

# Unaudited semi-annual report as at 30th June 2012

## **Lancelot Ector**

Investment Company (SICAV), Luxembourg

R.C.S. Luxembourg B 54 040



Subscriptions are received solely on the basis of the most recent prospectus and Key Investor Information Document (which may be read under <http://www.sebreg.fundassist.com/LancelotEctor>) and the latest audited annual report at 31st December and, if more recent, the unaudited financial statements at 30th June.

**Lancelot Ector**

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## 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

Niklas NYBERG  
Global Head of GTS Financial Institutions  
SEB Merchant Banking, Sweden

##### Vice-Chairman

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

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

##### Directors

Jan HEDMAN  
Global Head of Fund Execution  
SEB Merchant Banking, Sweden

Rudolf KÖMEN  
Managing Director  
SEB Asset Management S.A., Luxembourg

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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  
Head of Prime Brokerage  
SEB Enskilda, Securities Finance, Sweden

#### Custodian Bank

Skandinaviska Enskilda Banken S.A. \*  
4, Rue Peternelchen  
L-2370 Howald

#### Sub-Administrator, Registrar and Transfer Agent

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

#### Investment Manager

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

#### Distributors and Placement Agents

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

**In Luxembourg**  
Skandinaviska Enskilda Banken S.A.\*  
4, Rue Peternelchen  
L-2370 Howald

#### Authorized Placement Agents

**In Sweden**  
Consortum AB  
Wenner-Gren Center  
Sveavägen 166  
SE-113 46 Stockholm  
Phone: +46 8 33 15 50  
Fax: +46 8 33 11 50

#### Auditor

PricewaterhouseCoopers, Société coopérative  
(formerly PricewaterhouseCoopers S.à r.l.)  
400, Route d'Esch  
L-1471 Luxembourg

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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

### 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://www.sebreg.fundassist.com/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. Proceeds realised by Shareholders on the disposal of Shares will be subject to such reporting or

## **Lancelot Ector**

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

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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 2010 and 31st December 2011, 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 2013.
- Is in scope for realised capital gains until 30th April 2013.

## **Lancelot Ector**

### **Report on activities of the Board of Directors**

Dear Shareholder,

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

Total subscriptions to the Master Fund, initially launched on 13th March 1996 at SEK 10,00 per share, amount to 26,331,627.356 accumulation (capitalisation) shares and 9,997,124.616 dividend (distribution) shares as of 30th June 2012, representing total assets of SEK 879,907,606. The net asset value per capitalisation share was SEK 26.66 i.e. an increase of 166.60% after fees from launch date and an increase of 1.14% during the first six months of 2012.

The 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 listed stocks but with the possibility of international diversification. 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**

Mimicking the last two years, the growth rate of the global economy saw a marked downward shift during the second quarter of 2012. In Europe economic weakness showed signs of spreading from the periphery to the core. Manufacturing activity in Germany and France contracted in April and May. June's purchasing managers' indices for the whole eurozone showed private sector activity shrinking at the same pace as in May, which was the fastest in almost three years. The German economy, which so far has saved the eurozone from recession, deteriorated significantly, especially in its manufacturing sector as the gloomier global conditions affected the country's exporters. Emerging economies such as Brazil and China also weakened. China's manufacturing sector slowed and Chinese purchasing managers' index hit a seven-month low. The decline so far is nowhere near as severe as late 2008, when the global financial crisis erupted. After showing surprising strength early in the year, the US economy also slowed. Industrial production dropped in May, while consumer confidence slid in June. The Federal Reserve (Fed) cut its expectations for the US economic growth in 2012 by 0.5 percentage points, to between 1.9 and 2.4%. The key question going forward is whether the economic slowdown is temporary, or the beginning of a downward slide. The lack of a single and obvious reason for the recent weakness argues for temporary, in particular as it has come with a dramatic fall in oil prices that will support consumption. However, concerns related to a lack of clarity in understanding the forces promoting global slowing and to political events leave uncertainty high around global growth forecasts for the remainder of the year and for 2013. Most forecasters are expecting another year of below potential growth that should depress inflation and induce renewed monetary easing. The question is whether policymakers can design an effective response with interest rates already at extreme low levels in many large economies.

