

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

### Organisation

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#### Registered Office

4, rue Peternelchen  
L-2370 Howald

#### Board of Directors of the Company

##### 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  
Acting 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  
Acting 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

## Lancelot Ector

### Organisation (continued)

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	Jonas LINDGREN Client Executive, Hedge Fund Coverage Large Corporates and Financial Institutions Skandinaviska Enskilda Banken AB (publ), Sweden
<b>Conducting Officers</b>	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)
<b>Depository</b>	Skandinaviska Enskilda Banken S.A. 4, rue Peternelchen L-2370 Howald
<b>Central Administration Agent</b>	SEB Fund Services S.A. 4, rue Peternelchen L-2370 Howald
<b>Sub-Administrative Agent and Registrar Agent</b>	European Fund Administration S.A. 2, rue d'Alsace L-1122 Luxembourg
<b>Investment Manager</b>	Lancelot Asset Management AB Nybrokajen 7, PO Box 16172 SE-103 23 Stockholm
<b>Auditor</b>	PricewaterhouseCoopers, Société coopérative 2, rue Gerhard Mercator L-2182 Luxembourg
<b>Placement and Distribution Agent</b>	Lancelot Asset Management AB Nybrokajen 7, PO Box 16172 SE-103 23 Stockholm

## 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 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/).

## Lancelot Ector

### Report from the Investment Manager

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Dear Shareholders,

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

Total shares outstanding for the Master Fund, initially launched on 13th March 1996 at SEK 10,00 per share, amount to 15,603,618.769 capitalisation shares and 6,191,759.068 distribution shares as of 31st December 2017, representing a total net assets of SEK 672,929,060. The net asset value per capitalisation share amounts to SEK 34.99 as at 31st December 2017 i.e. increase of 249.90% after fees from launch date and increase of 4,70% during the year 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 invested in Swedish listed stocks but with the additionally possibility of international diversification. The bond portion of the portfolio shall to a considerable extent be invested in Swedish bonds with low credit risks.

#### **Global economy and financial markets (market review)**

In its November Economic Outlook, the Organization for Economic Cooperation and Development (OECD) noted that the world economy has strengthened, with monetary and fiscal stimulus underpinning a broad-based and synchronized improvement in growth rates across most member countries. Annual growth of the world economy is now projected to improve slightly in 2018, but to remain below the pre-crisis period. In the report, the OECD predicted the global economy to grow by 3.6% in 2017, 3.7% in 2018 and 3.6% in 2019, reflecting a slight improvement since the September outlook. In the US, growth is estimated at 2.2% in 2017, rising to 2.5% in 2018, but dropping back to 2.1% in 2019. The eurozone is projected to grow at a 2.4% rate in 2017 and a 2.1% pace in 2018 before slowing to a 1.9% pace in 2019. In the UK, the growth slowdown should continue through 2018, due to continuing uncertainty over the outcome of negotiations around the decision to leave the European Union and the impact of higher inflation on household purchasing power. The UK growth rates are forecasted to be 1.5% 2017, 1.2% in 2018 and 1.1% in 2019. Growth in Japan is projected at 1.5% in 2017, and to remain close to 1% the following two years as fiscal consolidation resumes and the decline in working-age population accelerates. The OECD noted that expansion in the major emerging market economies is improving, on the back of renewed infrastructure investment in China and recovery from recession in major commodity-exporting economies, e.g. Brazil and Russia, but remains softer than in the past. Growth in China is forecasted at 6.8% in 2017, 6.6% in 2018, and 6.4% in 2019, in part reflecting the ongoing rebalancing in China's growth model. India's growth projections are 6.7% in 2017, 7.0% in 2018, before an acceleration in 2019 to 7.4%, thanks to reforms that are expected to boost investment, productivity and growth.

