

# Annual report including audited financial statements as at 31st December 2017

## **ETHOS FUND**

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

R.C.S. Luxembourg K18

#### Notice

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

**ETHOS FUND**

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# ETHOS FUND

## Organisation

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### Management Company

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

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

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

### Conducting Officers

Marie JUHLIN, Managing Director  
Jan HEDMAN, Deputy Managing Director  
Shaneera BOOLELL GUNESH (spouse RASQUÉ),  
Deputy Managing Director  
(since 15th May 2017 until 31st December 2017)

### Central administration

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

## ETHOS FUND

### Organisation (continued)

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

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

**Depositary**

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

**Paying Agents**

**In Sweden**

Skandinaviska Enskilda Banken AB (publ)  
Stärntorget 4  
SE-169 79 Solna

**In Luxembourg**

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

**Investment Manager**

RobecoSAM AG  
Josefstraße 218  
CH-8005 Zürich

**Auditor**

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

**Distributor**

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

# ETHOS FUND

## General information

ETHOS FUND (hereafter the "Fund") is a mutual investment fund organised as an umbrella and governed by Part I of the amended Law of 17th December 2010 relating to Undertakings for Collective Investment.

The Fund's assets are the undivided joint property of the unitholders and are separated from the assets of the Management Company, SEB Fund Services S.A. (the "Management Company") registered with the Luxembourg Register of Commerce ("RCS") under the number B 44 726.

The Fund is registered with the Luxembourg Register of Commerce ("RCS") under the number K18.

The Fund is set up in accordance with Management Regulations signed in Luxembourg on 26th April 2011 (the "Management Regulations") which entered into force on the same day. The Management Regulations have been deposited with the RCS. A notice of the deposit of the amended version of the Management Regulations of the Fund was published on 27th February 2015 in the *Mémorial C*. On 1st June 2016, the Luxembourg *Mémorial 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 RCS.

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

- ETHOS FUND - Ethos Global Equities in SEK.

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

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

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

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

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

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

# **ETHOS FUND**

## **Report of the Management Company**

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### **Recovery at last**

Looking back at the past ten years, the perhaps most interesting tendency has been how the market's expectations for future growth has consistently been too optimistic. Every year has started with high expectations which then are revised lower as either a political crisis or a premature - in hindsight - tightening of monetary policy has negatively affected growth. It is in this context that 2017 stands out. For the first time since the financial crisis we have seen a strong and broad-based recovery in growth. We regard it as broad-based in the sense that all sectors and all regions showed gains in unison. It is strong in the sense that a range of major leading indicators ended higher than in decades.

The economy's strength did not go unnoticed in the financial markets. As investors embraced the idea that growth was finally gaining speed, and the likelihood for another disappointment fell, equities began to rally. So much in fact, that valuations started to reach levels which in recent history have only been surpassed during the IT bubble of the late 90s.

At the time of writing, this is one of the few potential negatives for 2018. The fact that the equity markets have already discounted much of the good macroeconomic news means we expect to see somewhat lower equity returns than 2017. Furthermore, we also expect volatility to start rising as central banks continue to tighten monetary policy.

In the following paragraphs we describe the developments and our outlook for the financial markets, global growth and monetary policy.

### **Financial markets**

As stated, 2017 was a strong year for risky assets in general and equities in particular. Global equities, measured in local currency, rose by nearly 20%, driven in large part by a strong recovery in earnings.

Despite the improving growth outlook, inflation expectations and longer dated yields ended up largely where they started at the beginning of 2017. This disconnect was caused by a string of surprisingly weak inflation numbers coming out of the US throughout 2017. As the labour market continued to tighten, however, the US Federal Reserve continued to hike rates in 2017 which ensured that the US yield curve flattened significantly. This development contrasted the strong growth outlook as a flattening, inverted, yield curve traditionally is seen as a sign of an imminent recession.