The Federal Reserve maintained the federal funds rate at a range of 0-0.25%. The Fed said that the US economy at present is expanding moderately but with unemployment still at an elevated level. Despite some signs of improvement, the cyclical housing sector remains depressed. The Fed also noted that longer-term inflation expectations have remained stable. Furthermore, the bank expects economic growth to remain moderate over the coming quarters and then to pick up very gradually. Consequently, the unemployment rate will only decline slowly towards levels that are judged to be consistent with the Fed's dual mandate of maximum employment and stable prices. But the Fed warned that strains in global financial markets will continue to pose significant downside risks to the economic outlook. In Europe, the European Central Bank (ECB) decided to keep its refi rate unchanged at 1.00%. With inflation expectation for the euro area economy stable at around 2%, the ECB expects price developments to remain in line with price stability. At the same time, the bank acknowledged that economic growth in the euro area remains weak, with heightened uncertainty weighing on confidence and sentiment, giving rise to increased downside risks to the economic outlook. The ECB continued to emphasize the important role for fiscal and economic policies in



### Report on activities of the Board of Directors (continued)

dealing with the eurozone's current problems. It reiterated the view that efforts to restore sound fiscal positions and to regain competitiveness is of crucial importance, and pre-conditions for stable economic growth. This reflects the unease many participants in the ECB council feel about the growing size of the bank's balance sheet as the bank increasingly have provided market liquidity to a number of sovereigns and troubled banks. In February, the Swedish Riksbank cut its repo rate by 0.25 percentage points to 1.50% as international developments affected the economic outlook in Sweden negatively. In order to stabilise inflation around 2% and resource utilisation in the Swedish economy around a normal level, the Riksbank decided to reduce the repo rate. China's central bank (PBoC) surprised many when it unexpectedly cut the benchmark one-year lending rate by 0.25 percentage points to 6.31%. It was the first cut in nearly four years. Inflation was stubbornly high in China last year but has slipped back towards 3%, thereby giving the central bank more room to ease rates. Along with monetary easing, the government has also started to accelerate approvals for new public investment projects, providing a fiscal boost for the economy. Other countries like Brazil and Australia that unlike the developed world do not have policy rates close to zero also cut rates as the global economy softened.

The US dollar rose against most leading currencies as risk aversion dominated the second quarter of the year. Although the US economy weakened noticeably during the spring months, the relative growth rate compared to Europe still favoured the American currency. In addition the Fed's decision not to embark on a fresh round of full-blown quantitative easing wrong-footed many and supported the US dollar. The dollar index, which weighs the US dollar against a basket of other leading currencies, reached its strongest level since September 2010 and was close to a three-year high. The Swedish krona was flat against the US dollar but was somewhat stronger against the euro. In the commodity space the Reuters/Jefferies CRB index (about a third is petroleum products) fell by approximately 7%. Crude oil prices ended the first half of the year just above USD 97 per barrel (-9%), while the gold price was 2% stronger.

Global stock markets had a decent development during the first six months of the year. A first quarter of optimism faded fast as the global economy showed clear signs of weakness. Among the developed markets the EU markets rose by 0.6% in local currency terms (MSCI), while the Nordic region was up by 3%. In Sweden, the equity market was 3% higher. North American stock markets outperformed and rose by 7% (USA + 8%), while the Pacific ex Japan region ended the first six months of the year 3% higher. The Japanese equity market rose by 6%. The world index increased by 5.02% in local currency, and by 5.16% in Swedish krona terms as the Swedish currency weakened.

#### **The Fund**

As of June 30, 2012 the Swedish equity exposure amounted to 9.87%, international equity exposure amounted to 18.28%, bonds amounted to 70.16% and cash and other assets amounted to 1.69% of total net asset value. The equity portion of the Fund was unchanged during the first half of the year at approximately 28%. The duration of the bond portfolio at the turn of the year was 0.91 years.

