

# Unaudited semi-annual report as at 30th June 2018

## **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 SICAV

**Chairman**  
Tobias JÄRNBLAD  
Managing Director  
Lancelot Asset Management AB, Stockholm, Sweden

Per LJUNGBERG  
Deputy Managing Director  
Lancelot Asset Management AB, Stockholm, Sweden

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

### Management Company

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

### Board of Directors of the Management Company

**Chairman**  
Göran FORS  
Deputy Head of Investor Services  
Large Corporates and Financial Institutions  
Skandinaviska Enskilda Banken AB (publ), Sweden

**Directors**  
Claes-Johan GEIJER  
Independent Director and Advisor  
G Advisors S.à.r.l., Luxembourg

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

### Depositary

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

## **Lancelot Ector**

### **Organisation (continued)**

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**Central Administration Agent**

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

**Sub-Administrative Agent and  
Registrar Agent**

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

**Investment Manager**

Lancelot Asset Management AB  
Nybrokajen 7, PO Box 16172  
SE-103 23 Stockholm

**Auditor**

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

**Placement and Distribution Agent**

Lancelot Asset Management AB  
Nybrokajen 7, PO Box 16172  
SE-103 23 Stockholm

## Lancelot Ector

### General information

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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 subscriptions to the Master Fund, initially launched on 13th March 1996 at SEK 10.00 per share, amount to 16,494,251.209 capitalisation shares and 4,844,753.376 distribution shares as of 30th June 2018, representing total assets of SEK 673,553,272. The Net Asset Value per capitalisation share was SEK 34.97 i.e. increase of 249.70% after fees from launch date and decrease of -0.06% during the first six months of 2018.

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 latest Economic Outlook, the OECD said that the global economy is poised to strengthen in 2018, but also warned that growth is increasingly reliant on support from monetary and fiscal policy and not due to rising productivity and structural changes. The slowdown seen in many developed economies in the first quarter this year should be transient. The OECD trimmed its previous forecast for global growth in 2018, from 3.9% to 3.8%, to reflect the soft patch in the eurozone and Japan, but still expects growth to tick up to 3.9% in 2019. The disappointing first quarter was not only due to extreme winter weather but, according to the report, also a matter of fears of disruption to trade that might have led companies to postpone investments, while higher oil prices could have filtered through to hold back consumer spending. Any escalation in trade tensions would harm investments, jobs and living standards, the OECD said. If oil prices remained above the USD 70 per barrel level factored into the forecasts, this would add to inflation and eat into household's real income. A further warning to a more benign outcome was the danger that rising US interest rates, especially if accompanied by a strengthening US dollar, would cause financial turbulence in emerging markets. Finally, there was the possibility that Italy's political turmoil could spark a fresh eurozone crisis.

The Federal Reserve (the Fed) raised the target range for the federal funds twice during the period rate from 1.25-1.50 to 1.75-2.00%. The Fed noted that the labour market has continued to strengthen and that economic activity has been rising at a solid rate. Job gains have been strong and the unemployment rate has declined. On a 12-month basis, both overall inflation and inflation for items other than food and energy have moved close to 2%. The deciding committee's median forecast for future policy rates pointed to a total of four rates in 2018 (two already done), followed by another three in 2019. If correct, these so-called dot plot projections indicate that the Fed expects monetary policy to enter restrictive territory, i.e. a policy rate higher than the long-term neutral rate (Fed funds rate when the economy is operating at or near its potential and inflation is stable), in the next year and to remain that way through 2020. The Fed also dropped the explicit forward guidance language to underscore a more nuanced, data-driven approach when assessing the future path of rate hikes. The European Central Bank (ECB) signalled that it plans to extend its asset buying programme through the end of this year but at a slower pace of euro 15 billion per month and that net purchases then will end. The ECB left rates on hold but gave guidance that the key interest rates is expected to remain at their present levels at least through the summer of 2019, quite a bit later than markets had projected. The bank's growth estimate for 2018 was significantly cut while the inflation forecast was raised for this and next year, attributing the changes to higher oil prices. The Swedish Riksbank kept its benchmark rate at -0.5% but estimated that the repo rate will begin to be raised towards the end of 2018, which is somewhat later than previously forecast. The Bank of Japan (BoJ) abandoned a pledge to hit its two per cent inflation target "around fiscal 2019". The central bank recognized that prices are less sensitive to monetary policy than it once

believed. BoJ kept policy on hold, with overnight interest rates kept at minus 0.1%, 10-year bond yields capped at around zero per cent and the BoJ buying assets at the current rate of around JPY 80 tn a year.

