

Unaudited semi-annual report as at 30th June 2017

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:// fundinfo.sebfundservices.lu/ LancelotEctor/](http://fundinfo.sebfundservices.lu/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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Organisation

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 Asset Management AB, Stockholm, Sweden

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

Management Company

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

Board of Directors of the Management Company

Chairman
Göran FORS
Deputy Head of Investor Services
Large Corporates and Financial Institutions
Skandinaviska Enskilda Banken AB (publ), Sweden
(since 5th May 2017)

Gustaf UNGER
Head of Investor Services, Transaction Banking
Skandinaviska Enskilda Banken AB (publ), Sweden
(until 5th May 2017)

Directors
Claes-Johan GEIJER
Independent Director and Advisor
G Advisors S.à.r.l., Luxembourg
(since 13th January 2017)

Marie JUHLIN
Managing Director
SEB Fund Services S.A., Luxembourg

Jonas LINDGREN
Client Executive, Hedge Fund Coverage
Large Corporates and Financial Institutions
Skandinaviska Enskilda Banken AB (publ), Sweden

Lancelot Ector

Organisation (continued)

| | |
|---|--|
| | Göran FORS Head of Sales and Market Development Asset Servicing Skandinaviska Enskilda Banken AB (publ), Sweden (until 5th May 2017) |
| Depositary | Skandinaviska Enskilda Banken S.A. 4, rue Peternelchen L-2370 Howald |
| Central Administration Agent | SEB Fund Services S.A. 4, rue Peternelchen L-2370 Howald |
| Sub-Administrative Agent and Registrar 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 |
| Auditor | PricewaterhouseCoopers, Société coopérative 2, rue Gerhard Mercator L-2182 Luxembourg |
| Placement and Distribution Agent | Lancelot Asset Management AB Nybrokajen 7, PO Box 16172 SE-103 23 Stockholm |

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 amended Law of 17th December 2010 relating to undertakings for collective investment.

The EU Savings Directive has been abrogated with effect in Luxembourg from 1st June 2016 and replaced by the Common Reporting Standards described in the current prospectus.

On 1st June 2016, the Luxembourg Memorial C has been replaced by RESA (Recueil Electronique des Sociétés et Associations), the new official electronic platform of central publication regarding companies and associations. Publications made after 1st June 2016 are available on this new platform accessible through the website of the Registre de Commerce et des Sociétés.

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

- Lancelot Ector - Master Fund; expressed in SEK.

The Company issues shares of Class B which can be subscribed and redeemed at the registered office of the Company or the Administrative Agent, through any Distributor or Placement Agent and/ or any sub-distributor or sub-placement agent.

The B Class of Shares corresponding to the Lancelot Ector - Master Fund are issued in the form of 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 financial statements, 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 registered office of the Company.

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

Dear Shareholder,

Lancelot Ector, Sicav 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 15,459,794.177 capitalisation shares and 6,191,759.068 distribution shares as of 30th June 2017, representing total assets of SEK 660,696.240. The net asset value per capitalisation share was SEK 34.61 i.e. increase of 246.10% after fees from launch date and increase of 3.56% during the first six months of 2017.

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 (market review)

In its twice-yearly assessment of the world economy, the OECD said that the global economic outlook has improved and will pick up moderately. But the OECD warned against complacency because it thinks the improved growth outlook is temporary without signs yet of an improvement in underlying performance. Stronger business and consumer confidence, rising industrial production and recovering employment and trade flows are forecast to contribute to an improvement in global GDP growth from 3.5% in 2017 to 3.6% in 2018 from a recent low of 3% in 2016, its lowest since 2009. After a weak first quarter for the US economy, the OECD revised down its US growth forecast for 2017 and 2018 from 2.3% to 2.1% and from 3% to 2.4% respectively. The euro area is expected to see steady growth at 1.8% in 2017 and 2018. In Japan, growth is projected at 1.4% in 2017 and 1 % in 2018, according to the outlook. Growth in Chinese economy is anticipated to ease from 6.7% last year to 6.6 % this year and 6.4% in 2018. Meanwhile, growth in India is expected to increase to 7.3% in 2017 and 7.7% in 2018 maintaining its position as the world's fastest growing economy. While global growth is picking up, the organization pointed out that the forecasts still leaves growth rates below past norms, as well as the pace needed to escape fully from the low-growth trap.