In December, the Federal Reserve (the Fed) raised the target range for the federal funds rate to 1.25-1.50%. The deciding committee's median forecast for future policy rates did not move in any meaningful way and pointed to three further quarter-point rate increases in 2018 and two in 2019. Meanwhile, forecasts for GDP were revised up, particularly for 2018, and the unemployment rate forecast fell. Core inflation projections were unchanged. The European Central Bank (ECB) kept the key interest rates unchanged while the monthly asset purchase was reduced from euro 60 billion to euro 30 billion starting January 2018. The programme will run until the end of September 2018, or beyond, if necessary. The bank's growth forecasts were ratcheted up markedly, by 0.5% in 2018 and 0.2% in 2019. The inflation forecast for 2018 was raised by 0.2%, though 2019's 1.5% was left unchanged. The 2020 estimate pegged inflation at 1.7%. The Swedish Riksbank held its benchmark rate at -0.5% as expected, and maintained its earlier guidance that it does not expect to begin raising rates until at least the middle of 2018. The bank repeated its warning that it is important that the krona does not appreciate too quickly, fearing a rapid appreciation could push down import costs and the inflation rate. Furthermore, the Riksbank announced the end of its programme of new bond purchases at the end of December 2017, but said it will continue to reinvest redemptions and coupon payment "until further notice". The Bank of Japan

(BoJ) kept overnight interest rates at minus 0.1%. The central bank maintained its yield target for 10-year Japanese government bonds at around zero percent and said it will continue to purchase JGBs at “more or less the current pace”. The BoJ said it expects domestic demand to grow and exports to “continue their moderate increasing trend on the back of the growth in overseas economies”. It forecasted the consumer price index to “continue on an uptrend and increase toward 2%”.

In the currency markets, the U.S. dollar was down for the year - even as the economy improved, and the Fed raised rates and announced it would start shrinking its balance sheet. A soft patch in inflation may have played a part in this development and US 10-year yields were broadly flat, while 30-year yields were lower. The dollar shot higher at the end of 2016 against the euro and the yen, but after correcting lower in the first part of 2017 spent the rest of the year in a range. Against the Swedish krona the same pattern was visible although with higher volatility. The US currency was also weaker against the British pound. In the commodity space, the Thomson Reuters CRB index was basically flat for the year. Crude oil prices advanced by 17% to close to USD 67 a barrel supported by the extension of an OPEC deal to curb oil production throughout 2018. The price of gold ended 2017 up 13% after a sharp fall at the end of 2016.

Global stock markets had a strong year. The big stock market winners in 2017 included emerging market and Asian equities, the momentum style factor (stocks trending strongly higher in price) and the technology sector. Sustained, above-trend economic growth helped companies deliver on earnings, supporting strong equity returns. All major regions increased earnings at a clip faster than 10%, according to data from Thomson Reuters. For the full year, the EU markets rose by 9% in local currency terms (MSCI), while the Nordic region was up by 10%. Among the big European bourses Switzerland and the Netherlands outperformed, both climbing by 15%. In Sweden, the equity market was up 6%. The North American region increased by 19% (USA +19.5%) while the Pacific region excluding Japan ended the year 15% higher. The Hong Kong market enjoyed a whopping 33% rise, while Australia (+6 %) and New Zealand (+4%) underperformed. The Japanese market rose by a solid 18%.

The world index increased by 16.27% in local currency terms, and by 8.12% in Swedish krona terms.

**The Fund (performance review)**

As of 31st December 2017, the Swedish equity exposure amounted to 13.63%, international equity exposure amounted to 13.97%, bonds amounted to 70.46% and cash and other assets amounted to 1.94% of total net asset value. The equity portion of the Fund was kept intact at just short of 28%. Including a negative Swedish index position, the equity exposure was approximately 26%. The duration of the bond portfolio at the turn of the year was 1.80 years.

