

# Audited annual report as at 31st December 2013

## **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/>) and the latest audited annual report at 31st December and, if more recent, the unaudited financial statements at 30th June.

**Lancelot Ector**

**Contents**

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**Organisation.....2**

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

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

**Graphics .....9**

**Audit report.....10**

**Lancelot Ector - Master Fund .....12**

    Statement of net assets .....12

    Statement of operations and other changes in net assets .....13

    Statistical information .....14

    Statement of investments and other net assets .....15

**Notes to the financial statements .....17**

## 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 Asset Management 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

**Vice-Chairman**  
Peter KUBICKI  
Managing Director  
Skandinaviska Enskilda Banken S.A., Luxembourg

**Directors**  
Göran FORS  
Head of Asset Servicing  
Transaction Banking  
Skandinaviska Enskilda Banken AB (publ), Sweden

Ann-Charlotte LAWYER  
Managing Director and Head of  
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

## Lancelot Ector

### Organisation (continued)

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**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

**Authorized Placement Agents**

**In Sweden**  
Consortum AB  
Wenner-Gren Center  
Sveavägen 166  
SE-113 46 Stockholm

**Auditor**

PricewaterhouseCoopers, Société coopérative  
400, route d'Esch  
L-1471 Luxembourg

## Lancelot Ector

### General information

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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 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/>.

### 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.

## Lancelot Ector

### General information (continued)

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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. Capital gains realized on redemption proceeds 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 2012 and 31st December 2013, 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 2015.
- Is in scope for realised capital gains until 30th April 2015.

### Report on activities of the Board of Directors

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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 22,528,161.729 capitalisation shares and 5,999,473.813 distribution shares as of 31st December 2013, representing total assets of SEK 812,064,004. The net asset value per capitalisation share was SEK 30.65 i.e. increase of 206.50% after fees from launch date and increase of 10.69% during the year 2013.

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**

Looking ahead to next year many, if not most, economic forecasters predict a recovery in global growth. Many risk factors have abated, yield curves are steepening, and equity markets in the developed world have outperformed bonds. These are indicators of accelerating global activity. And indeed, the November survey of global manufacturing showed a strong gain, with the total index reaching its highest level in 18 months. The survey was led by the developed economies, and particularly the US. Meanwhile, global manufacturing readings from emerging markets showed no net gain, signaling that a rotation in growth prospect may be in progress. The global growth pick-up reflects balance sheet repair and monetary accommodation in developed markets, which helps defer needed structural rebalancing in emerging markets. In the US, the balance sheet recession is over as households debt showed its first year over year gains on a quarterly basis in the third quarter since the crisis began. In the Eurozone austerity is expected to be less of a headwind next year. The developed world is expected to accelerate from 1.1% in 2013 to 1.9% in 2014. In the emerging world, the deferred rebalancing in China and other countries may boost the near-time economic outlook and in aggregate growth is expected to improve from 4.8% in 2013 to 5.0 in 2014. Global growth is therefore set to accelerate from 2.9% this year to 3.5% in 2014. Although growth prospects look brighter, inflation remains low globally. This leaves room for more monetary easing in some areas if needed.

In its December meeting the Federal Reserve (Fed) took its first step away from a historic era of monetary stimulus by reducing its monthly asset buying. The Fed also reinforced its forward guidance of low interest rates: interest rates are likely to stay close to zero "well past the time that the unemployment rate declines below 6.5%". The central bank said it would reduce its monthly asset purchases by \$10bn a month to \$75bn, split evenly between Treasuries and mortgage-backed securities. It added that further reductions in purchases were likely, in measured steps, if data showed ongoing improvements in labour market conditions. The Fed stressed that monetary conditions were not being tightened and that accommodation was about the same as before the meeting. Rather, what changed was the policy mix as tapering of asset purchases started and the forward guidance of low interest rates was reinforced. The European Central Bank (ECB) lowered its refi rate by 25 basis points to 0.25% in early November, citing further diminishing underlying price pressures in the euro area. With subdued credit demand the bank sees a risk for a prolonged period of low inflation, to be followed by a gradual upward movement towards inflation rates below, but close to two% later on. Monetary policy will therefore remain accommodative for as long as necessary according to ECB, and thereby also continue to assist a gradual economic recovery. In Japan, Bank of Japan (BoJ) kept its monetary policy steady. The BoJ's statement implied that its policy, including massive asset purchases, would stay intact until it hit and maintained a 2% rate of inflation. The bank noted that



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

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consumer price inflation was around one%, rising from “a range of 0.5-1.0%” in its previous statement. However, most CPI components not related to food or energy, both imported items that turned costlier due to a weaker yen, continue to fall or remain soft. The Swedish Riksbank lowered the repo rate from 1.00% to 0.75%. The cut was motivated by much lower inflationary pressures over the coming years than previously forecast.