The US central bank (the Fed) defied a string of weak inflation figures and boosted the target range for the federal funds rate twice during the period to a range of 1% to 1.25%. According to the Fed, the rate rise reflected progress the economy has made and is expected to contribute to a maximum employment and price stability objectives. The bank continues to expect the economy to expand at a moderate pace in the next few years. Fed policymakers stuck to their individual forecasts for growth and inflation pointing to further rate increases in the coming years, including another quarter-point increase by the end of 2017. The Fed sees near term risks to the economic outlook as roughly balanced, but will monitor inflation developments closely. Additionally, as had been discussed before the meeting in separate speeches made by Fed Governors, the Fed intends to gradually reduce its securities holdings by allowing securities to mature. In June, the European Central Bank (ECB) took a first small step towards scaling back its ultra loose policy when it said it would not cut its record-low interest rates any further. However, the ECB confirmed that it would continue the quantitative easing programme until the end of the year or beyond if necessary and left interest rates unchanged at 0% for the base rate and minus 0.4% for the bank deposit rate. The bank had been expected to respond to the much-improved growth outlook in the eurozone. The economies of all 19 eurozone countries grew in the first quarter compared with the last three months of 2016, while year-on-year growth rose to 1.9%. In the statement following the June meeting, the ECB said that it expects the key interest rates to remain at their present levels for an extended period of time, and well past the horizon of the net asset purchases. Mario Draghi, ECB president, said after the meeting that risks to growth were now "broadly balanced", a shift from the ECB's previous assessment that risks were "tilted to the downside". In April, the Swedish Riksbank decided to extend the purchases of government bonds by SEK 15 billion during the second half of 2017

to safeguard the rising trend in inflation and to hold the repo rate unchanged at -0.50%. The repo rate is not expected to be raised until mid-2018, which is slightly later than in the previous forecast. The Bank of England maintained its record low base rate at 0.25% but some of the members of the bank's monetary policy committee became increasingly concerned that inflationary pressures were taking hold of the British economy despite growing signs of an economic slowdown. However, the committee was unanimous in its decision to keep the rate of bond purchases at their current pace, having relaunched their quantitative easing programme after the Brexit vote. The Bank of Japan kept monetary policy on hold at its June meeting, underscoring its determination to keep policy accommodative even as the economic outlook has shown signs of improvement. The central bank, which is seeking to avoid speculation about an early exit from stimulus, held its main policy rate steady at minus 0.1% and stuck to its pledge to keep the yield on 10-year Japanese government bonds around zero.

The US Dollar Index, a measure of the value of the US-dollar relative to a basket of foreign currencies, fell by nearly 6.5% during the first six months of the year. The dollar softness was broad-based but most pronounced against the euro. Softer US economic data and continued strength in the Eurozone caught many market participants by surprise. Coming into 2017 the consensus trade was to be long US-dollar against the euro as the interest divergence would increase during the year. But as is often the case, too many speculators and short-term traders held the same position and consequently had to sell the US-dollar and buy the euro. The common currency got an additional boost in late June after the ECB president gave a relatively bullish assessment of Europe's economy, possibly implicating that the ECB will announce tapering its purchases as it extends them into next year. The pound sterling slid following the snap election held in early June as markets tried to grapple with the coming UK's Brexit talks after the Conservative party's surprising failure to secure a parliamentary majority. Despite a hung parliament being seen by some as the worst-case scenario for the UK currency ahead of the vote, a minority Conservative government has now raised the prospect of the government pursuing a "softer" EU exit deal. In the commodity space the Thomson Reuters CRB index (about a third is petroleum products) fell by approximately 9%. Crude oil prices tumbled close to 16% during the first six months of the year, temporarily increasing global deflationary pressure. OPEC extended the production cuts deal from late last year for a further nine months, in an effort to remove the excess inventories that are keeping a lid on oil prices. But concerns lingered in the oil market that any production curbs might be offset by US shale output which is ramping up. There were also worries OPEC producers and others may revert to maximising output when the curbs deal ends. The price of Brent crude fell below USD 45 a barrel before rebounding to end the period at USD 48, thereby losing most of the gains made as a result of the OPEC deal. The gold price rose by close to 9% to USD 1 240 an ounce.