Activity was relatively low in the equity portfolio during the last six months of 2017. An initial position was purchased in the Swiss pharmaceutical company Novartis. The company has a diversified portfolio and pipeline of innovative medicines, a generic part (Sandoz) and eye care (Alcon). The eye care business is to be jettisoned but not before H1 2019. Although not very exiting in the near term, the stock represents decent value at current levels and has a dividend yield of 3,3%. CVS Health Corporation was sold after a holding period of less than a year. The investment broke even but was admittedly not successful. It is a good example of circumstances changing in an unanticipated and negative way, consequently altering the investment case. The retail pharmacy market in the US is large with expense inefficiencies and a lack of price transparency. This make the pharmacy market open for a disruptive company like Amazon to exploit and an entry would negatively impact the earnings for the existing players. Amazon’s model would eliminate retail locations and replace them with automated distribution centers, thereby reducing operating expenses and retail prices.



In 2017 the value of the capitalisation share increased by 4.70%. The main positive contributors to the Fund's performance were Volvo, Britvic and Fortive, while Novartis lagged. Performance from the bond portfolio was positive.

**Outlook for 2018 (market outlook)**

Global stock markets are supported by solid global growth, still low inflation and strong corporate earnings. Expectations are set quite high making pullbacks increasingly possible. A significant risk would be a sharp increase in inflation, which would force the hands of central banks and lead to a more rapid pace in rate hikes and be a trigger for higher volatility and some significant repricing in markets. This is of course just one possible scenario for 2018 and as we have noted before, over an annual basis the average stock market returns jumps around in a random fashion, but have historically had a positive skew, i.e. the average return number over time is positive. Importantly, there is a clear relationship between starting valuation and average long-term future stock market performance<sup>1</sup>. But shorter-term stocks have historically gone both up and down for extended holding periods even if the starting valuation is high. A better way to use the valuation numbers is to set realistic expectations. The probabilities for a positive outcome are still favourable for a long-term investor, but the potential for risk, i.e. negative average annual returns for say a 5-to-10-year holding period, has historically been greater from higher valuation levels, which to a certain degree is where we currently stand. Therefore, the conservative investor accepts that there is an above-average probability to expect returns to be lower over the coming five-to-ten years compared to the last five-to-ten-year period. Additionally, as stocks and other asset classes rise in value, bonds, despite low rates, are becoming an even more important diversifying asset class despite their low returns going forward. Lastly, it is worth remembering that more things can happen than will happen, making flexibility and discipline ever important.

