures exchanges but on a regulated market are valued at their settlement value, as stipulated by the Company's Board of Directors in accordance with generally accepted principles, taking into consideration the principles of proper accounting, the customary practices in line with the market, and the interests of the Shareholders, provided that the above-mentioned principles correspond with generally accepted valuation regulations which can be verified by the auditor.

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.

## Lancelot Ector

### Notes to the financial statements (continued)

as at 31st December 2012

#### 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	=	0.1404936	CHF	Swiss Franc
			0.1164278	EUR	Euro
			0.0945212	GBP	Pound Sterling
			0.1535450	USD	US Dollar

#### f) Investment income

Dividend income is recognised on an ex-dividend basis and is recorded net of withholding tax. Interest income is accrued on a *pro rata temporis* basis, net of any withholding tax.

#### g) 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.

#### h) 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 Company relating to purchases or sales of securities and of fees relating to liquidation of transactions paid to the custodian bank.

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

Shares of Class A are subscribed only through Lancelot Asset Management AB, to investors who have entered into an asset management account at an Issue Price based on the Net Asset Value per Share on the relevant Valuation Day.

Shares of Class B are subscribed at an Issue Price based on the Net Asset Value per Share on the relevant Valuation Day plus a front-end sales charge of up to 5% of the Net Asset Value paid to the relevant financial intermediary. The front-end sales charge was removed with effect from 29th June 2012.

The price to be paid in respect of each share tendered for redemption (the "Redemption Price") is the Net Asset Value. The Shares of Class A are only redeemed through Lancelot Asset Management AB.

## **Lancelot Ector**

### **Notes to the financial statements (continued)**

as at 31st December 2012

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#### **Note 3 - Management Company**

For infrastructure supplies, the Management Company is entitled to receive out of the Sub-Fund's assets a fee of maximum 0.025% p.a.. This fee is payable monthly in arrears based on the Sub-Fund's net assets calculated daily during the relevant month.

For its services, the Investment Manager, Lancelot Asset Management AB, Stockholm, is entitled to receive an Investment Management Fee received by the Management Company on behalf of the Investment Manager of maximum 1% p.a.. This fee is payable monthly in arrears based on the Sub-Fund's net assets calculated daily during the relevant month.

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

#### **Note 4 - Performance fee**

A Performance Fee is paid out of the Sub-Fund's assets to the Investment Manager. The Performance Fee is 15% of the amount by which the relevant Sub-Fund's total return, based on the Net Asset Value at the beginning and at the end of the relevant year and after accrual of the fixed fee, outperforms on a year to year basis the agreed benchmark return. The benchmark return is in the case of the Lancelot Ector - Master Fund the twelve months' interest on Swedish Treasury Bills at 31st December of the prior year, as published in the financial media or a corresponding benchmark which is generally recognized, auditable and approved by the Board of Directors, should no twelve months Swedish Treasury Bills be in issue at this date. Negative performances, if any, are not carried forward or taken into consideration.

Since there was no 12 month Swedish Treasury Bill in issue at 31st December 2011, the benchmark return for 2012 has been calculated, using a Treasury Bill with maturity in October 2012 and the Swedish Government Bond with maturity in August 2013, interpolating the result back to 31st December 2011. The benchmark return for 2012 amounts to 0.916%.

At the date of the report, a performance fee was recorded for the Sub-Fund Lancelot Ector - Master Fund and amounted to SEK 6,417,836.00.

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

For its services to the Company, the Management Company is entitled to receive, out of the Sub-Fund's assets an administration fee of maximum 0.13% p.a. payable monthly in arrears based on the Sub-Fund's net assets calculated daily during the relevant month with a minimum fee of EUR 3,330 per month. This fee includes the fee due to the Custodian Bank.

The Management Company is furthermore entitled to receive out of the Sub-Fund's assets for the Registrar and Transfer Agent function an annual flat fee per share class, in accordance with Luxembourg customary banking practice.

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

## Lancelot Ector

### Notes to the financial statements (continued)

as at 31st December 2012

#### Note 6 - Neutralization of the Swedish tax refund

The Company has reclaimed from the Swedish State taxes withheld on dividends received. The tax court adjudged on 22nd March 2012 Lancelot Ector an amount of SEK 10,013,857, which was paid to the Company and which represents 1.20% of the Net Asset Value as at 31st December 2012. A first appeal from the Tax Agency has been rejected. On 5th February 2013, the Tax Agency appealed this decision again. Due to the legal uncertainty, the Board of Directors has decided to neutralise the impact of the amount received until the verdict will gain legal force by booking in the accounting of the Company a provision representing the same amount.

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

The Company is governed by Luxembourg law.

Pursuant to the legislation and regulations which are prevailing, the Company 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.

According to Article 175 (a) of the 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 needs to determine the global risk exposure of the Company 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 the global exposure.

#### Note 9 - Forward foreign exchange contracts

As at 31st December 2012, the following forward foreign exchange contracts are outstanding:

##### **Lancelot Ector - Master Fund**

Currency	Purchases	Currency	Sales	Maturity	Unrealised result (in SEK)
SEK	10,003,045	EUR	1,150,000	25.02.2013	108,849
SEK	13,069,259	GBP	1,209,646	25.02.2013	257,727
SEK	19,506,600	USD	3,000,000	25.02.2013	-55,894
SEK	243,420	USD	36,840	25.02.2013	3,193
SEK	71,238,891	USD	10,490,500	25.02.2013	2,832,107
SEK	1,519,700	USD	223,788	25.02.2013	60,416
SEK	13,332,800	USD	2,000,000	25.02.2013	291,137
USD	807,855	SEK	5,390,493	25.02.2013	-122,607
					<u>3,374,928</u>

Skandinaviska Enskilda Banken S.A. in Luxembourg is the counterparty of the Company for these forward exchange contracts.

**Note 10 - Changes in investments**

The statement of changes in the investment portfolio for the period referring to the report is available free of charge upon request at the registered office of the Company.



Lancelot Asset Management AB  
Nybrokajen, 7 PO Box 16172  
SE-103 23 Stockholm