Global stock markets were overall strong as still low long-term interest rates supported risk taking. But doubts were visible in the markets about the durability of global reflation at the end of the period. Rate rises in the US, and possible receding monetary accommodation from the ECB and other central banks might, so many analysts, remove one of the main factors that have supported the high valuation across financial assets. For the period, the EU markets rose by 5.5% in local currency terms (MSCI), with the Nordic region 8.4% higher. Among the best performing major European bourses were Spain (+13.1%) and the Netherlands (+10.1%). In Sweden, the equity market strengthened by 8%. The North American region rose by 7.9% (USA +8.4%, Canada -1.2%) while the Pacific region ex Japan ended the period 7% higher. The Japanese market rose 4.9%.

For the first six months of 2017, the world index increased by 7.05% in local currency terms and by 1.72% in Swedish krona terms as the Swedish currency strengthened.

The Fund (performance review)

As of 30th June 2017, the Swedish equity exposure amounted to 13.29%, international equity exposure amounted to 12.02%, bonds amounted to 63.26% and cash and other assets amounted to 11.43% of total net asset value. The equity portion of the Fund hence was about the same as the beginning of the year. Please note that the pie chart showing breakdown of net assets on page 9 slightly differs from these figures since it shows the market value and not the underlying exposure of an ETF with a negative equity exposure. The duration of the bond portfolio at the end of the period was 0.63 years.

Activity was relatively low in the equity portfolio during the first six months of 2017. A new holding was initiated namely AGCO, a global leader in the agricultural equipment market. The company has put initiatives in place to grow sales, improve distribution and reduce expenses in order to enhance margins and become more profitable. Sales are picking up around the globe, including the US, Europe and South America. AGCO continues to innovate, which is vital to succeed in the market place. The position in the Swiss company Richemont, was sold. The stock which was bought when the company, and the entire luxury goods sector, was suffering from low demand from the vital Chinese market, recovered strongly as the demand situation improved and consequently the stock's valuation improved. The investment which was initiated last summer generated a total annual return of more than 80%.

In first six months of 2017 the value of the Fund increased by 3.56%. The main positive contributors to the Fund's performance including foreign exchange movements were Volvo, Investor, Britvic and Ericsson. CVS Health on the other hand lagged. Performance from the bond portfolio was positive.

The persistence of low inflation in most major developed countries has many market participants worried since the data is well below central bank's target of two per cent in the medium term and might also be viewed as a possible sign of weaker economic growth. Markets fear a policy mistake from the Fed as the central bank, and possibly ECB, Bank of Canada and Bank of England, tightens into what some see as a slowing economy. This is nothing new. For years people have worried that a Fed "tightening" would derail the economy and the markets, but the facts say otherwise. The Fed first hinted at a tightening in 2013, when the 10-year Treasury yield rose by more than 100 basis points and the SP 500 rose by 16%, with the first hike coming in late 2015. Since then, short-term interest rates have risen by 100 basis points. Today the dollar is flat, the yield curve is also flatter, but not signalling an immediate recession ahead, credit spreads are tighter, equity prices are up, but the equity risk premium is still positive, commercial real estate is up, but not to record highs, equity and bond market volatility is down, and inflation is relatively low but not too low. Moderate growth without inflation seems to be a good thing for markets as long as economies avoid falling into a deflationary spiral, a tail risk that most observers, including the ECB, now acknowledge has disappeared. If weak inflation remains persistent through the second half of this year and unemployment flattens out, thereby making it harder to continue to dismiss near-term inflation data as transitory, the Fed would be forced to rethink their 2018 plans. But it is premature to think the Fed will make a dovish shift just yet. Leading indicators in the US and indeed globally are signalling firm above-trend growth, as the global economy transitions from a period of rapid acceleration and catch-up to a phase of steady expansion. The rapid market repricing on the brighter growth and inflation outlook over just a few months in late 2016, was largely a result of investors reassessing their views after having been overly downbeat about growth prospects due to the energy and commodity price shock. China's pick-up, thanks to heavy stimulus, also played a role in helping emerging markets bounce back. As conditions have normalized, most financial markets have settled down. Risks are of course plentiful. Rapidly surging long-term interest rates being perhaps the most obvious one. In addition, concerns over the health of China's financial sector and the stability of the overleveraged and under-regulated Chinese financial system are also creating big uncertainties.