In the currency markets the US dollar started to rise in April. Last year's synchronized global growth gave way to considerable regional divergences as the US economy was significantly stronger, Europe and Latin America soggy, Chinese growth inconsistent, perhaps due to slowing credit, and several emerging markets like Brazil, Argentina and Turkey were weakening. With this backdrop, interest rate differentials again came into focus. Over the next year the Fed could easily hike rates four or five more times to the ECB's and BoJ's none. Against some emerging markets currencies, the explosion of dollar debt issued by non- U.S. entities since the financial crisis, pushed the US dollar higher or perhaps more to the point led to a currency meltdown in Argentina, Turkey, Brazil, Mexico, Poland and Hungary (with contagion playing a part as well). There is a line of thought that a global dollar shortage could develop as the financing of the US budget deficit absorbed foreign savings. Additionally, the planned shrinkage of the Fed's balance sheet could further reduce dollar liquidity in the global financial system, leaving vulnerable emerging market economies scrambling to roll over their dollar debt.

In the commodity space, the Thomson Reuters CRB index rose by just over 3%. Crude oil prices traded at its highest level since mid-2015 as continued output restrictions from Opec coupled with concerns over US-led sanctions on Iran and political crisis in Venezuela saw rising market fears over tightened global supplies. Prices were choppy after a deal was struck that allows for higher production, even if there was confusion by how much. Crude oil ended the period with a gain of nearly 20%. The price of gold ended down 4%.

Global stock markets showed huge performance dispersion. Key themes were the cyclical divergence between the US and most other countries, rising risk to global growth from increasingly aggressive US trade policy and tightening emerging market conditions due to rate hikes to counter currency weakness. Some emerging markets like Indonesia, the Philippines, Brazil, Hungary, Poland and Turkey showed steep double-figures losses. On the other hand, the US market was one of few major bourses that ended the period with a positive return (+2%). But the performance was narrow and mainly driven by two sectors, technology and consumer discretionary. In addition, the domestic oriented small-cap index outperformed due to its exposure to the domestic cycle and tax policy and the lower sensitivity to trade risk. In the EU, stock markets fell by 2 per cent in local currency terms (MSCI). The Nordic region was down by 0,3%, helped by an outstanding performance in Finland (+10%) with its exposure to paper and forest companies. Among the big European bourses France and the Netherlands outperformed, but both just barely on the plus side. In Sweden, the equity market was flat. The North American region increased by close to 2% while the Pacific region excluding Japan ended the first six months 0.4% lower. The escalation of trade tensions proved to be a challenge for the Japanese market with its large number of export companies and the Tokyo market declined just short of 5%.

The world index increased by 0.17% in local currency terms, and by 8.71% in Swedish krona terms due to a weak Swedish currency.

**The Fund (performance review)**

As of 30th June 2018, the Swedish equity exposure amounted to 10.07%, international equity exposure amounted to 12.27%, bonds amounted to 66.61% and cash and other assets amounted to 11.05 % of total net asset value. The equity portion of the Fund was reduced to 22% from 28% at the turn of the year. Including a negative Swedish index position. the equity exposure was approximately 20%. The duration of the bond portfolio at the turn of the year was 0.64 years.



In the equity portfolio, the AstraZeneca position was sold after a short holding period of seven months, generating an annual total return of approximately 37%. The stock price rebounded after last summer's steep fall and valuation moved to a fairer level. The company faces a number key phase three data readouts and regulatory decisions in the coming 12-18 months. These events will be of the highest interest to the stock market as the company tries to return to growth through rebuilding its pipeline. Further, the German conglomerate Siemens was sold after a rather disappointing listing of Siemens Healthineers. We see no immediate reason for any major revaluation of the conglomerate.

The yearly return of this investment was an unsatisfactory minus 10%. The holdings in SKF and Volvo were trimmed down to reduce portfolio risk. A new holding was initiated at the turn of the year, namely the British retail company Tesco. The company has gone through three years of turnaround after a period of trying to keep up its growth profile through geographical expansion. In addition, the domestic price and competitive landscape turned distinctively challenging with price erosion in most areas. But management has simplified the business and managed to turn it around and Tesco has shown growth in the core UK market for the last ten consecutive quarters and is on track to reach the operating margin goal of 3% by the second half of 2018. At the same time, the balance sheet has been strengthened after the earlier debt-fueled expansion. If the improvement continues the company will become a strong cash generator.

