

# Unaudited semi-annual report as at 30th June 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 of the Board of Directors .....6**

**Graphics .....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 Holding AB, Stockholm, Sweden

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

### Management Company and Central Administration

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

### Board of Directors of the Management Company

**Chairman**  
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)

Ann-Charlotte LAWYER  
Managing Director  
SEB Fund Services S.A., Luxembourg

Jonas LINDGREN  
Head of Prime Brokerage  
SEB Enskilda, Securities Finance, Sweden

### Custodian Bank

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

### Sub-Administrator, Registrar and Transfer Agent

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

## **Lancelot Ector**

### **Organisation (continued)**

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#### **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  
Phone: +46 8 33 15 50  
Fax: +46 8 33 11 50

#### **Auditor**

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

## Lancelot Ector

### General information

Lancelot Ector (the "Company") is an open-ended investment Company incorporated on 28th February 1996 under the laws of the Grand Duchy of Luxembourg as a "*Société d'Investissement à Capital Variable*" ("SICAV"). The Company is registered under Part I of the amended Law of 17th December 2010 relating to undertakings for collective investment.

The 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/](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.

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.

## **Lancelot Ector**

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

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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 30th June 2012 and 31st December 2012, 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 2014.
- Is in scope for realised capital gains until 30th April 2014.

## **Lancelot Ector**

### **Report of the Board of Directors**

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Dear Shareholder,

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

Total subscriptions to the Master Fund, initially launched on 13th March 1996 at SEK 10,00 per share, amount to 22,847,870.459 accumulation (capitalisation) shares and 6,410,688.137 dividend (distribution) shares as of 30th June 2013, representing total assets of SEK 801,494,936. The net asset value per capitalisation share was SEK 29.59 i.e. increase of 195.90% after fees from launch date and increase of 6.86% during the first six months of 2013 which includes a non recurring other income of SEK 10,013,857 (or 1.20% of NAV at 31st December 2012) resulting from a successful reclaim of withholding taxes withheld for the period from 2005 to 2009 on dividend income from Swedish issuers.

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 over time 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**

In its June Global Economic Prospects the World Bank noted that the global economy appears to be moving toward a period of more stable, but slower growth. Global GDP, which slowed in mid-2012, is recovering, and a modest acceleration in quarterly GDP is expected by the bank during the course of 2013. Financial markets conditions have improved significantly since June 2012, and although high-income countries still face serious challenges, the likelihood of a major crisis has declined. Overall, high-income countries' growth is expected to only gradually strengthen from 1.2% this year to 2.3% 2015. These countries, and especially those in Western Europe, continue to face challenges to restore financial sector health, reform institutions, and get fiscal policy onto a sustainable path. The World Bank suggested that the recovery in the US is on more solid ground, where a fairly robust private sector recovery is being held back, but not extinguished, by fiscal tightening. Meanwhile, in Japan, a dramatic relaxation of macroeconomic policy has sparked an uptick in activity, at least over the short run. Growth is firming somewhat in developing countries, but conditions vary widely across economies. Overall, developing countries GDP is expected to firm somewhat in 2013, growing by 5.1% and gradually rising to 5.6% in 2014 and 5.7% in 2015. According to the bank risks are less pronounced and more balanced than a year ago, but new risks are gaining prominence. In high-income countries acute risks are down, but more modest downside risks linger as these economies continue to adjust. Downside risks are now balanced by the possibility of stronger growth should confidence improve more quickly than anticipated. Other uncertainties are gaining in stature, i.e. the potential effects of the radical relaxation of both fiscal and monetary policy in Japan, and the challenges that the eventual withdrawal of quantitative easing in the US may bring. For developing countries that have already recovered from the crisis, or that are expected to in 2013, macroeconomic policy may need to be tightened to contain or prevent inflation, asset-price bubbles, and deteriorating current accounts. In countries where unemployment remains high and spare capacity is ample, notably in developing Europe, a loosening of policy space exists. The rebalancing effort in China and its unsustainably high investment rate are ongoing challenges according to the report.