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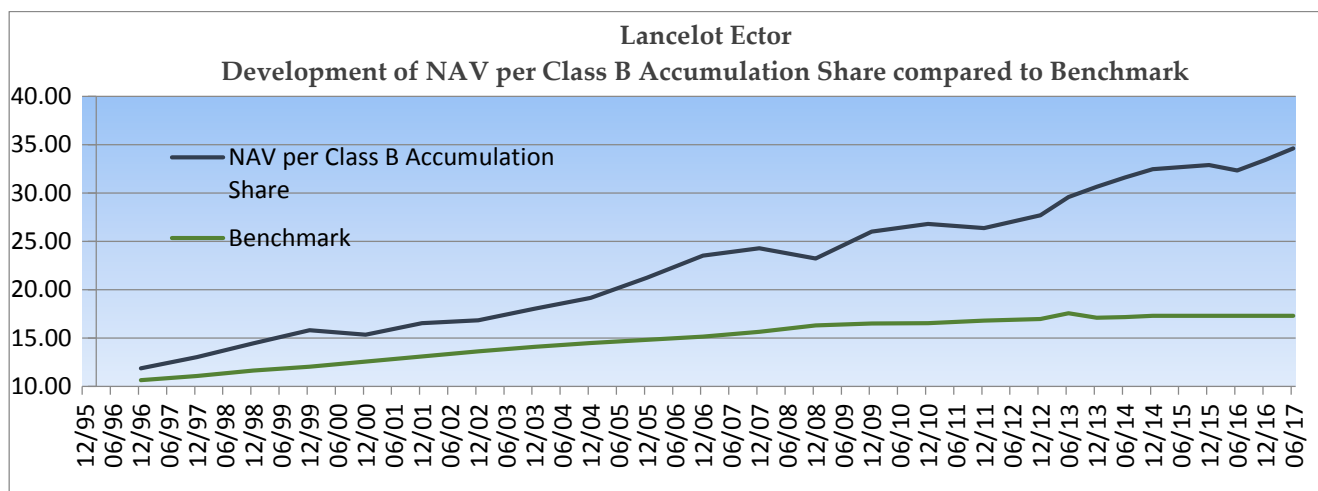
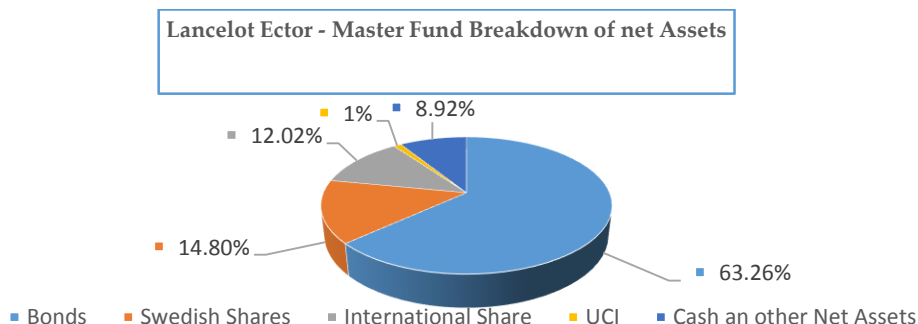
Report on activities of the Company (continued)

While valuation analysis is not an effective tool for market timing, it is still extremely useful, primarily for estimating future long-term market returns. Simply put, the more you pay for a unit of earnings or balance sheet today, the less you should earn on your investment in the future. Today's starting price on an index and market level together with a volatile economic and political environment suggests that investors need to be careful and far more selective and agile than in the past.