In the first six months of 2018 the value of the Fund decreased by 0.06%. The main positive contributors to the Fund's performance were Ericsson and Tesco, while Billerud and SKF lagged. Performance from the bond portfolio was positive.

Global growth finished last year on a strong and synchronised note. This year has begun with disappointing growth outside of the US. The euro area has slowed as firms reduced stock-building in response to a downshift in demand. In some emerging market economies, a mix of weaker data, heightened political uncertainty, and a rising US dollar (large dollar debt levels) has increased pressures on capital outflows. A number of central banks have responded by raising policy rates. In addition, global growth is challenged by an intensification in trade tensions. This comes as a counter reaction to globalization, low wage growth and trade imbalances. Over the last decades many economies have opted for an export/ investment led growth model, with investment subsidized by hidden or explicit transfers from the household sector (taxes, "undervalued" currencies, financial repression) that simultaneously reduce the household share of GDP and force up the savings rate. In China, rebalancing demand towards consumption and away from export and investments has been its top economic policymaking priority for a decade, but this task has been very politically difficult to pull off. Unfortunately, until the rebalancing is complete, countries like China; Japan and Germany require large trade surpluses to resolve low domestic demand. As the world becomes increasingly protectionist, however, these countries may be forced into much more rapid adjustment.

## **Lancelot Ector**

### **Report from the Investment Manager (continued)**

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At the same time, it's vital to recognise that the structure of world trade has changed radically over the last couple of decades with international supply chains spreading production processes across national borders. Rebuilding or changing complex supply chains may be easier said than done, and will, if anything else, impose short-term extra costs and long-term loss of innovation and productivity. Therefore, protectionism may, at least in the short-term, be counterproductive since many domestic jobs could be lost because of tariffs against supply chains countries on which these jobs depend. More broadly, the risk is obviously that policy uncertainty and financial market volatility could weaken consumer and corporate sentiment, and as a second-order impact lead to a slowing of global growth momentum.

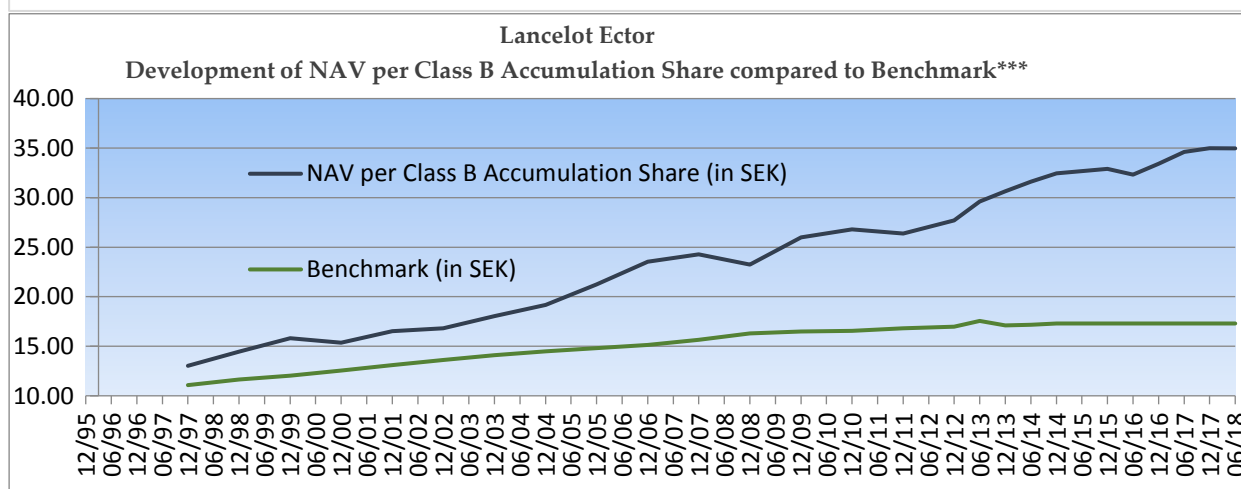
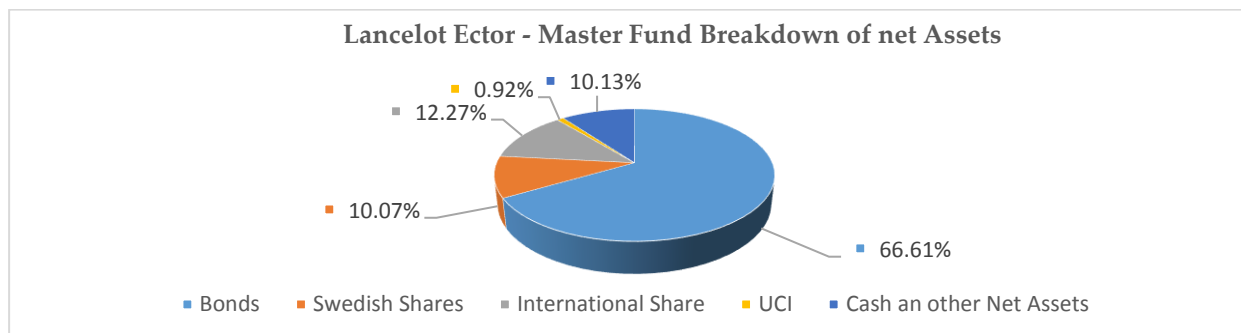
Luxembourg, 12th July 2018