To support continued progress toward maximum employment and price stability, the Federal Reserve (Fed) decided to keep the target range for the federal funds rate unchanged at 0-0,25% and anticipated that this exceptionally low range for the federal funds rate will be appropriate at least as long as the unemployment rate remains above 6.5%, inflation between one and two years ahead is projected to be no more than a half percentage point above the two% longer-run goal, and longer-term inflation expectations continue to be well anchored. Further, the Fed decided to continue with its purchases of



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

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mortgage-backed securities and longer-term Treasury securities at the same rate as before. But the bank judged the downside risks to the outlook for the economy and the labour market as having diminished since the fall of 2012. The Fed also revised down its 2013 growth forecast slightly to 2.45% but raised its 2014 forecast to growth of 3.25%, well above market expectations. At the press conference the Chairman laid out a timetable to phase out all purchases of bonds, currently running at USD 85 billion a month, by the middle of next year, but also indicated that the pace of easing could slow this year if the US economy continues to pick up momentum. This was more hawkish than many had anticipated and led to a sell-off in bond, commodity, and equity markets.

In Europe, the European Central Bank (ECB) lowered its refi rate by 25 basis points to 0.50% in May. The cut was done to counteract the weak European economic activity, and the ECB still believes that the accommodative monetary policy stance, together with the significant improvements in financial markets since mid-2012, should contribute to support prospects for an economic recovery later in the year, albeit at a subdued pace.

The most dramatic central bank action took place in Japan. Being stuck in a deflationary trap for over 20 years, the new regime at the Bank of Japan (BoJ) decided on a package of quantitative easing that is one of the largest monetary injections ever announced by the central bank of a major developed economy. It represents a deliberate change in philosophy, and a complete abandonment of everything that the BoJ has said about monetary policy in the past two decades. In effect the BoJ has imported into Japan the whole of the Federal Reserve balance sheet strategy, and it will be implemented in under two years, instead of the five years or more taken by the Fed. As in the US the intention is to carry through an outsized balance sheet manipulation between the central bank and the Japanese financial sector, thereby seeking to encourage private investors to take on more risk. According to the theory higher asset prices will help the economy to recover. The new strategy brings, for the first time, a real prospect of breaking the deflationary psyche. But it also brings risks that the strategy might work too well, with inflation expectations causing rising bond yields. The intended impact on equity prices and the exchange rate is already evident. A desired increase in inflation expectations across the whole economy would reduce real interest rates and increase wage settlements. More problematically, all of this is intended to occur while holding bond yields down, even as inflation expectations rise. But the purchases of long duration bonds by the BoJ will be so large that this is a conceivable outcome.

As expected the measures taken by the Japanese authorities including a JPY 10.3 trillion fiscal stimulus program and a monetary revolution led to a weakening of the yen against most major currencies. The third so-called arrow was the package of reforms planned to shake up the supply side of the economy, and thereby help to ease the structural growth problems.

After a huge and very fast depreciation of the Japanese currency, the yen rebounded somewhat during the latter parts of the second quarter. The movement coincided with a general weakening of the US-dollar. That move, in turn, suddenly reversed when the Fed surprised markets by saying that it expected to start reducing the pace of stimulus measures this year. Many emerging market currencies such as the Indian rupee, the Turkish lira, and the Brazilian real fell sharply against the USD. Investors have been concerned about the effect of less liquidity from the US on global markets. Using the US-dollar as a funding currency to invest in riskier developing markets has been a popular trade in recent years, and the unwinding of these positions may explain the volatile market reactions.. In the commodity space the Reuters/ Jefferies CRB index (about a third is petroleum products) fell by more than six%. Crude oil prices ended the period at USD 102 per barrel, while the price of gold collapsed by more than twenty-five%.

The Swedish krona was little changed during the first six months of the year The Swedish Riksbank kept the repo rate unchanged at one% and made a downward adjustment to the repo- rate path. Increases in the repo rate are now not expected to begin until the second half of 2014.