The euro hit its highest for more than two years against the US dollar, and finished the year as the strongest performer of all major currencies. The strength reflected the success of the ECB’s efforts to restore confidence in the future of the eurozone. Consequently, international capital flowed into euro denominated assets thereby pushing the single currency higher. Extreme monetary stimulus led to a fall in the Japanese yen against both the US dollar and the euro. The Swedish krona trended lower against the euro, while the US dollar cross-rate was flat. In the commodity space the Reuters/Jefferies CRB index (about a third is petroleum products) fell by 5%. Crude oil prices ended the year at USD 111 per barrel, while the price of gold collapsed by almost 30%.

Global stock markets reflected the recovery of the developed world’s economies during the year, and particularly those of the peripheral eurozone countries. The good performance was the result of so-called multiple expansion, as profit estimates generally were downgraded. Meanwhile, many emerging markets showed torrid performance figures, especially those countries with current account deficits that need to be financed by inflows. For the full year, the EU markets rose by 17% in local currency terms (MSCI), with the Nordic region 21% higher. Among the big European bourses Germany and the Netherlands were the best performing markets with an increase of 23%. In Sweden, the equity market rose by 20%. The North American region rose 28% (USA +30%) while the Pacific region ended the period 35% higher. The Japanese market rose by a whopping 52%.

The world index increased by 26.25% in local currency terms, and by 22.61% in Swedish krona terms.

**The Fund**

As of 31 December 2013 the Swedish equity exposure amounted to 11.19%, international equity exposure amounted to 14.34%, bonds amounted to 73.30% and cash and other assets amounted to 1.17% of total net asset value. The equity portion of the Fund was marginally decreased to 26% during the second half of the year. The duration of the bond portfolio at the turn of the year was 1.99 years.

Some changes were made in the equity portfolio during the last six months of 2013. A position in John Deere was established. The company provides products and services primarily for agriculture and forestry worldwide. It also has a smaller construction segment, and provides finance for its customers through its financial services segment. The stock trades at a low multiple as lower commodity prices and farm incomes are expected to lead to slower farm equipment sales. On the other hand there are mitigating factors that might help Deere’s performance compared to prior down cycles. Increased volume means farmer cash receipts will remain historically high, though lower than 2012-13, even though prices have fallen. Total US demand for corn is forecasted to rebound 9% after falling 4.4% in 2012-13 and 2.1% in 2011-12, driven by increased meat production. Additionally, many emerging markets are increasing their mechanization and use of farm equipment. Deere’s construction segment (19% of revenues) is expected to show positive revenue growth in 2014. After a profit warning for the third quarter result, and the inevitable stock price fall, the position in Unilever was increased. The stock is a long-term holding for the Fund. The positions in Britvic and Intrum Justitia were reduced as a result of impressive stock price runs.

The value of the Fund increased by 10.69% during the year. The main positive contributors to the Fund’s performance were Britvic, Intrum Justitia, and Walgreen. Electrolux on the other hand lagged. Performance from the bond portfolio was positive.