Luxembourg, 15th January 2018

The Investment Manager

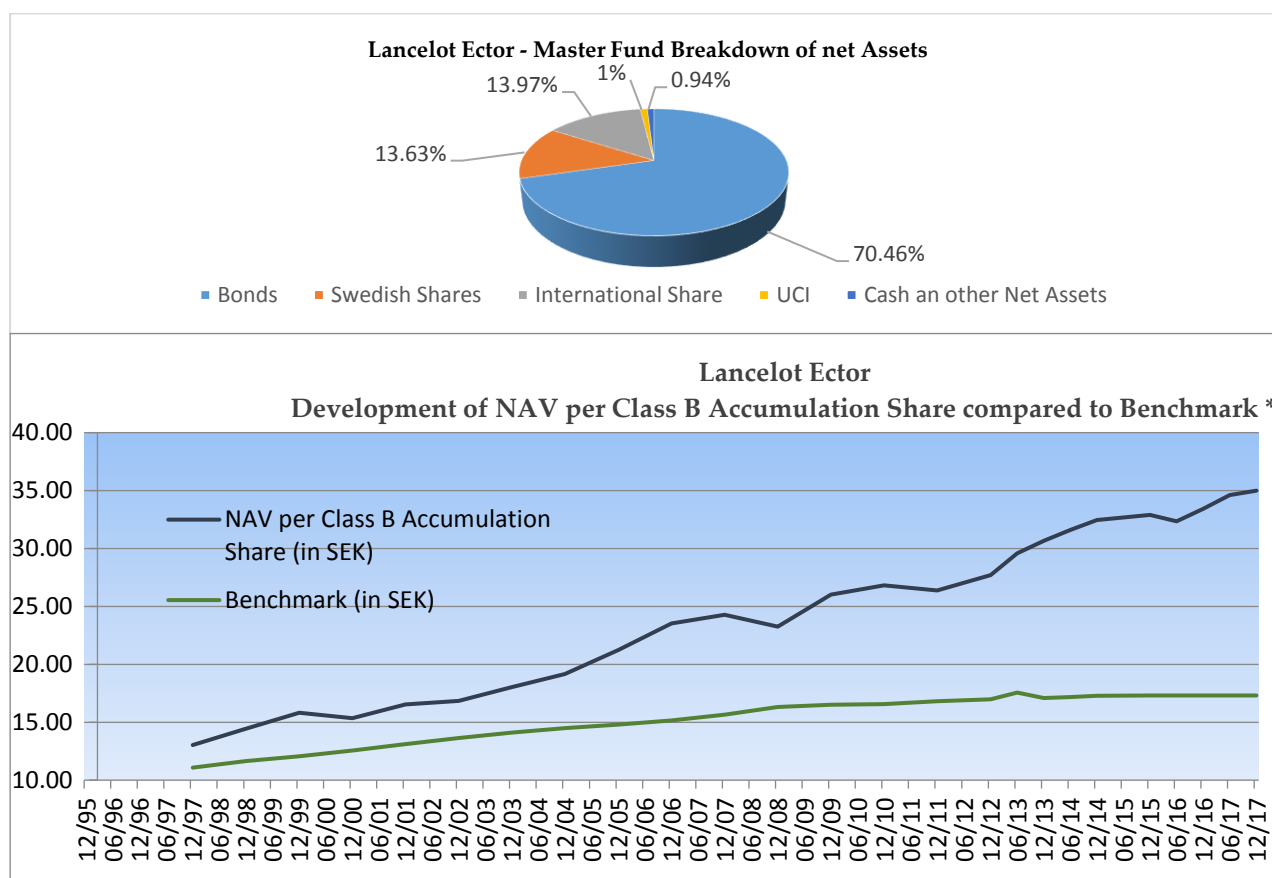
Note: The information in this report represents historical data and is not an indication of future results.

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<sup>1</sup> This is somewhat of a simplification. The relationship between valuation and subsequent returns for longer horizons appear strong but is based on actual figures (ex-post) and not forecasted (ex-ante). This gives the data a hindsight bias as each data point evaluate the market relative to both past and future valuations. Real-time investors do not know how future valuations may evolve and change the definition of what constitute high or low valuation ("valuation drift").

# Lancelot Ector

## Graphics (Unaudited)



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	4.70%	0.00%

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

\* Benchmark used for performance fees calculation



## Audit report

To the Shareholders of  
**Lancelot Ector**

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### *Our opinion*

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Lancelot Ector (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 Fund is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our audit report thereon.

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

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T: +352 494848 1, F: +352 494848 2900, www.pwc.lu*

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



## **Audit report (continued)**

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 Fund and those charged with governance for the financial statements*

The Board of Directors of the Fund 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 Fund 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 Fund 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 Fund either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

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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 Fund;
- conclude on the appropriateness of the Board of Directors of the Fund'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, 21st March 2018

A handwritten signature in blue ink, consisting of several overlapping loops and strokes, positioned above the name Philippe Sergiel.