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

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Global stock markets started the year on a positive note but hit turbulence when liquidity fears surfaced. Another worry was the sluggish economic growth in emerging markets. China is of course the most vital country economically, and the prolonged weakness of manufacturing in China most probably has a big impact on the other emerging countries as a whole. For the first half of the year, the EU markets rose by 2.5% in local currency terms (MSCI), with the Nordic region 2.5% higher. Among the big European bourses Switzerland was the best performing market with an increase of 12%. In Sweden, the equity market rose by 4%. The North American region on the other hand rose 11% (USA +12.5%) while the Pacific region ex Japan ended the period 2% higher. The Japanese market rose by 32.5%.

The world index increased by 10.33% in local currency terms and by 10.66% in Swedish krona terms as the Swedish currency weakened slightly.

**The Fund**

As of 30th June 2013 the Swedish equity exposure amounted to 11.82%, international equity exposure amounted to 14.46%, bonds amounted to 73.12% and cash and other assets amounted to 0.60% of total net asset value. The equity portion of the Fund was decreased during the second half of the year from approximately 33% to 26%. The duration of the bond portfolio at the turn of the year was 1.4 years.

Some changes were made in the equity portfolio during the first six months of 2013. A position in the 110-years-old US car manufacturer Ford was established. The company is in the midst of a remarkable turnaround. Ford was the only American car company that was not bailed out in 2008-09, and the company has improved its position markedly. The balance sheet has strengthened, profit levels have improved, a dividend has been introduced, and the product mix is now strong. Optimists hope for annual US car and light trucks sales of 18 million in 2018 due to pent-up demand and an improving housing market, compared to today's 15 million. With a significant exposure towards the very weak European market the company obviously is vulnerable if austerity and structural reform in the eurozone continue to pressure the consumer. Valuation for this highly cyclical stock is of course lower than the market average. The positions in Investor and SEB were both sold after gains of +28% and +12%. These stocks were held for only six months or shorter and are therefore to be viewed as short-term trades. Further, the remaining position in Pfizer was sold at levels well above double the stock price paid in March 2009 (ignoring dividends). The entire holding in Medtronic was also sold when stock markets bid up prices of dividend paying and stable companies as a substitute to fixed income investments. The investment generated a return of 11% per annum including dividends. In addition, the Morgan Stanley position was sold after appreciating by 40% since last September when the stock was bought.

The Fund's NAV-value increased by 6.86% during the first six months of the year. Approximately one percentage point of the performance was due to a tax case won against the Swedish State regarding taxes paid on received dividends during the period 2005-2009. All equity portfolio holdings rose in value. The main positive contributors to the Fund's performance were Berkshire Hathaway, Intrum Justitia, and Medtronic. Performance from the bond portfolio was positive.

The extreme focus on the ending of quantitative easing (QE) in the US is understandable in the short-run but probably misplaced in the long-run. Higher stock prices are not sustainable if they are not accompanied by rising profits (ignoring possible multiple expansion), and the effects of QE on the real economy are highly debatable. When central banks do QE, inflation expectations rise. This is shown by higher bond yields at the start of QE programs, usually coupled with a rise in the price of gold. As the program continues and inflation fails to appear, expectations moderate, bond yields fall back and the price of gold collapses. Japan is the latest example. High inflation expectations at the start of the Bank of Japan's current QE program have fallen back to where they were in early April, the currency has recovered some of its value and asset prices have fallen. There is no risk of domestically-generated

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

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inflation while wages are falling, contractionary fiscal policy is depressing real incomes, banks are not lending and corporates are failing to invest. Externally-driven inflation is possible, and asset prices are of course rising as a consequence of QE. But the core trend is disinflation in developed countries. At present, inflation expectations are falling in the US, core inflation is nearing one%, and commodity prices are dropping. The job market is still weak, and it is far from clear that unemployment will come down from the current 7.7% to 6.5% by next summer. The Fed's forecasts, like many other central banks', have been too optimistic during the crisis, and there is a risk that the future path of the US economy is going to be bleaker than expected.

Tighter US monetary policy, slowing growth in the emerging world, uncertainty on the future Chinese growth rate and stagnant prospects in the eurozone represent an unfavourable backdrop for many multinational companies. These layers of uncertainty are probably going to weigh on risk assets in the near future with a reappearing focus on profits and margins.