Some changes were made in the equity portfolio during the period. A position in *Ericsson* was established. The stock is valued at historical low levels on most valuation metrics, mainly because the company chequered history when it comes to growth and profitability. With a solid balance sheet and a decent dividend yield we are prepared to wait and see if the company can instigate a profit turnaround in the second half of the year, driven by stable revenues and improving margin. Another new holding is the American drugstore operator Walgreen. The position was initiated before the company agreed to acquire a 45% stake in Alliance Boots, the UK's largest drugstore-chain company. As its top shareholder, Walgreen will control more than 11 000 stores in 12 countries and 370 distribution centers to pharmacies, doctors and hospitals, with an option to buy all of Alliance Boots in about three years. Before the deal Walgreen had a solid balance sheet with good cash-flow and a long

**Report on activities of the Board of Directors (continued)**

record of increasing dividends but the stock price had decline by 25% over the last 12 months, primarily driven by sluggish growth expectations with revenues, operating income and earnings per share forecasted to stay flat over the coming years. After the announced deal the stock will of course have a different and increased risk profile as Walgreen is taking on more debt and diluting its shareholders by paying part of the acquisition with shares. In addition the company will be exposed to mainly the UK but also other European markets with a great deal of uncertainty about future developments. The transaction will boost per-share profit by 23-27 cent this year, but with interest rates at multi-year low levels this is perhaps not the best way of looking at the deal. A more adequate way is to try and discount the future cash-flow of the combined entity and compare this with the priced paid to calculate the return on the investment. In the meantime we continue to hold the stock and wait for more detailed information and development. The current stock price reflects a lot of scepticism. A short-term trade in German automotive group *Daimler* generated a positive return of 26%. After owning the stock for 12 years the holding in *Ratos* was substantially reduced. The private equity conglomerate has been a wonderful investment and fully deserves the premium valuation it is trading at. But the last couple of quarters have been disappointing for the portfolio of holdings and although the company in a worst-case scenario can borrow to keep its dividend, the underlying profitability must improve substantially to defend the current premium valuation. The value of the Fund increased by 1.44% during the first six months of the year. The main positive contributors to the Fund's performance were *Daimler* and *Bank of America*, while *Marathon Oil* and *Ratos* lagged. Performance from the bond portfolio was positive.

Signs that global growth is slowing started a springtime correction of global equity and other risk markets. There really was no single overriding threat to justify the slowdown and general risk aversion. Instead one might point to more structural issues. First, the issues of the eurozone periphery involve insolvency in some cases, rather than illiquidity. Large and rising public and private deficits and debt, damage financial systems that need to be recapitalized to restore credit growth, a massive loss of competitiveness, a lack of economic growth, and rising unemployment. Second, the deleveraging in the US household and government sector is slow but persistent. Although the process has been going on for 5 years the aggregate debt level still needs to come down to be in line with the pre-crisis trend. Job creation is barely meeting the increase in the labour force keeping unemployment high and consumer confidence low. Furthermore, the housing market is improving but still weak. Third, the robust growth in emerging economies has been built on investments and exports, making especially China vulnerable to a global slowdown. The process of shifting the economic engine towards domestic growth is a slow and difficult operation and constrains monetary easing as lower interest rates increases the imbalance between capital intensive activities and private consumption. Mitigating these structural issues are market pricing. Any signs of more sustainable political handling of especially the eurozone sovereign debt and banking crises would in all probability move stock markets higher.