Luxembourg, 13th July 2017

The Board of Directors

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



| Year | NAV Development | Benchmark Development |
|------|-----------------|-----------------------|
| 1996 | 18.75% * | 6.56% * |
| 1997 | 9.72% | 3.97% |
| 1998 | 10.84% | 5.02% |
| 1999 | 9.51% | 3.53% |
| 2000 | -2.97% | 4.28% |
| 2001 | 7.79% | 4.31% |
| 2002 | 1.73% | 3.95% |
| 2003 | 7.22% | 3.55% |
| 2004 | 6.26% | 2.77% |
| 2005 | 10.74% | 2.15% |
| 2006 | 10.86% | 2.26% |
| 2007 | 3.15% | 3.44% |
| 2008 | -4.28% | 4.11% |
| 2009 | 11.90% | 1.19% |
| 2010 | 3.12% | 0.33% |
| 2011 | -1.68% | 1.61% |
| 2012 | 5.05% | 0.92% |
| 2013 | 10.69% | 0.69% |
| 2014 | 5.91% | 0.79% |
| 2015 | 1.39% | 0.079% |
| 2016 | 1.55% | 0.00% |
| 2017 | 3.56% ** | 0.00% ** |

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

** Relating to the period from 01/ 01/ 2017 to 30/ 06/ 2017

Lancelot Ector - Master Fund

Statement of net assets (in SEK)

as at 30th June 2017

Assets

| | |
|---|-------------|
| Securities portfolio at market value | 601,781,453 |
| Cash at banks | 62,148,989 |
| Income receivable on portfolio | 608,698 |
| Unrealised gain on forward foreign exchange contracts | 902,161 |
| Prepaid expenses | 89,328 |
| Total assets | 665,530,629 |

Liabilities

| | |
|-------------------------------------|-------------|
| Bank overdrafts | 3,078 |
| Expenses payable | 4,831,311 |
| Total liabilities | 4,834,389 |
| Net assets at the end of the period | 660,696,240 |

Breakdown of net assets per share class

| Share class | Number of shares | Currency of share class | NAV per share in currency of share class | Net assets per share class (in SEK) |
|-------------|------------------|-------------------------|--|-------------------------------------|
| B CAP | 15,459,794.177 | SEK | 34.61 | 535,125,474 |
| B Dividend | 6,191,759.068 | SEK | 20.28 | 125,570,766 |
| | | | | 660,696,240 |

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 2017 to 30th June 2017

| | |
|---|--------------------|
| <u>Income</u> | |
| Dividends, net | 3,620,360 |
| Interest on bonds and other debt securities, net | 1,754,082 |
| Interest on bank accounts | 40 |
| Total income | <u>5,374,482</u> |
| <u>Expenses</u> | |
| Management fees | 3,333,956 |
| Performance fees | 4,018,826 |
| Banking charges and other fees | 5 |
| Transaction fees | 50,783 |
| Central administration costs | 438,999 |
| Professional fees | 87,458 |
| Other administration costs | 122,141 |
| Subscription duty ("taxe d'abonnement") | 165,837 |
| Bank interest paid | 89,289 |
| Other expenses | 90,452 |
| Total expenses | <u>8,397,746</u> |
| Net investment loss | -3,023,264 |
| <u>Net realised gain/(loss)</u> | |
| - on securities portfolio | 7,365,274 |
| - on forward foreign exchange contracts | 2,169,727 |
| - on foreign exchange | -3,734 |
| Realised result | <u>6,508,003</u> |
| <u>Net variation of the unrealised gain/(loss)</u> | |
| - on securities portfolio | 16,031,345 |
| - on forward foreign exchange contracts | 151,466 |
| Result of operations | <u>22,690,814</u> |
| Dividends paid | -3,723,600 |
| Subscriptions | 15,207,542 |
| Redemptions | -15,095,583 |
| Total changes in net assets | <u>19,079,173</u> |
| Total net assets at the beginning of the period | <u>641,617,067</u> |
| Total net assets at the end of the period | <u>660,696,240</u> |