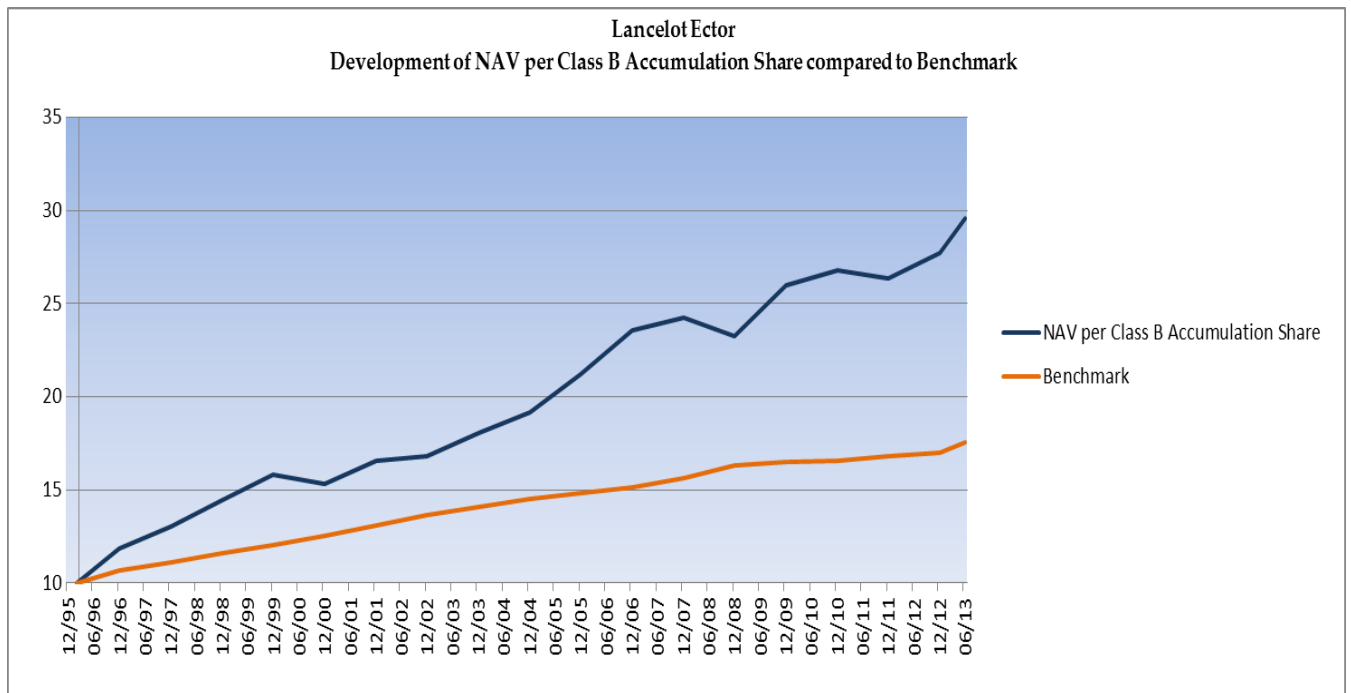
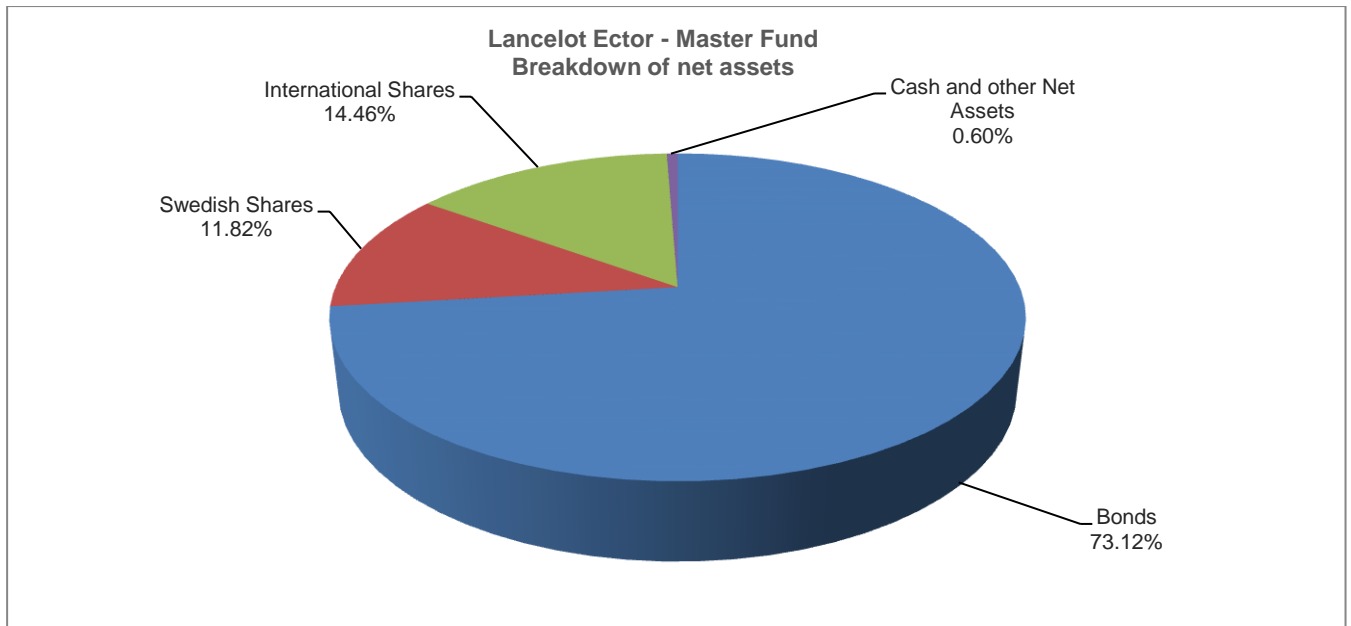
Luxembourg, 8th July 2013