**Outlook for 2014**

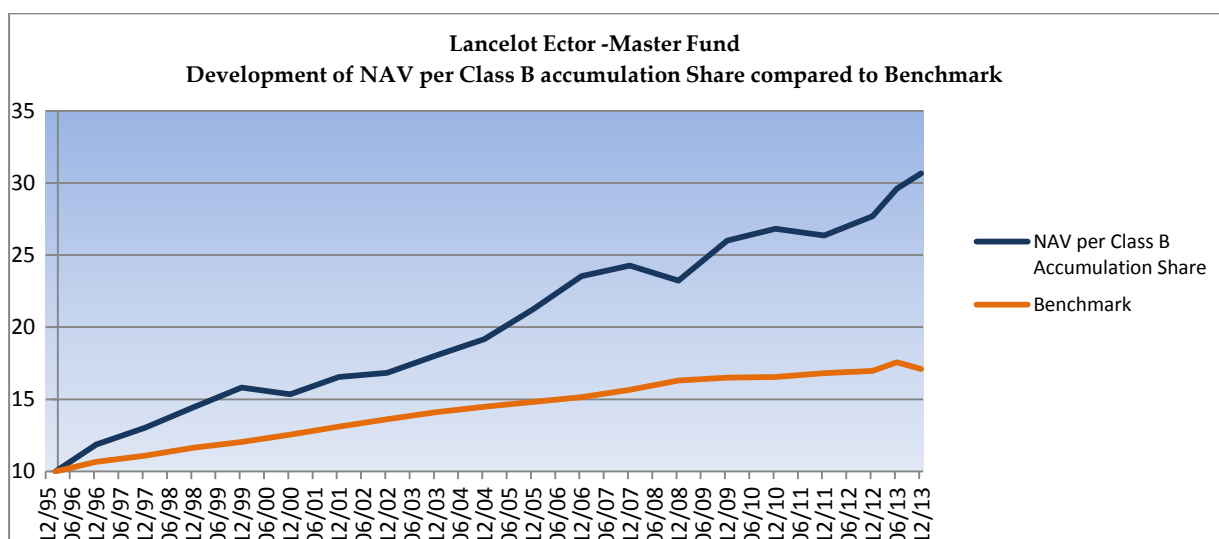
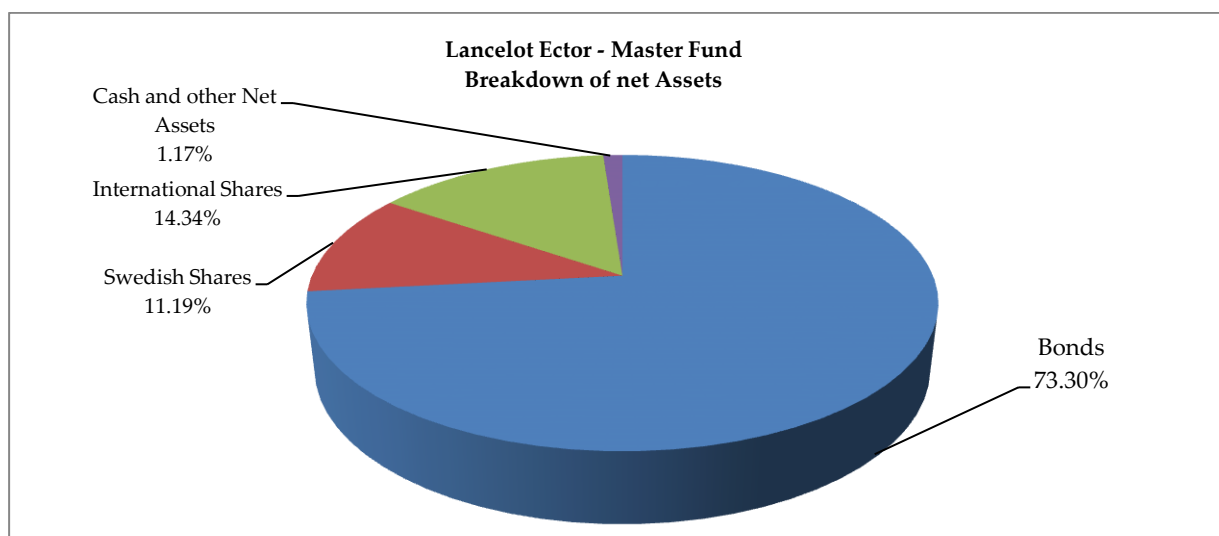
There are visible signs that the global economy has turned a short-term corner and is in the process of a recovery. Equity markets have anticipated the recovery phase. The expansion of price/earnings multiples have propelled markets higher in 2013, despite a steady flow of corporate earnings downgrades. Even if multiples are above long-term averages, a case can be constructed for even higher valuation reflecting today's extremely low interest rates. However, this would suggest that the world is out of the structural imbalances and balance sheet problems created before and in connection with the great recession of 2007-08. A call for the brave! That leaves improving corporate earnings to fuel stock markets further. Central expectation is for earnings to improve by 5-20% depending on market, driven by revenue growth and margin expansion. This is in stark contrast to the recent period when earnings mainly have been boosted by cost control, low investment, including wages and hiring, low financing costs, and aggressive stock buy-back programmes. Yet, it should be recalled that projections of growth pick-ups have been around the corner in consensus forecasts for several years and we have seen several false dawns - just as Japan did in the 1990s. More fundamentally, even if the world economy accelerates next year, this provides no assurance that it is capable of sustained growth at normal real interest rates. Across the industrial world, inflation is below target levels and shows no signs of picking up, suggesting a chronic demand shortfall.