The Investment Manager

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

# Lancelot Ector

## Graphics



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%
2018	-0.06%**	0.00%

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

\*\* Relating to the period from 01/ 01/ 2018 to 30/ 06/ 2018

\*\*\* Benchmark used for performance fees calculation

## Lancelot Ector - Master Fund

### Statement of net assets (in SEK)

as at 30th June 2018

#### Assets

Securities portfolio at market value	605,345,314
Cash at banks	68,572,168
Receivable cash collateral paid	919,000
Receivable on issues of shares	78,000
Income receivable on portfolio	612,142
Prepaid expenses	164,570
Total assets	675,691,194

#### Liabilities

Bank overdrafts	5,224
Unrealised loss on forward foreign exchange contracts	1,248,493
Expenses payable	884,205
Total liabilities	2,137,922

Net assets at the end of the period 673,553,272

#### 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	16,494,251.209	SEK	34.97	576,763,705
B Dividend	4,844,753.376	SEK	19.98	96,789,567
				<u>673,553,272</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 2018 to 30th June 2018

<b><u>Income</u></b>	
Dividends, net	3,513,541
Interest on bonds and other debt securities, net	1,805,854
Interest on bank accounts	568
Total income	5,319,963
<b><u>Expenses</u></b>	
Management fees	3,404,914
Depository fees	5,222
Banking charges and other fees	142
Transaction fees	88,196
Central administration costs	451,326
Professional fees	94,889
Other administration costs	112,475
Subscription duty ("taxe d'abonnement")	169,161
Bank interest paid	78,277
Other expenses	96,891
Total expenses	4,501,493
Net investment income	818,470
<b><u>Net realised gain/(loss)</u></b>	
- on securities portfolio	13,985,582
- on forward foreign exchange contracts	-3,798,157
- on foreign exchange	16,057
Realised result	11,021,952
<b><u>Net variation of the unrealised gain/(loss)</u></b>	
- on securities portfolio	-9,575,877
- on forward foreign exchange contracts	-2,158,958
Result of operations	-712,883
Dividends paid	-3,173,277
Subscriptions	46,399,507
Redemptions	-41,889,135
Total changes in net assets	624,212
Total net assets at the beginning of the period	672,929,060
Total net assets at the end of the period	673,553,272

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

## Lancelot Ector - Master Fund

### Statistical information (in SEK)

as at 30th June 2018

<b>Total net assets</b>	<b>Currency</b>	<b>31.12.2016</b>	<b>31.12.2017</b>	<b>30.06.2018</b>
	SEK	641,617,067	672,929,060	673,553,272
<b>Net asset value per share</b>	<b>Currency</b>	<b>31.12.2016</b>	<b>31.12.2017</b>	<b>30.06.2018</b>
B CAP	SEK	33.42	34.99	34.97
B Dividend	SEK	20.18	20.50	19.98
<b>Number of shares</b>	<b>outstanding at the beginning of the period</b>	<b>issued</b>	<b>redeemed</b>	<b>outstanding at the end of the period</b>
B CAP	15,603,618.769	1,331,545.318	-440,912.878	16,494,251.209
B Dividend	6,191,759.068	-	-1,347,005.692	4,844,753.376
<b>Dividends paid</b>	<b>Currency</b>	<b>Dividend per share</b>		<b>Ex-dividend date</b>
B Dividend	SEK	0.5125		17.01.2018