The Board of Directors

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

# Lancelot Ector

## Graphics



## Lancelot Ector

### Graphics

Year	NAV Development	Benchmark Development	Year	NAV Development	Benchmark Development
1996	18.75% *	6.56% *	2005	10.74%	2.15%
1997	9.72%	3.97%	2006	10.86%	2.26%
1998	10.84%	5.02%	2007	3.15%	3.44%
1999	9.51%	3.53%	2008	-4.28%	4.11%
2000	-2.97%	4.28%	2009	11.90%	1.19%
2001	7.79%	4.31%	2010	3.12%	0.33%
2002	1.73%	3.95%	2011	-1.68%	1.61%
2003	7.22%	3.55%	2012	5.05%	0.91%
2004	6.26%	2.77%	2013	6.86% **	0.34% **

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

\*\* Relating to the period 01/ 01/ 2013 to 30/ 06/ 2013.

## Lancelot Ector - Master Fund

### Statement of net assets (in SEK)

as at 30th June 2013

#### Assets

Securities portfolio at market value	796,677,330
Cash at banks	10,442,558
Income receivable on portfolio	5,365,510
Interest receivable on bank accounts	11,713
Prepaid expenses	146,079
Total assets	812,643,190

#### Liabilities

Bank liabilities	1,676
Payable on redemptions of shares	202,689
Unrealised loss on forward foreign exchange contracts	1,077,420
Interest on bank liabilities and expenses payable	9,866,469
Total liabilities	11,148,254
Net assets at the end of the period	801,494,936

Number of Class A Accumulation Shares outstanding	12,475,777.993
Net asset value per Class A Accumulation Share	29.59
Number of Class A Dividend Shares outstanding	1,735,461.104
Net asset value per Class A Dividend Share	19.57
Number of Class B Accumulation Shares outstanding	10,372,092.466
Net asset value per Class B Accumulation Share	29.59
Number of Class B Dividend Shares outstanding	4,675,227.033
Net asset value per Class B Dividend Share	19.57

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 30th June 2013

#### **Income**

Dividends, net	4,742,313
Interest on bonds and other debt securities, net	7,607,202
Interest on bank accounts	58,453
Other income	10,013,857
Total income	22,421,825

#### **Expenses**

Management fees	4,081,801
Performance fees	8,995,271
Transaction fees	81,864
Central administration costs	509,399
Professional fees	60,400
Other administration costs	52,274
Subscription duty ("taxe d'abonnement")	200,801
Interest paid on bank liabilities	74
Other expenses	96,758
Total expenses	14,078,642