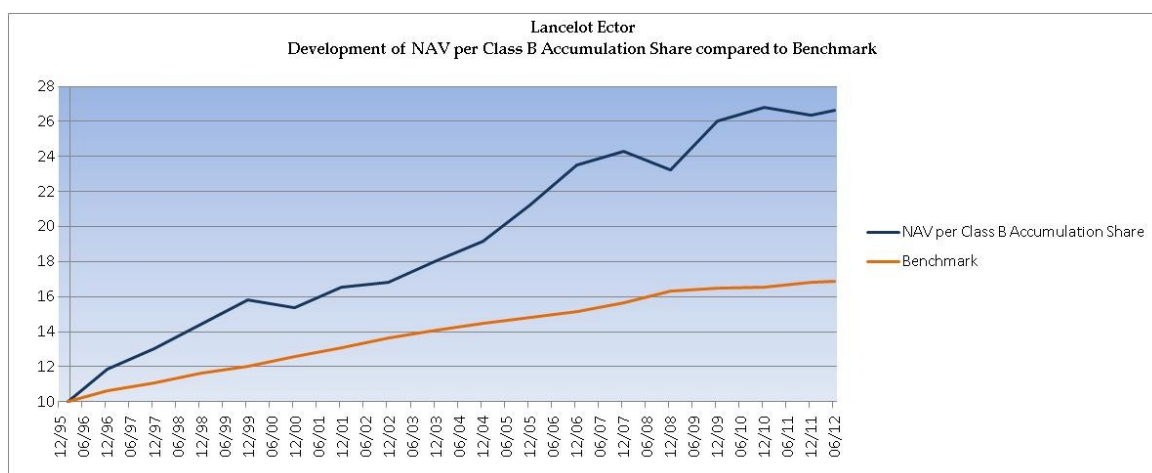
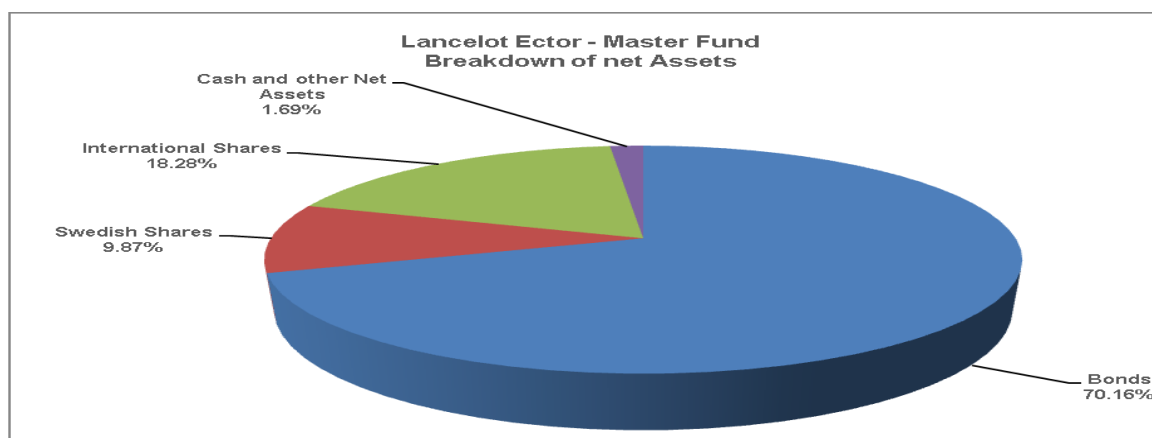
Luxembourg, 6th July 2012

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 | 1.14%**         | 0.46%**               |
| 2004 | 6.26%           | 2.77%                 |      |                 |                       |

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

\*\* Relating to the period 01/ 01/ 2012 to 30/ 06/ 2012.

## Lancelot Ector - Master Fund

### Statement of net assets (in SEK)

as at 30th June 2012

#### Assets

|   |             |
|---|-------------|
| Securities portfolio at market value                  | 865,002,507 |
| Cash at banks   | 18,281,529  |
| Income receivable on portfolio                        | 6,527,631   |
| Interest receivable on bank accounts                  | 32,964      |
| Unrealised gain on forward foreign exchange contracts | 2,697,877   |
| Prepaid expenses                                      | 22,772      |
| Total assets  | 892,565,280 |

#### Liabilities

|   |             |
|---|-------------|
| Bank liabilities                                  | 4,644       |
| Payable on purchases of securities                | 627,557     |
| Interest on bank liabilities and expenses payable | 2,011,616   |
| Other liabilities                                 | 10,013,857  |
| Total liabilities                                 | 12,657,674  |
| Net assets at the end of the period               | 879,907,606 |

|   |                |
|---|----------------|
| Number of Class A Accumulation Shares outstanding | 14,360,233.898 |
| Net asset value per Class A Accumulation Share    | 26.66          |
| Number of Class A Dividend Shares outstanding     | 5,307,716.637  |
| Net asset value per Class A Dividend Share        | 17.79          |
| Number of Class B Accumulation Shares outstanding | 11,971,393.458 |
| Net asset value per Class B Accumulation Share    | 26.66          |
| Number of Class B Dividend Shares outstanding     | 4,689,407.979  |
| Net asset value per Class B Dividend Share        | 17.79          |

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 30th June 2012

#### **Income**

|  |            |
|--|------------|
| Dividends, net                                   | 7,019,665  |
| Interest on bonds and other debt securities, net | 9,655,612  |
| Interest on bank accounts                        | 195,188    |
| Total income                                     | 16,870,465 |