In summary, large risk premiums across a wide range of areas have compressed over the past few years, and are now in many cases below long-term averages. Even in a positive growth and policy environment, this is likely to lead to lower return prospects, and an increased possibility for higher volatility.

Luxembourg, 21st January 2014

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	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%	2013	10.69%	0.69%

\* 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 2013 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](http://www.pwc.lu)*

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



**Audit report (continued)**

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

*Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of Lancelot Ector as of 31st December 2013, 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, 13th March 2014

A handwritten signature in black ink, appearing to read 'Philippe Sergiel', is written over the printed name. The signature is stylized and slanted upwards to the right.

Philippe Sergiel

## Lancelot Ector - Master Fund

### Statement of net assets (in SEK)

as at 31st December 2013

#### Assets

Securities portfolio at market value	802,595,106
Cash at banks	25,673,219
Income receivable on portfolio	5,084,584
Unrealised gain on forward foreign exchange contracts	1,546,556
Other receivables	12,342
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Total assets	834,911,807
	<hr/>

#### Liabilities

Bank overdrafts	2,926
Payable on redemptions of shares	8,331,202
Expenses payable	14,513,675
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Total liabilities	22,847,803
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Net assets at the end of the year	812,064,004
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Number of Class A Accumulation Shares outstanding	12,190,295.048
Net asset value per Class A Accumulation Share	30.65
Number of Class A Dividend Shares outstanding	1,735,461.104
Net asset value per Class A Dividend Share	20.27
Number of Class B Accumulation Shares outstanding	10,337,866.681
Net asset value per Class B Accumulation Share	30.65
Number of Class B Dividend Shares outstanding	4,264,012.709
Net asset value per Class B Dividend Share	20.27

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 2013 to 31st December 2013

#### Income

Dividends, net	5,958,815
Interest on bonds and other debt securities, net	15,880,502
Interest on bank accounts	119,154
Other income	10,050,807
Total income	32,009,278

#### Expenses

Management fees	8,424,949
Performance fees	13,546,518
Transaction fees	225,936
Central administration costs	1,051,205
Professional fees	132,181
Other administration costs	254,604
Subscription duty ("taxe d'abonnement")	408,850
Interest paid on bank overdrafts	92
Other expenses	214,971
Total expenses	24,259,306

Net investment income	7,749,972
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#### Net realised gain/(loss)

- on securities portfolio	49,365,606
- on forward foreign exchange contracts	-817,125
- on foreign exchange	535,165
Realised result	56,833,618

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

- on securities portfolio	27,163,697
- on forward foreign exchange contracts	-1,828,372
Result of operations	82,168,943

Dividends paid	-1,622,075
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Subscriptions	34,065,240
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Redemptions	-134,749,405
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Total changes in net assets	-20,137,297
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Total net assets at the beginning of the year	832,201,301
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Total net assets at the end of the year	812,064,004
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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 2013