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

Lancelot Ector - Master Fund

Statistical information (in SEK)

as at 30th June 2017

| Total net assets | Currency | 31.12.2015 | 31.12.2016 | 30.06.2017 |
|-------------------------|-----------------|-------------------|-------------------|-------------------|
| | SEK | 621,197,964 | 641,617,067 | 660,696,240 |

| Net asset value per share | Currency | 31.12.2015 | 31.12.2016 | 30.06.2017 |
|----------------------------------|-----------------|-------------------|-------------------|-------------------|
| B CAP | SEK | 32.91 | 33.42 | 34.61 |
| B Dividend | SEK | 20.50 | 20.18 | 20.28 |

| Number of shares | outstanding at the beginning of the period | issued | redeemed | outstanding at the end of the period |
|-------------------------|---|---------------|-----------------|---|
| B CAP | 15,484,631.773 | 417,689.987 | -442,527.583 | 15,459,794.177 |
| B Dividend | 6,147,598.126 | 44,160.942 | - | 6,191,759.068 |

| Dividends paid | Currency | Dividend per share | Ex-dividend date |
|-----------------------|-----------------|---------------------------|-------------------------|
| B Dividend | SEK | 0.6057 | 18.01.2017 |

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 2017

| Currency | Number / nominal value | Description | Cost | Market value | % of total net assets |
|--|---------------------------|---|-------------|--------------|-----------------------------|
| <u>Investments in securities</u> | | | | | |
| <u>Transferable securities admitted to an official stock exchange listing</u> | | | | | |
| Shares | | | | | |
| Automobiles and components | | | | | |
| SEK | 281,000 | Volvo AB B | 25,972,550 | 40,351,600 | 6.11 |
| Capital goods | | | | | |
| USD | 14,660 | AGCO Corp | 8,151,167 | 8,333,153 | 1.26 |
| USD | 36,200 | Danaher Corp | 17,410,354 | 25,767,928 | 3.90 |
| USD | 29,000 | Fortive Corp | 10,708,636 | 15,496,177 | 2.35 |
| SEK | 111,000 | SKF AB B | 16,707,741 | 18,947,700 | 2.87 |
| | | | 52,977,898 | 68,544,958 | 10.38 |
| Diversified financials | | | | | |
| SEK | 35,670 | Investor AB B | 10,736,887 | 14,482,020 | 2.19 |
| Food and drug retailing | | | | | |
| USD | 15,500 | CVS Health Corp | 11,338,766 | 10,519,417 | 1.59 |
| Food, beverage and tobacco | | | | | |
| GBP | 254,500 | Britvic Plc | 11,602,713 | 19,295,211 | 2.92 |
| Investment companies | | | | | |
| SEK | 149,912 | Ratos AB B | 6,368,849 | 6,026,462 | 0.91 |
| Technology hardware and equipment | | | | | |
| SEK | 298,000 | Telefon AB LM Ericsson B | 15,678,642 | 17,954,500 | 2.72 |
| Total shares | | | 134,676,305 | 177,174,168 | 26.82 |
| Bonds | | | | | |
| Corporate bonds | | | | | |
| SEK | 15,000,000 | AF AB FRN Reg S 16/ 21.03.19 | 15,069,150 | 15,156,600 | 2.29 |
| SEK | 20,000,000 | Castellum AB FRN MTN Ser 104 13/ 26.09.18 | 20,099,000 | 20,262,700 | 3.07 |
| SEK | 10,000,000 | Castellum AB FRN Sen 15/ 13.03.20 | 10,000,000 | 10,072,750 | 1.52 |
| SEK | 20,000,000 | Ellevio AB FRN EMTN Sen 17/ 28.02.20 | 20,000,000 | 20,135,800 | 3.05 |
| SEK | 6,000,000 | Husqvarna AB FRN MTN Sen 16/ 03.05.19 | 6,000,000 | 6,076,380 | 0.92 |
| SEK | 10,000,000 | Husqvarna AB FRN Sen 12/ 28.11.17 | 10,000,000 | 10,075,000 | 1.52 |
| SEK | 10,000,000 | Jernhusen AB 2.375% Ser 102 13/ 23.04.18 | 10,310,867 | 10,194,250 | 1.54 |
| SEK | 17,000,000 | Jernhusen AB FRN Ser 104 13/ 19.09.23 | 17,665,210 | 17,253,130 | 2.61 |
| SEK | 10,000,000 | PostNord AB FRN MTN Ser 106 14/ 01.04.19 | 10,043,700 | 10,043,150 | 1.52 |
| SEK | 23,000,000 | Scania CV AB FRN EMTN Ser 62 16/ 06.09.21 | 23,000,000 | 23,489,210 | 3.56 |
| SEK | 20,000,000 | Specialfastigheter Sverige AB FRN EMTN Sen 14/ 23.06.20 | 20,000,000 | 20,227,600 | 3.06 |
| SEK | 30,000,000 | Sveaskog AB FRN DMTN 14/ 22.01.20 | 30,000,000 | 30,250,200 | 4.58 |
| SEK | 25,000,000 | Sveaskog AB FRN Sen 14/ 30.10.23 | 25,000,000 | 25,019,000 | 3.79 |
| SEK | 20,000,000 | Vasakronan AB 1.083% MTN Ser MTN525GB Sen 17/ 24.05.22 | 20,000,000 | 19,857,500 | 3.01 |