In a broader asset allocation context, the most interesting feature of 2017 was the low levels of volatility. The US S&P 500 implied equity volatility index (VIX) ended up averaging the lowest levels since the inception of the index and the S&P500 had only eight days when the index either fell or rose by more than 1%. We have to go all the way back to 1965 to find a year which replicates this pattern.

### **Global growth**

During the summer of 2017, global growth started to accelerate significantly. All major PMIs (Purchasing Manager Index) and consumer confidence indicators started to rise in unison for the first time since the financial crisis. Not only was the strength concerted in the sense that all major leading indicators started to rise, it was also very strong. For example, US consumer confidence rose to the highest levels since 2001 and IFO, the leading indicator for Germany, posted its highest levels on record.

Given the strength in the economy over the second half of 2017, we are at a point where growth seems finally to have consolidated. The likelihood of a slowdown in growth has fallen significantly and if leading indicators are to be trusted the momentum seems set to continue going into 2018.

## **ETHOS FUND**

### **Report of the Management Company (continued)**

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Finally, it is also worth noting that global trade has once more started to rise. The growth rate in trade for large global exporters such as South Korea has left the single digit range which has dominated since 2011. This development will be especially beneficial for the Emerging Market space in particular.

#### **Monetary policy**

As growth strengthened in 2017, global central banks continued to tighten monetary policy. In contrast to the last five years this tightening fortunately did not have a negative impact on financial markets.

The US Federal Reserve hiked rates three times in 2017. This was in line with their projection, but more than what the market was pricing. This decision to hike was largely motivated by the strong labour market, which is projected to result in higher wage inflation, and a view that the low inflation readings of 2017 were caused by temporary factors. At the time of writing, early 2018, there has been no material change in the Fed's outlook and it is aiming for three hikes over the next 12 months.

The ECB announced it will continue to withdraw support through its purchases of bonds. There was some anxiety that this announcement would have a negative effect on the broader financial markets, but this didn't happen and the strong growth theme dominated. The development regarding the ECB announcement illustrated that central banks in general had less impact on financial markets in 2017 than they have had in the last couple of years.

#### **Outlook for financial markets & economic growth**

As of writing, we find it hard not to be constructive on the outlook for the global economy. We expect that all the positive leading indicators (questionnaires for firms and consumers) will translate into even higher growth rates for consumption and production in the coming months.

In line with the growing economy, we expect central banks to continue to tighten monetary policy. As the US economy is farthest ahead in the economic cycle, we expect this tightening to be driven by the Fed. We expect the ECB to follow the announced plan of reducing their bond purchases.

In terms of the financial markets, the outlook is more uncertain. As stated, much of the good news from 2017 has already been discounted and, as such, valuations are at levels from which we do not expect to see further multiple expansion. With that said, we believe the growth environment will remain conducive to earnings growth. We expect equities to deliver a higher return than all major fixed income alternatives; albeit lower than 2017.

Luxembourg, 5th March 2018

The Management Company

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





## **Audit report**

To the Unitholders of  
**ETHOS FUND**

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### *Our opinion*

In our opinion, the accompanying financial statements give a true and fair view of the financial position of ETHOS FUND (the "Fund") as at 31st December 2017, 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 and presentation of the financial statements.

### *What we have audited*

The Fund's financial statements comprise:

- the statement of net assets as at 31st December 2017;
- the statement of investments and other net assets as at 31st December 2017;
- the statement of operations and other changes in net assets for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

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### *Basis for opinion*

We conducted our audit in accordance with the Law of 23rd July 2016 on the audit profession (Law of 23rd July 2016) and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" (CSSF). Our responsibilities under those Law and standards are further described in the "Responsibilities of the "Réviseur d'entreprises agréé" for the audit of the financial statements" section of our report.

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

We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the financial statements. We have fulfilled our other ethical responsibilities under those ethical requirements.

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### *Other information*

The Board of Directors of the Management Company is responsible for the other information. The other information comprises the information stated in the annual report but does not include the financial statements and our audit report thereon.