<b>Total net assets</b>	
- as at 31.12.2013	812,064,004
- as at 31.12.2012	832,201,301
- as at 31.12.2011	923,895,626
<b>Number of Class A Accumulation Shares</b>	
- outstanding at the beginning of the year	13,352,019.037
- issued	165.508
- redeemed	-1,161,889.497
- outstanding at the end of the year	12,190,295.048
<b>Net asset value per Class A Accumulation Share</b>	
- as at 31.12.2013	30.65
- as at 31.12.2012	27.69
- as at 31.12.2011	26.36
<b>Number of Class A Dividend Shares</b>	
- outstanding at the beginning of the year	4,946,676.311
- issued	0.000
- redeemed	-3,211,215.207
- outstanding at the end of the year	1,735,461.104
<b>Net asset value per Class A Dividend Share</b>	
- as at 31.12.2013	20.27
- as at 31.12.2012	18.48
- as at 31.12.2011	17.88
<b>Dividend paid</b>	
Ex-dividend date	28.01.2013
Dividend per share	0.1693
Shares outstanding at dividend date	4,946,676.311
<b>Number of Class B Accumulation Shares</b>	
- outstanding at the beginning of the year	10,305,698.847
- issued	1,110,746.476
- redeemed	-1,078,578.642
- outstanding at the end of the year	10,337,866.681
<b>Net asset value per Class B Accumulation Share</b>	
- as at 31.12.2013	30.65
- as at 31.12.2012	27.69
- as at 31.12.2011	26.36
<b>Number of Class B Dividend Shares</b>	
- outstanding at the beginning of the year	4,634,389.872
- issued	40,837.161
- redeemed	-411,214.324
- outstanding at the end of the year	4,264,012.709
<b>Net asset value per Class B Dividend Share</b>	
- as at 31.12.2013	20.27
- as at 31.12.2012	18.48
- as at 31.12.2011	17.88
<b>Dividend paid</b>	
Ex-dividend date	28.01.2013
Dividend per share	0.1693
Shares outstanding at dividend date	4,634,389.872

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 2013

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>Automobiles and components</b>					
USD	166,100	Ford Motor Co	14,519,010	16,492,410	2.03
<b>Banks</b>					
USD	172,000	Bank of America Corp	9,522,609	17,233,187	2.12
<b>Capital goods</b>					
USD	16,900	Deere and Co	9,135,235	9,932,275	1.22
<b>Commercial services and supplies</b>					
SEK	361,500	Securitas AB B	27,299,097	24,708,525	3.04
<b>Consumer durables and apparel</b>					
SEK	118,204	Electrolux AB B	18,631,862	19,917,374	2.45
<b>Diversified financials</b>					
SEK	154,236	Intrum Justitia AB	11,937,689	27,762,480	3.42
<b>Food and drug retailing</b>					
USD	59,000	Walgreen Co	13,598,399	21,807,958	2.69
<b>Food, beverage and tobacco</b>					
GBP	343,092	Britvic Plc	11,573,055	25,310,166	3.12
EUR	98,925	Unilever NV Certif of Shares	19,698,460	25,672,883	3.16
			31,271,515	50,983,049	6.28
<b>Technology hardware and equipment</b>					
SEK	236,000	Telefon AB LM Ericsson B	15,444,130	18,526,000	2.28
<b>Total shares</b>			151,359,546	207,363,258	25.53
<b>Bonds</b>					
<b>Corporate bonds</b>					
SEK	40,000,000	Akademiska Hus AB FRN EMTN 10/15.10.15	40,000,000	40,353,200	4.97
SEK	20,000,000	Castellum AB FRN MTN Ser 100 12/03.09.15	20,039,800	20,471,000	2.52
SEK	30,000,000	Fortum Oyj FRN EMTN 10/14.09.15	30,000,000	30,341,850	3.74
SEK	10,000,000	Husqvarna AB FRN Sen 12/28.11.17	10,000,000	10,376,300	1.28
SEK	10,000,000	Jernhusen AB 2.375% Ser 102 13/23.04.18	9,981,400	9,930,623	1.22
SEK	35,000,000	Sveaskog AB FRN Ser 123 Sen 12/12.10.15	35,000,000	35,517,475	4.37
SEK	15,000,000	Swedavia AB FRN MTN Ser 104 13/09.05.16	14,995,500	15,039,300	1.85
SEK	30,000,000	Vasakronan AB FRN MTN Ser 417 12/25.01.16	30,270,300	30,655,500	3.77
			190,287,000	192,685,248	23.72