#### **Expenses**

|   |           |
|---|-----------|
| Management fees                         | 4,583,147 |
| Performance fees                        | 1,061,137 |
| Transaction fees                        | 128,531   |
| Central administration costs            | 566,707   |
| Professional fees                       | 39,969    |
| Other administration costs              | 71,609    |
| Subscription duty ("taxe d'abonnement") | 222,088   |
| Interest paid on bank liabilities       | 32        |
| Other expenses                          | 171,716   |
| Total expenses                          | 6,844,936 |

|                       |            |
|-----------------------|------------|
| Net investment income | 10,025,529 |
|-----------------------|------------|

#### **Net realised gain/(loss)**

|   |            |
|---|------------|
| - on securities portfolio               | 15,195,403 |
| - on forward foreign exchange contracts | -2,460,949 |
| - on foreign exchange                   | -176,677   |
| Realised result                         | 22,583,306 |

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

|   |             |
|---|-------------|
| - on securities portfolio               | -13,407,226 |
| - on forward foreign exchange contracts | 1,695,377   |
| Result of operations                    | 10,871,457  |

|                |            |
|----------------|------------|
| Dividends paid | -3,099,060 |
|----------------|------------|

|               |           |
|---------------|-----------|
| Subscriptions | 8,277,175 |
|---------------|-----------|

|             |             |
|-------------|-------------|
| Redemptions | -60,037,592 |
|-------------|-------------|

|                             |             |
|-----------------------------|-------------|
| Total changes in net assets | -43,988,020 |
|-----------------------------|-------------|

|   |             |
|---|-------------|
| Total net assets at the beginning of the period | 923,895,626 |
|---|-------------|

|   |             |
|---|-------------|
| Total net assets at the end of the period | 879,907,606 |
|---|-------------|

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

## Lancelot Ector - Master Fund

### Statistical information (in SEK)

as at 30th June 2012

|   |                |
|---|----------------|
| <b>Total net assets</b>                               |                |
| - as at 30.06.2012                                    | 879,907,606    |
| - 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 period          | 14,731,362.581 |
| - issued  | 0.000          |
| - redeemed  | -371,128.683   |
| - outstanding at the end of the period                | 14,360,233.898 |
| <b>Net asset value per Class A Accumulation Share</b> |                |
| - as at 30.06.2012                                    | 26.66          |
| - 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 period          | 6,048,845.433  |
| - issued  | 111,544.896    |
| - redeemed  | -852,673.692   |
| - outstanding at the end of the period                | 5,307,716.637  |
| <b>Net asset value per Class A Dividend Share</b>     |                |
| - as at 30.06.2012                                    | 17.79          |
| - 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 period          | 13,040,363.917 |
| - issued  | 234,627.560    |
| - redeemed  | -1,303,598.019 |
| - outstanding at the end of the period                | 11,971,393.458 |
| <b>Net asset value per Class B Accumulation Share</b> |                |
| - as at 30.06.2012                                    | 26.66          |
| - 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 period          | 4,689,407.979  |
| - issued  | 0.000          |
| - redeemed  | 0.000          |
| - outstanding at the end of the period                | 4,689,407.979  |
| <b>Net asset value per Class B Dividend Share</b>     |                |
| - as at 30.06.2012                                    | 17.79          |
| - 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 30th June 2012