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



### **Audit report (continued)**

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

In preparing the financial statements, the Board of Directors of the Management Company is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors of the Management Company either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

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#### *Responsibilities of the "Réviseur d'entreprises agréé" for the audit of the financial statements*

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Law of 23rd July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the Law of 23rd July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit 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 Fund's internal control;



**Audit report (continued)**

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors of the Management Company;
- conclude on the appropriateness of the Board of Directors of the Management Company's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Fund to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers, Société coopérative  
Represented by

Luxembourg, 10th April 2018

A handwritten signature in blue ink, appearing to read 'TB', with a long horizontal flourish extending to the right.

Thierry Blondeau

## ETHOS FUND - Ethos Global Equities

### Statement of net assets (in SEK)

as at 31st December 2017

#### Assets

Securities portfolio at market value	1,309,808,591.60
Cash at banks	28,928,800.83
Receivable on issues of units	59,999.84
Income receivable on portfolio	829,351.56
Other receivables	573,468.08
Total assets	1,340,200,211.91

#### Liabilities

Expenses payable	1,464,113.45
Total liabilities	1,464,113.45
Net assets at the end of the year	1,338,736,098.46

#### Breakdown of net assets per unit class

Unit class	Number of units	Currency of unit class	NAV per unit in currency of unit class	Net assets per unit class (in SEK)
IC (SEK)	4,341,903.815	SEK	217.48	944,271,551.84
ID (SEK)	2,104,388.188	SEK	187.45	394,464,546.62
				1,338,736,098.46

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

## ETHOS FUND - Ethos Global Equities

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

from 1st January 2017 to 31st December 2017

<b><u>Income</u></b>	
Dividends, net	25,063,249.29
Interest on bank accounts	7,887.86
Other income	1,316,852.07
Total income	26,387,989.22
<b><u>Expenses</u></b>	
Management fees	4,883,243.63
Banking charges and other fees	2,334.74
Transaction fees	543,461.55
Central administration costs	1,190,958.86
Professional fees	219,022.18
Other administration costs	871,503.30
Subscription duty ("taxe d'abonnement")	129,898.75
Bank interest paid	56,626.20
Total expenses	7,897,049.21
Net investment income	18,490,940.01
<b><u>Net realised gain/(loss)</u></b>	
- on securities portfolio	64,316,724.50
- on forward foreign exchange contracts	-26,944.80
- on foreign exchange	-453,364.39
Realised result	82,327,355.32
<b><u>Net variation of the unrealised gain/(loss)</u></b>	
- on securities portfolio	98,311,095.99
Result of operations	180,638,451.31
Dividends paid	-10,444,958.94
Subscriptions	93,968,704.68
Redemptions	-138,204,500.93
Total changes in net assets	125,957,696.12
Total net assets at the beginning of the year	1,212,778,402.34
Total net assets at the end of the year	1,338,736,098.46

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

## ETHOS FUND - Ethos Global Equities

### Statistical information (in SEK)

as at 31st December 2017

<b>Total net assets</b>	<b>Currency</b>	<b>31.12.2015</b>	<b>31.12.2016</b>	<b>31.12.2017</b>
	SEK	1,068,284,051.28	1,212,778,402.34	1,338,736,098.46

  

<b>Net asset value per unit</b>	<b>Currency</b>	<b>31.12.2015</b>	<b>31.12.2016</b>	<b>31.12.2017</b>
IC (SEK)	SEK	169.92	189.13	217.48
ID (SEK)	SEK	155.43	167.95	187.45

  

<b>Number of units</b>	<b>outstanding at the beginning of the year</b>	<b>issued</b>	<b>redeemed</b>	<b>outstanding at the end of the year</b>
IC (SEK)	4,771,877.912	130,406.117	-560,380.214	4,341,903.815
ID (SEK)	1,847,545.938	381,674.161	-124,831.911	2,104,388.188

  

<b>Dividends paid</b>	<b>Currency</b>	<b>Dividend per share</b>	<b>Ex-dividend date</b>
ID (SEK)	SEK	5.33	28.04.2017