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 2017

| Currency | Number / nominal value | Description | Cost | Market value | % of total net assets |
|------------------------------------|---------------------------|--|-------------|--------------|-----------------------------|
| SEK | 7,000,000 | Willhem AB 0.7% Sen 15/ 11.02.19 | 6,996,570 | 7,062,090 | 1.07 |
| SEK | 15,000,000 | Willhem AB FRN DMTN Ser 115 17/ 18.01.21 | 15,000,000 | 15,111,150 | 2.29 |
| | | | 259,184,497 | 260,286,510 | 39.40 |
| Financial Institution bonds | | | | | |
| SEK | 30,000,000 | Danske Bank A/ S 2% EMTN Reg S Ser 532 14/ 23.05.19 | 31,311,900 | 31,083,150 | 4.70 |
| SEK | 10,000,000 | Landshypotek Bank AB VAR Sub 17/ 31.12.Perpetual | 10,000,000 | 10,338,950 | 1.56 |
| SEK | 25,000,000 | Lansforsakringar Bank 0.6175% Ser 784 16/ 10.05.19 | 25,084,750 | 25,248,125 | 3.82 |
| SEK | 20,000,000 | SBAB Bank AB FRN EMTN Reg S Sub Ser 614 12/ 16.11.22 | 20,356,000 | 20,152,900 | 3.05 |
| SEK | 25,000,000 | SBAB Bank AB FRN EMTN Sen 13/ 11.10.18 | 25,000,000 | 25,181,000 | 3.81 |
| SEK | 10,000,000 | SBAB Bank AB FRN MTN Sub Ser B 16/ 17.06.Perpetual | 10,000,000 | 10,486,500 | 1.59 |
| | | | 121,752,650 | 122,490,625 | 18.53 |
| Municipal bonds | | | | | |
| SEK | 15,000,000 | Gothenburg (City of) FRN EMTN Sen 15/ 09.09.19 | 15,030,450 | 15,111,750 | 2.29 |
| SEK | 20,000,000 | Gothenburg (City of) FRN EMTN Ser 1013 14/ 20.06.19 | 20,012,000 | 20,093,400 | 3.04 |
| | | | 35,042,450 | 35,205,150 | 5.33 |
| Total bonds | | | | | |
| | | | 415,979,597 | 417,982,285 | 63.26 |
| Open-ended investment funds | | | | | |
| Tracker funds (UCI) | | | | | |
| Investment funds | | | | | |
| SEK | 100,000 | XACT BEAR Units Dist | 9,634,040 | 6,625,000 | 1.00 |
| Total tracker funds (UCI) | | | | | |
| | | | 9,634,040 | 6,625,000 | 1.00 |
| Total investments in securities | | | 560,289,942 | 601,781,453 | 91.08 |
| Cash at banks | | | | 62,148,989 | 9.41 |
| Bank overdrafts | | | | -3,078 | 0.00 |
| Other net assets/ liabilities | | | | -3,231,124 | -0.49 |
| Total | | | | 660,696,240 | 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 are valued at their yield value if a contract exists between the Company and the Depository 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. The realised gains and losses on sales of securities portfolio are recorded net in the statement of operations and other changes in net assets.