Philippe Sergiel

## Lancelot Ector - Master Fund

### Statement of net assets (in SEK)

as at 31st December 2017

#### Assets

Securities portfolio at market value	666,538,608
Cash at banks	11,407,664
Receivable on issues of shares	100,000
Income receivable on portfolio	1,856,346
Unrealised gain on forward foreign exchange contracts	910,464
Total assets	680,813,082

#### Liabilities

Bank overdrafts	6,590
Payable on purchases of securities	1,398,522
Payable on redemptions of shares	192,206
Expenses payable	6,286,704
Total liabilities	7,884,022

Net assets at the end of the year 672,929,060

#### 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	15,603,618.769	SEK	34.99	545,993,302
B Dividend	6,191,759.068	SEK	20.50	126,935,758
				<u><u>672,929,060</u></u>

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 31st December 2017

<b><u>Income</u></b>	
Dividends, net	4,325,290
Interest on bonds and other debt securities, net	3,685,983
Interest on bank accounts	54
Total income	8,011,327
<b><u>Expenses</u></b>	
Management fees	6,810,100
Performance fees	5,310,201
Banking charges and other fees	6
Transaction fees	140,964
Central administration costs	897,012
Professional fees	177,067
Other administration costs	190,019
Subscription duty ("taxe d'abonnement")	334,461
Bank interest paid	159,606
Other expenses	237,770
Total expenses	14,257,206
Net investment loss	-6,245,879
<b><u>Net realised gain/(loss)</u></b>	
- on securities portfolio	20,552,122
- on forward foreign exchange contracts	3,048,873
- on foreign exchange	-426,943
Realised result	16,928,173
<b><u>Net variation of the unrealised gain/(loss)</u></b>	
- on securities portfolio	12,972,912
- on forward foreign exchange contracts	159,769
Result of operations	30,060,854
Dividends paid	-3,723,600
Subscriptions	34,495,138
Redemptions	-29,520,399
Total changes in net assets	31,311,993
Total net assets at the beginning of the year	641,617,067
Total net assets at the end of the year	672,929,060

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

## Lancelot Ector - Master Fund

### 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	621,197,964	641,617,067	672,929,060

<b>Net asset value per share</b>	<b>Currency</b>	<b>31.12.2015</b>	<b>31.12.2016</b>	<b>31.12.2017</b>
B CAP	SEK	32.91	33.42	34.99
B Dividend	SEK	20.50	20.18	20.50

<b>Number of shares</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>
B CAP	15,484,631.773	976,157.461	-857,170.465	15,603,618.769
B Dividend	6,147,598.126	44,160.942	-	6,191,759.068

<b>Dividends paid</b>	<b>Currency</b>	<b>Dividend per share</b>	<b>Ex-dividend date</b>
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 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>					
<b>Cyclical consumer goods</b>					
GBP	265,000	Tesco Plc	6,157,638	6,139,925	0.91
SEK	186,000	Volvo AB B	17,492,150	28,402,200	4.22
			23,649,788	34,542,125	5.13
<b>Healthcare</b>					
SEK	33,016	AstraZeneca Plc	16,067,489	18,769,596	2.79
CHF	15,000	Novartis AG Reg	10,619,437	10,385,572	1.54
			26,686,926	29,155,168	4.33
<b>Industrials</b>					
USD	19,260	AGCO Corp	10,726,876	11,262,098	1.67
USD	27,700	Danaher Corp	13,322,287	21,047,654	3.13
USD	16,350	Fortive Corp	6,037,455	9,683,640	1.44
EUR	11,000	Siemens AG Reg	12,124,470	12,559,808	1.87
SEK	81,000	SKF AB B	12,192,135	14,758,200	2.19
			54,403,223	69,311,400	10.30
<b>Non-cyclical consumer goods</b>					
GBP	254,500	Britvic Plc	11,602,714	22,966,622	3.41
<b>Raw materials</b>					
SEK	87,944	BillerudKorsnas AB	11,836,017	12,356,132	1.84
<b>Technologies</b>					
SEK	323,882	Telefon AB LM Ericsson B	17,022,800	17,441,046	2.59
<b>Total shares</b>			145,201,468	185,772,493	27.60
<b>Bonds</b>					
<b>Corporate bonds</b>					
SEK	15,000,000	AF AB FRN Reg S 16/ 21.03.19	15,069,150	15,138,825	2.25
SEK	20,000,000	Castellum AB FRN MTN Sen 17/ 02.10.24	20,000,000	19,590,100	2.91
SEK	10,000,000	Castellum AB FRN Sen 15/ 13.03.20	10,000,000	10,068,500	1.50
SEK	20,000,000	Ellevio AB FRN EMTN Sen 17/ 28.02.20	20,000,000	20,138,900	2.99
SEK	6,000,000	Husqvarna AB FRN MTN Sen 16/ 03.05.19	6,000,000	6,058,860	0.90
SEK	17,000,000	Jernhusen AB FRN Ser 104 13/ 19.09.23	17,665,210	17,253,555	2.56
SEK	10,000,000	PostNord AB FRN MTN Ser 106 14/ 01.04.19	10,043,700	10,045,100	1.49
SEK	23,000,000	Scania CV AB FRN EMTN Ser 62 16/ 06.09.21	23,000,000	23,581,095	3.50
SEK	20,000,000	Specialfastigheter Sverige AB FRN EMTN Sen 14/ 23.06.20	20,000,000	20,147,800	2.99
SEK	30,000,000	Sveaskog AB FRN DMTN 14/ 22.01.20	30,000,000	30,232,050	4.49
SEK	25,000,000	Sveaskog AB FRN Sen 14/ 30.10.23	25,000,000	25,032,125	3.72