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

## ETHOS FUND - Ethos Global Equities

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

as at 31st December 2017

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>					
AUD	66,921	Westpac Banking Corp	10,706,525.46	13,428,686.43	1.00
CHF	102,240	ABB Ltd Reg	15,921,869.26	22,439,126.73	1.68
CHF	45,071	Nestlé SA Reg	21,256,516.78	31,736,070.38	2.37
CHF	26,955	Novartis AG Reg	19,435,728.15	18,662,872.36	1.39
CHF	14,959	Roche Holding Ltd Pref	20,645,881.35	30,983,567.65	2.31
			77,259,995.54	103,821,637.12	7.75
DKK	37,178	Novo Nordisk AS B	12,459,816.39	16,414,162.62	1.23
EUR	25,654	Akzo Nobel NV	12,338,724.49	18,414,843.56	1.38
EUR	22,103	Allianz SE Reg	26,866,065.81	41,609,367.75	3.11
EUR	101,311	Axa SA	18,334,872.54	24,634,266.33	1.84
EUR	87,369	CNP Assurances	12,443,273.68	16,537,581.75	1.24
EUR	47,281	Fresenius SE & Co KGaA	23,110,792.92	30,243,954.42	2.26
EUR	19,300	Henkel AG & Co KGaA Pref	12,059,740.18	20,936,339.94	1.56
EUR	106,000	Infineon Technologies AG Reg	11,892,027.42	23,794,577.40	1.78
EUR	75,000	Koninklijke Ahold Delhaize NV	11,953,236.69	13,518,026.47	1.01
EUR	44,180	Koninklijke DSM NV	17,285,500.37	34,601,238.46	2.58
EUR	13,012	Linde AG Bearer	17,156,998.70	24,898,293.24	1.86
EUR	15,600	Sanofi SA	12,573,628.62	11,018,500.24	0.82
EUR	39,943	SAP SE	22,590,279.06	36,693,665.78	2.74
EUR	184,933	Suez SA	23,184,898.35	26,660,457.51	1.99
EUR	63,000	Unilever NV Certif of Shares	17,929,391.08	29,079,940.20	2.17
			239,719,429.91	352,641,053.05	26.34
GBP	830,000	BT Group Plc	22,156,585.31	24,970,053.12	1.87
GBP	57,800	Croda International Plc	18,548,518.83	28,313,573.92	2.12
GBP	31,000	Reckitt Benckiser Group Plc	18,516,514.38	23,749,625.18	1.77
GBP	86,416	Smith & Nephew Plc	12,827,777.67	12,324,285.73	0.92
			72,049,396.19	89,357,537.95	6.68
JPY	14,800	Fanuc Corp	24,937,056.68	29,104,486.97	2.17
JPY	77,400	Honda Motor Co Ltd	18,245,643.68	21,723,193.50	1.62
JPY	30,400	Kao Corp	14,346,892.36	16,832,243.22	1.26
JPY	161,800	Panasonic Co Ltd	11,951,406.82	19,395,513.31	1.45
			69,480,999.54	87,055,437.00	6.50
NOK	219,779	DNB ASA	22,689,416.43	33,454,131.83	2.50
SEK	54,400	Atlas Copco AB A	13,834,754.37	19,268,480.00	1.44
SEK	276,459	Nordea Bank AB	27,138,204.33	27,452,378.70	2.05
			40,972,958.70	46,720,858.70	3.49
USD	17,660	Aon Plc	18,804,048.36	19,372,151.20	1.45
USD	5,000	Apple Inc	5,038,503.22	6,926,753.16	0.52
USD	22,599	Cerner Corp	10,790,171.82	12,467,145.58	0.93
USD	137,000	Cisco Systems Inc	25,662,305.55	42,953,810.18	3.21
USD	54,000	Cognizant Tec Solutions Corp	29,185,873.91	31,394,732.01	2.35
USD	15,700	Deere and Co	12,461,928.17	20,115,188.02	1.50
USD	38,000	Dentsply Sirona Inc	18,794,768.61	20,478,106.82	1.53
USD	55,767	Discover Financial Services	28,549,845.63	35,115,504.33	2.62
USD	23,856	First Republic Bank	16,515,710.32	16,919,924.55	1.26
USD	27,000	Gilead Sciences Inc	24,560,927.66	15,834,402.99	1.18
USD	10,000	Hartford Fin Serv Gr Inc (The)	1,963,973.91	4,607,193.38	0.34
USD	68,000	Intel Corp	20,713,123.84	25,695,499.55	1.92