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.

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Notes to the financial statements (continued)

as at 30th June 2017

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 financial statements, the prevailing exchange rates on the closing day were as follows:

| | | | | | |
|---|-----|---|-----------|-----|----------------|
| 1 | SEK | = | 0.1135639 | CHF | Swiss Franc |
| | | | 0.1039592 | EUR | Euro |
| | | | 0.0912734 | GBP | Pound Sterling |
| | | | 0.1185551 | 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 Depositary.

Note 2 - Subscription, redemption and conversion fees

Shares of Class B are subscribed at an issue price based on the Net Asset Value per Share on the relevant Valuation Day. No subscription fee is charged.

The price to be paid in respect of each share tendered for redemption (the "Redemption Price") is the Net Asset Value.

Note 3 - Management fees

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.

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Notes to the financial statements (continued)

as at 30th June 2017

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 fees

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 the higher of:

- a) 0 percent
- b) The twelve months rate of interest Interpolated between Swedish Treasury Bills and/ or Swedish Government Bonds at 31st December of the prior year, as published in the financial media or any corresponding benchmark approved by the Board of Directors of the SICAV.

With effect from 1st January 2017, for a calendar year when the Sub-Fund underperforms the agreed Benchmark return no performance fee is paid and the amount of the relative underperformance from that year shall remain relevant for coming years (as a "High Water Mark"). This means that at a forthcoming year with outperformance compared to the Benchmark return, no performance fee is paid until the amount of underperformance from previous year is fully recovered.

On 1st January 2017, the Benchmark return was determined by interpolating between the market rate of the Swedish Treasury Bond 1052 with maturity in March 2019 and the market rate of the Swedish Treasury Bond 1051 with maturity in August 2017 (the "Market Rates"), where both are converted from 30/ 360 to actual/ 360 day convention. As per this methodology, the Benchmark reference rate is -0.802% for the year 2017. Therefore, the benchmark return shall be 0 percent for the year 2017.

At the date of the financial statements, the performance fee was recorded for Sub-Fund and amounted to SEK 4,018,826.

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 Depositary.

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.

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Notes to the financial statements (continued)

as at 30th June 2017

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

Note 6 - Subscription duty ("taxe d'abonnement")

The Company is governed by Luxembourg law.

Pursuant to the legislation and regulations in force, 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 amended Law of 17th December 2010 the net assets invested in Undertakings for Collective Investments already subject to the "taxe d'abonnement" are exempt from this tax.

Note 7 - Independent Director's fees

Independent Director's fees of SEK 90,452 are included in the caption "Other Expenses" in the statement of operations and other changes in net assets.

Note 8 - Forward foreign exchange contracts

As at 30th June 2017, the following Sub-Fund is committed in the following forward foreign exchange contracts with Skandinaviska Enskilda Banken S.A., Luxembourg:

| Lancelot Ector - Master Fund | | | | | | |
|-------------------------------------|------------|----------|-----------|------------|--|----------------------------------|
| Currency | Purchases | Currency | Sales | Maturity | | Unrealised result (in SEK) |
| SEK | 14,387,388 | GBP | 1,291,218 | 31.08.2017 | | 261,327 |
| SEK | 24,999,600 | USD | 2,897,194 | 31.08.2017 | | 640,834 |
| | | | | | | <u>902,161</u> |

Note 9 - Changes in investment portfolio

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

Information concerning the transparency of securities financing transactions and of reuse of cash collateral (regulation EU 2015/2365, hereafter 'SFTR')

At the date of the financial statements, the Company is not in the scope of the publication requirements of SFTR. No corresponding transactions were carried out during the reporting period referring to the financial statements.

Lancelot Asset Management AB
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