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 2017

Currency	Number / nominal value	Description	Cost	Market value	% of total net assets
SEK	4,000,000	Sveaskog AB FRN Ser MTN 140 Sen 17/ 26.09.22	4,000,000	4,003,760	0.60
SEK	20,000,000	Vasakronan AB 1.083% MTN Ser MTN525GB Sen 17/ 24.05.22	20,000,000	19,970,600	2.97
SEK	7,000,000	Willhem AB 0.7% Sen 15/ 11.02.19	6,996,570	7,047,075	1.05
SEK	15,000,000	Willhem AB FRN DMTN Ser 115 17/ 18.01.21	15,000,000	15,142,125	2.25
			<u>242,774,630</u>	<u>243,450,470</u>	<u>36.17</u>
<b>Financial Institution bonds</b>					
SEK	30,000,000	Danske Bank A/ S 2% EMTN Reg S Ser 532 14/ 23.05.19	31,311,900	30,846,600	4.58
SEK	25,000,000	Lansforsakringar Bank 0.6175% Ser 784 16/ 10.05.19	25,084,750	25,219,250	3.75
SEK	25,000,000	SBAB Bank AB FRN EMTN Sen 13/ 11.10.18	25,000,000	25,136,375	3.74
SEK	25,000,000	Stadshypotek AB 1.5% MTN Ser 1585 Sen 15/ 15.12.21	26,157,250	26,020,375	3.87
SEK	12,000,000	Svenska Handelsbanken AB VAR EMTN Sen Sub Reg S 17/ 15.11.27	12,000,000	11,965,020	1.78
SEK	15,000,000	Swedish Covered Bond Corp 2% Ser 147 Sen 17/ 17.06.26	15,427,350	15,494,475	2.30
			<u>134,981,250</u>	<u>134,682,095</u>	<u>20.02</u>
<b>Municipal bonds</b>					
SEK	15,000,000	Gothenburg (City of) FRN EMTN Sen 15/ 09.09.19	15,030,450	15,078,150	2.24
SEK	20,000,000	Gothenburg (City of) FRN EMTN Ser 1013 14/ 20.06.19	20,012,000	20,106,900	2.99
SEK	20,000,000	Kommuninvest I Sverige AB 0.75% Ser K2302 Sen 17/ 22.02.23	20,253,400	20,222,300	3.01
SEK	20,000,000	Kommuninvest I Sverige AB 1% Ser 2109 15/ 15.09.21	20,643,800	20,608,300	3.06
			<u>75,939,650</u>	<u>76,015,650</u>	<u>11.30</u>
<b>Sovereign bonds</b>					
SEK	20,000,000	Sweden 0.75% T-Bonds Ser1060 17/ 12.05.28	20,095,300	19,967,900	2.97
			<u>473,790,830</u>	<u>474,116,115</u>	<u>70.46</u>
<b><u>Open-ended investment funds</u></b>					
<b>Tracker funds (UCI)</b>					
<b>Investment funds</b>					
SEK	100,000	XACT BEAR Units Dist	9,113,232	6,650,000	0.99
			<u>9,113,232</u>	<u>6,650,000</u>	<u>0.99</u>
<b>Total tracker funds (UCI)</b>					
Total investments in securities			<u>628,105,530</u>	<u>666,538,608</u>	<u>99.05</u>
Cash at banks				11,407,664	1.70
Bank overdrafts				-6,590	0.00
Other net assets/ liabilities				-5,010,622	-0.75
Total				<u><u>672,929,060</u></u>	<u><u>100.00</u></u>