Net investment income	8,343,183
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#### **Net realised gain/(loss)**

- on securities portfolio	29,978,411
- on forward foreign exchange contracts	2,011,448
- on foreign exchange	366,612
Realised result	40,699,654

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

- on securities portfolio	17,275,828
- on forward foreign exchange contracts	-4,452,348
Result of operations	53,523,134

Dividends paid	-1,622,075
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Subscriptions	14,123,834
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Redemptions	-96,731,258
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Total changes in net assets	-30,706,365
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Total net assets at the beginning of the period	832,201,301
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Total net assets at the end of the period	801,494,936
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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 30th June 2013

<b>Total net assets</b>	
- as at 30.06.2013	801,494,936
- 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 period	13,352,019.037
- issued	0.000
- redeemed	-876,241.044
- outstanding at the end of the period	12,475,777.993
<b>Net asset value per Class A Accumulation Share</b>	
- as at 30.06.2013	29.59
- 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 period	4,946,676.311
- issued	0.000
- redeemed	-3,211,215.207
- outstanding at the end of the period	1,735,461.104
<b>Net asset value per Class A Dividend Share</b>	
- as at 30.06.2013	19.57
- 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 period	10,305,698.847
- issued	454,249.176
- redeemed	-387,855.557
- outstanding at the end of the period	10,372,092.466
<b>Net asset value per Class B Accumulation Share</b>	
- as at 30.06.2013	29.59
- 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 period	4,634,389.872
- issued	40,837.161
- redeemed	0.000
- outstanding at the end of the period	4,675,227.033
<b>Net asset value per Class B Dividend Share</b>	
- as at 30.06.2013	19.57
- 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 30th June 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	137,700	Ford Motor Co	11,514,891	14,375,250	1.79
<b>Banks</b>					
USD	215,000	Bank of America Corp	11,903,261	18,658,236	2.33
<b>Commercial services and supplies</b>					
SEK	330,500	Securitas AB B	25,185,846	19,383,825	2.42
<b>Consumer durables and apparel</b>					
SEK	136,204	Electrolux AB B	21,602,736	23,072,958	2.88
<b>Diversified financials</b>					
SEK	233,007	Intrum Justitia AB	18,034,475	32,038,463	4.00
<b>Food and drug retailing</b>					
USD	59,000	Walgreen Co	13,598,399	17,598,086	2.19
<b>Food, beverage and tobacco</b>					
GBP	438,092	Britvic Plc	14,777,561	23,009,245	2.87
EUR	77,925	Unilever NV Certif of Shares	14,672,304	20,679,578	2.58
			29,449,865	43,688,823	5.45
<b>Investment companies</b>					
USD	19	Berkshire Hathaway Inc A	15,126,950	21,617,344	2.70
<b>Technology hardware and equipment</b>					
SEK	266,000	Ericsson B	17,407,366	20,202,700	2.52
<b>Total shares</b>			163,823,789	210,635,685	26.28
<b>Bonds</b>					
<b>Corporate bonds</b>					
SEK	40,000,000	Akademiska Hus AB FRN EMTN 10/ 15.10.15	40,000,000	40,418,000	5.04
SEK	20,000,000	Castellum AB FRN MTN Ser 100 12/ 03.09.15	20,039,800	20,351,500	2.54
SEK	30,000,000	Fortum Oyj FRN EMTN 10/ 14.09.15	30,000,000	30,336,450	3.78
SEK	10,000,000	Husqvarna AB FRN Sen 12/ 28.11.17	10,000,000	10,170,300	1.27
SEK	10,000,000	Jernhusen AB 2.375% Ser 102 13/ 23.04.18	9,981,400	9,753,545	1.22
SEK	35,000,000	Sveaskog AB FRN Ser 123 Sen 12/ 12.10.15	35,000,000	35,549,150	4.43
SEK	15,000,000	Swedavia AB FRN MTN Ser 104 13/ 09.05.16	14,995,500	14,984,550	1.87
SEK	30,000,000	Vasakronan AB FRN MTN Ser 417 12/ 25.01.16	30,270,300	30,707,700	3.83
			190,287,000	192,271,195	23.98