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 2013

Currency	Number / nominal value	Description	Cost	Market value	% of total net assets
<b>Financial Institution bonds</b>					
SEK	25,000,000	Danske Bank A/S FRN EMTN Sen 12/17.08.15	25,000,000	25,567,750	3.15
SEK	30,000,000	Lansforsakringar Hypotek AB 3.25% Ser 513 13/16.09.20	30,447,000	30,500,100	3.76
SEK	30,000,000	Nordea Bank AB FRN Ser 214 12/27.02.15	30,000,000	30,396,150	3.74
SEK	25,000,000	SBAB Bank AB FRN EMTN Sen 12/23.03.17	25,263,500	25,973,250	3.20
SEK	25,000,000	SBAB Bank AB FRN EMTN Sen 13/11.10.18	25,000,000	25,124,250	3.09
SEK	25,000,000	Stadshypotek AB 6% Ser 1578 04/21.09.16	28,469,750	27,901,750	3.44
SEK	30,000,000	Swedish Export Credit FRN EMTN Sen 12/15.08.16	30,000,000	30,221,100	3.72
			194,180,250	195,684,350	24.10
<b>Municipal bonds</b>					
SEK	30,000,000	Gothenburg (City of) 1.875% EMTN Sen 13/12.08.17	29,896,500	30,033,000	3.70
SEK	20,000,000	Kommuninvest I Sverige AB 2.25% Ser 1903 13/12.03.19	19,685,200	19,797,200	2.44
SEK	40,000,000	Kommuninvest I Sverige AB 4% Ser 1708 11/12.08.17	43,582,400	42,919,600	5.28
			93,164,100	92,749,800	11.42
<b>Sovereign bonds</b>					
SEK	35,000,000	EIB 2.95% EMTN 09/17.02.15	34,960,800	35,719,250	4.40
SEK	40,000,000	Sweden 1.5% Reg S 144A-1057 12/13.11.23	36,620,100	36,505,200	4.50
SEK	40,000,000	Sweden 3% Ser 1050 05/12.07.16	41,920,000	41,888,000	5.16
			113,500,900	114,112,450	14.06
<b>Total bonds</b>			591,132,250	595,231,848	73.30
Total investments in securities			742,491,796	802,595,106	98.83
Cash at banks				25,673,219	3.16
Bank overdrafts				-2,926	0.00
Other net assets/liabilities				-16,201,395	-1.99
<b>Total</b>				812,064,004	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 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.

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

as at 31st December 2013

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	=	0.1128050	EUR	Euro
			0.0938719	GBP	Pound Sterling
			0.1554002	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 and of transaction fees on financial and on derivatives instruments.

**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. 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. 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 2013

#### **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 as of the 31 December 2012, the Benchmark return was determined by interpolating between the market rate of a Swedish Treasury Bond with maturity in August 2013 and the market rate of a Swedish Government Bond with maturity in May 2014, where the rates are converted from 30/360 to actual/360 day convention. Based on the market rates as per the closing of the market of the last bank business day of 2012 and the aforementioned methodology, the Benchmark returned 0.689%.

At the date of the report, a performance fee was recorded for the Sub-Fund Lancelot Ector - Master Fund and amounted to SEK 13,546,518.00.

#### **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 2013

#### Note 6 - Withholding tax refund

The Company reclaims Swedish withholding taxes on dividends for the past periods as follows:  
For the period from 2005 to 2009 an amount of SEK 10,013,857 was successfully reclaimed through protracted courts proceedings and included into the NAV on 12th June 2013 (when it represented 1.24% thereof). The amount is included under the caption "Other income" in the Statement of operations and other changes in net assets.

The Company will claim withholding taxes in Sweden for the period from 2010 to 2011. Since 2012 the Swedish State has discontinued the former withholding tax on dividends of Swedish issuers paid to EU resident funds such as Lancelot Ector.

The Company will also claim withholding taxes in Norway for the period from 2008 to 2013.

#### Note 7 - 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 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 2013, 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)
EUR	521,341.00	SEK	4,723,558	28.02.2014	-97,514
SEK	538,542	EUR	60,752	28.02.2014	-532
SEK	263,360	EUR	29,768	28.02.2014	-782
SEK	412,527	EUR	46,042	28.02.2014	3,980
SEK	26,656,577	EUR	2,975,131	28.02.2014	257,186
SEK	19,022,918	GBP	1,770,117	28.02.2014	155,096
SEK	1,114,947	USD	171,657	28.02.2014	9,259
SEK	754,664	USD	115,000	28.02.2014	13,919
SEK	1,021,650	USD	155,920	28.02.2014	17,329
SEK	52,731,408	USD	8,001,974	28.02.2014	1,188,615
					<u>1,546,556</u>

**Note 10 - 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.

**Note 11 - Subsequent events**

The Board of Directors has decided the automatic conversion of Class A Shares into Class B Shares with effect 1st January 2014. As a consequence, Class A Shares are no longer issued since 1st January 2014.

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