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

## ETHOS FUND - Ethos Global Equities

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

as at 31st December 2017

Currency	Number / nominal value	Description	Cost	Market value	% of total net assets
USD	28,400	L Brands Inc	12,253,647.91	14,000,432.23	1.05
USD	20,000	Lowe's Companies Inc	13,367,947.33	15,216,508.62	1.14
USD	33,632	Mastercard Inc A	22,200,777.68	41,672,174.77	3.11
USD	2,200	Mettler Toledo Intl Inc	6,008,510.14	11,157,332.21	0.83
USD	100,831	Microsoft Corp	27,563,120.79	70,606,660.77	5.27
USD	14,000	Pepsico Inc	9,642,832.97	13,743,647.51	1.03
USD	25,095	PNC Financial Serv Group	16,733,102.49	29,641,882.80	2.21
USD	4,100	Rockwell Automation	4,165,492.43	6,590,177.54	0.49
USD	18,000	Stanley Black & Decker Inc	19,418,364.70	25,004,093.10	1.87
USD	19,000	Thermo Fisher Scientific Inc	25,786,663.81	29,533,517.57	2.21
USD	20,000	United Health Group Inc	14,384,674.46	36,094,593.17	2.70
USD	39,000	Xylem Inc	9,491,123.46	21,773,654.84	1.63
			<u>394,057,439.17</u>	<u>566,915,086.90</u>	<u>42.35</u>
		Total investments in securities	939,395,977.33	1,309,808,591.60	97.84
		Cash at banks		28,928,800.83	2.16
		Other net assets/ (liabilities)		-1,293.97	0.00
		Total		<u>1,338,736,098.46</u>	<u>100.00</u>

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



## ETHOS FUND - Ethos Global Equities

### Industrial and geographical classification of investments as at 31st December 2017

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#### Industrial classification

(in percentage of net assets)

Financials	22.73 %
Technologies	18.62 %
Healthcare	17.48 %
Non-cyclical consumer goods	11.17 %
Industrials	10.77 %
Cyclical consumer goods	7.13 %
Raw materials	6.08 %
Utilities	1.99 %
Telecommunications services	1.87 %
Total	<u>97.84 %</u>

#### Geographical classification

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

United States of America	40.90 %
Germany	13.31 %
United Kingdom	8.13 %
Switzerland	7.75 %
The Netherlands	7.14 %
Japan	6.50 %
France	5.89 %
Sweden	3.49 %
Norway	2.50 %
Denmark	1.23 %
Australia	1.00 %
Total	<u>97.84 %</u>

## ETHOS FUND

### Notes to the financial statements

as at 31st December 2017

#### **Note 1 - Significant Accounting policies**

##### a) Presentation of the financial statements

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

The financial statements are presented on the basis of the Net Asset Value of the Sub-Fund calculated on 31st December 2017. In accordance with the prospectus, the last official trading Net Asset Value of the corresponding Sub-Fund has been calculated on 29th December 2017 as the Net Asset Value is not calculated on 31st December 2017. Nevertheless, an additional Net Asset Value has been calculated for the 31st December 2017 for reporting purposes which is disclosed in these financial statements.