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

## Lancelot Ector - Master Fund

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

as at 30th June 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	25,701,375	3.21
SEK	10,000,000	Lansforsakringar Bank FRN MTN Ser 727 12/ 06.07.15	10,007,600	10,153,400	1.27
SEK	25,000,000	Lansforsakringar Bank FRN Sen 12/ 04.06.14	25,000,000	25,158,875	3.14
SEK	30,000,000	Nordea Bank AB FRN Ser 214 12/ 27.02.15	30,000,000	30,479,850	3.80
SEK	25,000,000	SBAB Bank AB FRN EMTN Sen 12/ 23.03.17	25,263,500	25,943,750	3.24
SEK	25,000,000	Stadshypotek AB 6% Ser 1578 04/ 21.09.16	28,469,750	28,108,250	3.51
SEK	30,000,000	Swedbank AB FRN EMTN 11/ 03.11.14	29,958,000	30,586,950	3.82
SEK	20,000,000	Swedish Covered Bond Corp 4% Ser 127 06/ 15.04.15	20,952,600	20,858,000	2.60
SEK	30,000,000	Swedish Export Credit FRN EMTN Sen 12/ 15.08.16	30,000,000	30,195,900	3.77
			224,651,450	227,186,350	28.36
<b>Municipal bonds</b>					
SEK	30,000,000	Gothenburg (City of) 1.875% EMTN Sen 13/ 12.08.17	29,896,500	29,616,000	3.69
SEK	20,000,000	Kommuninvest I Sverige AB 2.75% Ser K1508 10/ 12.08.15	20,546,600	20,512,600	2.56
SEK	40,000,000	Kommuninvest I Sverige AB 4% Ser 1708 11/ 12.08.17	43,582,400	42,813,600	5.34
			94,025,500	92,942,200	11.59
<b>Sovereign bonds</b>					
SEK	35,000,000	EIB 2.95% EMTN 09/ 17.02.15	34,960,800	35,882,000	4.48
SEK	10,000,000	Sweden 1.5% Reg S 144A-1057 12/ 13.11.23	9,384,600	9,352,900	1.17
SEK	25,000,000	Sweden 4.25% Ser 1052 07/ 12.03.19	29,328,750	28,407,000	3.54
			73,674,150	73,641,900	9.19
			582,638,100	586,041,645	73.12
<b>Total bonds</b>			746,461,889	796,677,330	99.40
Total investments in securities				10,442,558	1.30
Cash at banks				-1,676	0.00
Bank liabilities				-5,623,276	-0.70
Other net assets/ liabilities				801,494,936	100.00
<b>Total</b>					

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

**Note 1 - Significant accounting policies**

a) Presentation of the financial statements

The financial statements of the Company are established in accordance with the Luxembourg legal and regulatory requirements concerning Undertakings for Collective Investment.

The financial statements were drawn up on basis of the net asset value of 28th June 2013 using the last available prices on 28th June 2013.

b) Valuation

- 1) Securities admitted to official listing on a stock exchange or which are traded on another regulated market which operates regularly and is recognised and open to the public within the EU or the OECD Member States are valued on the base of the last known sales price. If the same security is quoted on different markets, the quotation of the main market for this security will be used. If there is no relevant quotation or if the quotations are not representative of the fair value, the evaluation will be done in good faith by the Board of Directors or its delegate with a view to establishing the probable sales prices for such securities.
- 2) Non-listed securities are valued on the base of their probable sales price as determined in good faith by the Board of Directors and its delegate.
- 3) Liquid assets are valued at their nominal value plus accrued interest.
- 4) Time deposits may be valued at their yield value if a contract exists between the Company and the Custodian Bank stipulating that these time deposits can be withdrawn at any time and their yield value is equal to the realized value.
- 5) All assets denominated in a different currency than the respective Sub-Fund's currency are converted into this respective Sub-Fund's currency at the exchange rates used for the respective Valuation Day.
- 6) Financial instruments which are not traded on the futures exchanges but on a regulated market are valued at their settlement value, as stipulated by the Company's Board of Directors in accordance with generally accepted principles, taking into consideration the principles of proper accounting, the customary practices in line with the market, and the interests of the Shareholders, provided that the above-mentioned principles correspond with generally accepted valuation regulations which can be verified by the auditor.

c) Net realised gain/ (loss) on sales of securities

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

d) Cost of securities

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

## Lancelot Ector

### Notes to the financial statements (continued)

as at 30th June 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	=	0.1402660	CHF	Swiss Franc
			0.1140072	EUR	Euro
			0.0976743	GBP	Pound Sterling
			0.1481866	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.