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

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 securities portfolio

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

## Lancelot Ector

### Notes to the financial statements (continued)

as at 31st December 2017

#### 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.

#### 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	=	0.1190113	CHF	Swiss Franc
			0.1017253	EUR	Euro
			0.0903126	GBP	Pound Sterling
			0.1221568	USD	US Dollar

#### f) Investment income

Dividend income is recognised on an ex-dividend basis and is disclosed 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 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 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.

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

as at 31st December 2017

**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.

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 disclosed under the caption "Management fees" 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 Company.

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 due for Sub-Fund and amounted to SEK 5,310,201.

These fees are disclosed under the caption "Performance fees" in the statement of operations and other changes in the net assets.

## Lancelot Ector

### Notes to the financial statements (continued)

as at 31st December 2017

#### 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 Depository.

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.

These fees are disclosed 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 183,150 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 31st December 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	4,287,079	CHF	500,000	28.02.2018	83,466
SEK	1,398,777	CHF	164,316	28.02.2018	17,335
SEK	12,565,594	EUR	1,267,920	28.02.2018	102,348
SEK	472,672	GBP	42,000	28.02.2018	8,337
SEK	468,020	GBP	41,000	28.02.2018	14,740
SEK	812,629	GBP	71,900	28.02.2018	17,731
SEK	236,854	GBP	21,000	28.02.2018	4,686
SEK	1,751,690	GBP	155,000	28.02.2018	38,070
SEK	236,291	GBP	21,000	28.02.2018	4,123
SEK	21,211,326	GBP	1,891,217	28.02.2018	302,767
SEK	1,170,742	GBP	104,000	28.02.2018	20,958
SEK	1,039,564	GBP	92,500	28.02.2018	16,920

## Lancelot Ector

### Notes to the financial statements (continued) as at 31st December 2017

Currency	Purchases	Currency	Sales	Maturity	Unrealised result (in SEK)
SEK	4,231,016	USD	500,000	28.02.2018	151,460
SEK	6,598,264	USD	795,000	28.02.2018	111,770
SEK	20,442,847	USD	2,460,740	28.02.2018	365,391
SEK	2,451,119	USD	295,000	28.02.2018	44,181
SEK	656,357	USD	78,460	28.02.2018	16,193
USD	246,000	SEK	2,056,892	28.02.2018	-49,750
USD	456,000	SEK	3,842,197	28.02.2018	-121,642
USD	791,000	SEK	6,692,478	28.02.2018	-238,620
					<u>910,464</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.

**Additional information (Unaudited)**

as at 31st December 2017

**1 - Risk management**

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

The Board of Directors of the 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 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
Lancelot Ector	68,392,818.72	0.78	11,238.38	4,248.65	306.83	172.38	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



A Summary of the remuneration policy of the Investment Manager Lancelot Asset Management AB, who is entitled to a flat management fee and to a performance fee from the Fund, is available to investors on request at the registered office of the Company.

**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 Company is not in the scope of the publication requirements of SFTR. No transactions were carried out during the reporting period.