| Currency   | Number /<br>nominal value | Description                              | Cost        | Market value | % of<br>total net<br>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>Automobiles and components</b>  |                           |  |             |              |                             |
| SEK  | 104,000                   | Volvo AB B                               | 8,124,855   | 8,190,000    | 0.93                        |
| <b>Banks</b>   |                           |  |             |              |                             |
| USD  | 205,000                   | Bank of America Corp                     | 11,247,776  | 11,581,678   | 1.32                        |
| <b>Commercial services and supplies</b>  |                           |  |             |              |                             |
| SEK  | 531,500                   | Securitas AB B                           | 40,503,108  | 28,488,400   | 3.24                        |
| <b>Diversified financials</b>  |                           |  |             |              |                             |
| SEK  | 282,541                   | Intrum Justitia AB                       | 21,760,469  | 28,395,371   | 3.23                        |
| <b>Energy</b>  |                           |  |             |              |                             |
| USD  | 86,250                    | Marathon Oil Corp                        | 14,746,614  | 15,231,902   | 1.73                        |
| <b>Food and drug retailing</b>   |                           |  |             |              |                             |
| USD  | 95,000                    | Walgreen Co                              | 21,148,654  | 19,408,237   | 2.21                        |
| <b>Food, beverage and tobacco</b>  |                           |  |             |              |                             |
| GBP  | 457,592                   | Britvic Plc                              | 14,870,857  | 16,353,457   | 1.86                        |
| EUR  | 152,925                   | Unilever NV Certif of Shares             | 28,793,867  | 35,355,651   | 4.02                        |
|  |                           |  | 43,664,724  | 51,709,108   | 5.88                        |
| <b>Health care equipment and services</b>  |                           |  |             |              |                             |
| USD  | 77,200                    | Medtronic Inc                            | 18,731,519  | 20,650,430   | 2.35                        |
| <b>Investment companies</b>  |                           |  |             |              |                             |
| USD  | 25                        | Berkshire Hathaway Inc A                 | 19,903,882  | 21,573,628   | 2.45                        |
| SEK  | 90,500                    | Ratos AB B                               | 6,702,995   | 5,927,750    | 0.67                        |
|  |                           |  | 26,606,877  | 27,501,378   | 3.12                        |
| <b>Pharmaceuticals and biotechnology</b>   |                           |  |             |              |                             |
| USD  | 129,500                   | Pfizer Inc                               | 14,966,697  | 20,571,308   | 2.34                        |
| <b>Technology hardware and equipment</b>   |                           |  |             |              |                             |
| SEK  | 251,000                   | Ericsson B                               | 16,463,130  | 15,825,550   | 1.80                        |
| <b>Total shares</b>  |                           |  | 237,964,423 | 247,553,362  | 28.15                       |
| <b>Bonds</b>   |                           |  |             |              |                             |
| <b>Corporate bonds</b>   |                           |  |             |              |                             |
| SEK  | 40,000,000                | Akademiska Hus AB FRN EMTN 10/ 15.10.15  | 40,000,000  | 40,424,800   | 4.59                        |
| SEK  | 50,000,000                | Fortum Oyj FRN EMTN 10/ 14.09.15         | 50,000,000  | 50,036,500   | 5.69                        |
| SEK  | 35,000,000                | Sveaskog AB FRN Ser 123 Sen 12/ 12.10.15 | 35,000,000  | 35,120,925   | 3.99                        |
| SEK  | 30,000,000                | TeliaSonera AB FRN EMTN Sen 11/ 17.09.12 | 30,000,000  | 30,028,803   | 3.41                        |

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 30th June 2012

| Currency   | Number /<br>nominal value | Description  | Cost        | Market value | % of<br>total net<br>assets |
|--|---------------------------|--|-------------|--------------|-----------------------------|
| SEK  | 40,000,000                | Vasakronan AB FRN 10/ 26.08.13                         | 40,000,000  | 40,161,600   | 4.56                        |
|  |                           |  | 195,000,000 | 195,772,628  | 22.24                       |
| <b>Financial Institution bonds</b>   |                           |  |             |              |                             |
| SEK  | 25,000,000                | Lansforsakringar Bank FRN Sen 12/ 04.06.14             | 25,000,000  | 25,018,875   | 2.84                        |
| SEK  | 30,000,000                | Nordea Bank AB FRN Ser 214 12/ 27.02.15                | 30,000,000  | 30,238,500   | 3.44                        |
| SEK  | 20,000,000                | Nordea Hypotek AB FRN EMTN 10/ 11.01.13                | 19,958,400  | 20,066,500   | 2.28                        |
| SEK  | 25,000,000                | Stadshypotek AB 6% Ser 1578 04/ 21.09.16               | 28,469,750  | 28,400,750   | 3.23                        |
| SEK  | 40,000,000                | Stadshypotek AB FRN EMTN 10/ 01.02.13                  | 40,000,000  | 40,121,400   | 4.56                        |
| SEK  | 40,000,000                | Swedbank AB FRN EMTN 11/ 03.11.14                      | 39,944,000  | 40,714,800   | 4.63                        |
| SEK  | 25,000,000                | Swedbank Mortgage AB 3.75% Ser 182 09/ 18.03.15        | 26,127,390  | 26,082,000   | 2.96                        |
|  |                           |  | 209,499,540 | 210,642,825  | 23.94                       |
| <b>Government guaranteed bonds</b>   |                           |  |             |              |                             |
| SEK  | 25,000,000                | SBAB Bank AB FRN EMTN Sen 12/ 23.03.17                 | 25,263,500  | 25,111,750   | 2.85                        |
| <b>Municipal bonds</b>   |                           |  |             |              |                             |
| SEK  | 40,000,000                | Kommuninvest I Sverige AB 1.75% Ser K1210 10/ 08.10.12 | 39,978,400  | 40,012,400   | 4.55                        |
| SEK  | 40,000,000                | Kommuninvest I Sverige AB 2.75% Ser K1508 10/ 12.08.15 | 40,992,500  | 40,972,400   | 4.66                        |
|  |                           |  | 80,970,900  | 80,984,800   | 9.21                        |
| <b>Sovereign bonds</b>   |                           |  |             |              |                             |
| SEK  | 35,000,000                | EIB 2.95% EMTN 09/ 17.02.15                            | 34,960,800  | 35,729,750   | 4.06                        |
| SEK  | 40,000,000                | Sweden 4.5% Ser 1049 04/ 12.08.15                      | 44,553,200  | 44,168,000   | 5.02                        |
|  |                           |  | 79,514,000  | 79,897,750   | 9.08                        |
| <b>Total bonds</b>   |                           |  | 590,247,940 | 592,409,753  | 67.32                       |
| <b><u>Transferable securities dealt in on another regulated market</u></b> |                           |  |             |              |                             |
| <b>Bonds</b>   |                           |  |             |              |                             |
| <b>Corporate bonds</b>   |                           |  |             |              |                             |
| SEK  | 25,000,000                | Vattenfall AB FRN EMTN Sen 11/ 22.05.13                | 24,998,250  | 25,039,392   | 2.84                        |
| <b>Total bonds</b>   |                           |  | 24,998,250  | 25,039,392   | 2.84                        |
| Total investments in securities  |                           |  | 853,210,613 | 865,002,507  | 98.31                       |
| Cash at banks  |                           |  |             | 18,281,529   | 2.08                        |
| Bank liabilities   |                           |  |             | -4,644       | 0.00                        |
| Other net assets/ liabilities  |                           |  |             | -3,371,786   | -0.39                       |
| Total  |                           |  |             | 879,907,606  | 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.