### **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 30th June 2013

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#### **Note 3 - Management Company**

For infrastructure supplies, the Management Company is entitled to receive out of the Sub-Fund's assets a fee of maximum 0.025% p.a.. This fee is payable monthly in arrears based on the Sub-Fund's net assets calculated daily during the relevant month.

For its services, the Investment Manager, Lancelot Asset Management AB, Stockholm, is entitled to receive an Investment Management Fee received by the Management Company on behalf of the Investment Manager of maximum 1% p.a.. This fee is payable monthly in arrears based on the Sub-Fund's net assets calculated daily during the relevant month.

These fees are recorded under the caption "Management fee" in the "Statement of operations and other changes in the net assets".

#### **Note 4 - Performance fee**

A Performance Fee is paid out of the Sub-Fund's assets to the Investment Manager. The Performance Fee is 15% of the amount by which the relevant Sub-Fund's total return, based on the Net Asset Value at the beginning and at the end of the relevant year and after accrual of the fixed fee, outperforms on a year to year basis the agreed benchmark return. The benchmark return is in the case of the Lancelot Ector - Master Fund the twelve months' interest on Swedish Treasury Bills at 31st December of the prior year, as published in the financial media or a corresponding benchmark which is generally recognized, auditable and approved by the Board of Directors, should no twelve months Swedish Treasury Bills be in issue at this date. Negative performances, if any, are not carried forward or taken into consideration.

At the date of the report, a performance fee was recorded for the Sub-Fund Lancelot Ector - Master Fund and amounted to SEK 8,995,271.

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

For its services to the Company, the Management Company is entitled to receive, out of the Sub-Fund's assets an administration fee of maximum 0.13% p.a. payable monthly in arrears based on the Sub-Fund's net assets calculated daily during the relevant month with a minimum fee of EUR 3,330 per month. This fee includes the fee due to the Custodian Bank.

The Management Company is furthermore entitled to receive out of the Sub-Fund's assets for the Registrar and Transfer Agent function an annual flat fee per share class, in accordance with Luxembourg customary banking practice.

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

## Lancelot Ector

### Notes to the financial statements (continued)

as at 30th June 2013

#### **Note 6 - Neutralization of the Swedish 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 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.

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

The Company is governed by Luxembourg law.

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

According to Article 175 (a) of the 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 - Forward foreign exchange contracts**

As at 30th June 2013, the following forward foreign exchange contracts are outstanding:

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

Currency	Purchases	Currency	Sales	Maturity	Unrealised result (in SEK)
SEK	8,000,000	EUR	906,300	28.08.2013	38,242
SEK	9,903,455	EUR	1,150,000	28.08.2013	-199,184
SEK	16,670,980	GBP	1,659,646	28.08.2013	-336,228
SEK	1,128,428	GBP	110,471	28.08.2013	-3,622
SEK	54,836,547	USD	8,247,213	28.08.2013	-889,874
USD	1,202,047	SEK	8,088,334	28.08.2013	33,898
USD	1,155,120	SEK	7,601,498	28.08.2013	203,648
USD	544,148	SEK	3,667,340	28.08.2013	9,468
USD	260,904	SEK	1,755,571	28.08.2013	7,357
USD	517,353	SEK	3,436,879	28.08.2013	58,875
					<u>-1,077,420</u>

Skandinaviska Enskilda Banken S.A. in Luxembourg is the counterparty of the Company for these forward exchange contracts.

#### **Note 9 - Changes in investments**

The statement of changes in the investment portfolio for the period referring to the report is available free of charge upon request at the registered office of the Company.

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