##### b) Valuation

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

##### c) Net realised gain/ (loss) on securities portfolio

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

##### d) Cost of securities

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

## ETHOS FUND

### Notes to the financial statements (continued)

as at 31st December 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 disclosed 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	=	0.1562307	AUD	Australian Dollar
			0.1531052	CAD	Canadian Dollar
			0.1190113	CHF	Swiss Franc
			0.7576409	DKK	Danish Krona
			0.1017253	EUR	Euro
			0.0903126	GBP	Pound Sterling
			13.7603525	JPY	Japanese Yen
			0.9992304	NOK	Norwegian Krona
			0.1221568	USD	US Dollar

#### f) Investment income

Dividend income is recognised on an ex-dividend basis and is recorded net of 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 disclosed in the statements of net assets. Net variation of the unrealised gain/ (loss) and the net realised gain/ (loss) are disclosed 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 Fund relating to purchases or sales of securities, of fees relating to liquidation of transactions paid to the Depository and of transaction fees on financial and on derivatives instruments.

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

No subscription, redemption or conversion fees are charged.

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

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

## **ETHOS FUND**

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

as at 31st December 2017

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

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

The applicable annual fee for the Investment Manager amounts to:

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

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

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

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

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

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

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

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

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

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

The Fund is governed by Luxembourg law.

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

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

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

## **ETHOS FUND**

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

as at 31st December 2017

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#### **Note 8 - Changes in the 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 Management Company.

#### **Note 9 - Withholding tax refund**

The Management Company of the Fund has instigated proceedings to reclaim tax withheld by certain Member States of the European Union on dividend payments it has received. The decision to initiate proceedings against any particular Member State is the result of an analysis of the likely costs and potential benefits of doing so. The likelihood of successfully reclaiming such amounts together with the estimated time to complete proceedings varies across Member States.

In December 2016, the Management Company has claimed withholding tax in France for ETHOS FUND for the years 2014 and 2015.

On the 22nd June 2017, the claim withholding tax in France allowed a refund of EUR 147,571.09. This amount has been booked as other income in the statement of operations and other changes in net assets.

## ETHOS FUND

### Additional information (unaudited)

as at 31st December 2017

#### 1 - Risk management

As required by Circular CSSF 11/ 512, the Board of Directors of the Management Company needs to determine the global risk exposure of the Fund by applying either the commitment approach or the VaR ("Value at Risk") approach.

The Board of Directors of the Management Company decided to adopt the commitment approach as a method of determining the global exposure.

#### 2 - Remuneration disclosure

SEB Fund Services S.A. (SEB) as AIFM (Alternative Investment Fund Manager)/ Management Company has implemented a Remuneration policy that is designed to encourage good performance and behavior, and seeks to achieve a balanced risk-taking that goes in line with shareholders'/ unitholders' expectations.

In SEB, there is clear distinction between the criteria for setting fixed remuneration (e.g. base pay, pension and other benefits) and variable remuneration (e.g. short- and long-term variable remuneration). The individual total remuneration corresponds to requirements on task complexity, management and functional accountability and also related to the individual's performance.

SEB provides a sound balance between fixed and variable remuneration and aligns the payout horizon of variable pay with the risk horizon. This implies that certain maximum levels and deferral arrangements apply for different categories of employees.

The amount below represents the proportion of the total remuneration on calendar year 2017 and adjusted according to the number of full time employees during the year 2017 and identified staff (i.e. the aggregate amount of remuneration broken down by senior management and members of staff of the AIFM/ Management Company whose actions have a material impact on the risk profile of the funds). This amount is further proportioned to the total net asset value of each fund, taking into account UCITS and non-UCITS.

	TNA as of 31st December 2017*	% of total TNA managed by AIFM / Management Company	Fixed Remuneration *		Variable Remuneration *		Number of beneficiaries **
			All Employees	Identified Staff	All Employees	Identified Staff	All Employees
ETHOS FUND	136,061,794.18	1.56	22,357.81	8,452.33	610.40	342.94	15.17

\* All amounts are in euro

Fixed Remuneration (incl. fixed salary, allowances, pension)

Variable Remuneration (incl. short term incentives and long term incentives)

\*\* Average Full Time Equivalent

## **ETHOS FUND**

**Additional information (unaudited) (continued)**  
as at 31st December 2017

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### **3 - 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 Fund is not in the scope of the publication requirements of SFTR. No such transactions were carried out during the reporting period.