The financial statements were drawn up on basis of the net asset value of 29th June 2012 using the last available prices on 29th June 2012.

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 30th June 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 | = | 0.1371007 | CHF | Swiss Franc    |
|   |     |   | 0.1141239 | EUR | Euro           |
|   |     |   | 0.0923105 | GBP | Pound Sterling |
|   |     |   | 0.1447890 | USD | US Dollar      |

#### f) Consolidation

The consolidated financial statements of the Company are expressed in SEK and are equal to the sum of the corresponding captions in the financial statements of the only one Sub-fund open.

#### g) 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.

#### 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 transaction costs 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 30th June 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 2010, 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 2012, interpolating the result back to 31st December 2010. The benchmark return for 2012 amounts to 0.916%.

#### **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 30th June 2012

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

The Fund 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 Fund, subject to an appeal lodged by the Swedish State, which is still pending in the tax jurisdiction. Due to the legal uncertainty, the Board of Directors has decided to neutralise the impact of the amount received until further notice.

#### 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 - Forward foreign exchange contracts

As at 30th June 2012, the following forward foreign exchange contracts are outstanding:

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

| Currency | Purchases  | Currency | Sales      | Maturity   | Unrealised result (in SEK) |
|----------|------------|----------|------------|------------|----------------------------|
| EUR      | 1,423,662  | SEK      | 12,851,112 | 20.08.2012 | -348,868                   |
| SEK      | 28,112,999 | EUR      | 3,060,685  | 20.08.2012 | 1,234,833                  |
| SEK      | 9,061,281  | EUR      | 1,002,820  | 20.08.2012 | 254,767                    |
| SEK      | 3,789,977  | EUR      | 420,842    | 20.08.2012 | 94,248                     |
| SEK      | 1,822,346  | GBP      | 166,397    | 20.08.2012 | 16,769                     |
| SEK      | 14,865,240 | GBP      | 1,300,000  | 20.08.2012 | 758,912                    |
| SEK      | 2,202,277  | USD      | 316,260    | 20.08.2012 | 14,090                     |
| SEK      | 42,168,600 | USD      | 6,000,000  | 20.08.2012 | 654,913                    |
| SEK      | 1,903,211  | USD      | 272,440    | 20.08.2012 | 18,213                     |
|          |            |          |            |            | <u>2,697,877</u>           |

#### Note 9 - 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.

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