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 2018

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>					
SEK	32,000	Electrolux AB B	7,284,686	6,528,000	0.97
GBP	336,000	Tesco Plc	7,964,521	10,185,795	1.51
SEK	81,000	Volvo AB B	7,872,394	11,599,200	1.72
			23,121,601	28,312,995	4.20
<b>Financials</b>					
SEK	125,000	Skandinaviska Enskilda Bk AB A	11,529,984	10,645,000	1.58
<b>Healthcare</b>					
CHF	22,100	Novartis AG Reg	15,517,227	14,986,930	2.22
<b>Industrials</b>					
USD	17,600	Danaher Corp	8,629,177	15,535,737	2.31
USD	16,350	Fortive Corp	6,514,846	11,277,648	1.67
USD	4,300	Illinois Tool Works Inc	5,314,411	5,328,853	0.79
SEK	64,500	SKF AB B	9,708,552	10,752,150	1.60
			30,166,986	42,894,388	6.37
<b>Non-cyclical consumer goods</b>					
GBP	224,500	Britvic Plc	10,235,007	20,653,021	3.07
<b>Raw materials</b>					
SEK	66,944	Billerud Korsnas AB	8,889,723	8,485,152	1.26
<b>Technologies</b>					
USD	11,500	Applied Materials Inc	5,312,666	4,751,556	0.70
SEK	285,882	Telefon AB LM Ericsson B	15,030,897	19,800,187	2.94
			20,343,563	24,551,743	3.64
<b>Total shares</b>			119,804,091	150,529,229	22.34
<b>Bonds</b>					
<b>Corporate bonds</b>					
SEK	15,000,000	AF AB FRN Reg S 16/ 21.03.19	15,069,150	15,094,875	2.24
SEK	20,000,000	Castellum AB FRN MTN Sen 17/ 02.10.24	20,000,000	20,085,300	2.98
SEK	10,000,000	Castellum AB FRN Sen 15/ 13.03.20	10,000,000	10,100,600	1.50
SEK	17,000,000	Castellum AB FRN Sen Ser 12617/ 17.03.23	17,271,830	17,485,435	2.60
SEK	20,000,000	Ellevio AB FRN EMTN Sen 17/ 28.02.20	20,000,000	20,128,900	2.99
SEK	6,000,000	Husqvarna AB FRN MTN Sen 16/ 03.05.19	6,000,000	6,041,160	0.90
SEK	7,000,000	ICA Gruppen AB 0.465% DMTN Ser MTN 109 Sen 18/ 15.01.21	7,000,000	7,015,190	1.04
SEK	30,000,000	Jernhusen AB FRN DMTN Ser MTN 121GB Sen 18/ 17.04.23	30,424,800	30,269,550	4.49
SEK	17,000,000	Jernhusen AB FRN Ser 104 13/ 19.09.23	17,665,210	17,291,125	2.57
SEK	10,000,000	PostNord AB FRN MTN Ser 106 14/ 01.04.19	10,043,700	10,031,750	1.49
SEK	23,000,000	Scania CV AB FRN EMTN Ser 62 16/ 06.09.21	23,000,000	23,567,640	3.50
SEK	20,000,000	Specialfastigheter Sverige AB FRN EMTN Sen 14/ 23.06.20	20,000,000	20,122,300	2.99
SEK	30,000,000	Sveaskog AB FRN DMTN 14/ 22.01.20	30,000,000	30,219,750	4.49
SEK	25,000,000	Sveaskog AB FRN Sen 14/ 30.10.23	25,000,000	25,202,625	3.74

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 2018

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	4,021,140	0.60
SEK	20,000,000	VolvoFinans Bank AB FRN DMTN Ser 365 Sen 16/ 25.01.22	20,320,200	20,306,900	3.01
			275,794,890	276,984,240	41.13
<b>Financial Institution bonds</b>					
SEK	18,000,000	Danske Bank A/ S FRN EMTN Sen Reg S 18/ 25.01.23	18,000,000	17,942,130	2.66
SEK	25,000,000	Landshypotek Bank AB VAR Jun Sub 17/ 31.12.Perpetual	26,437,500	26,164,500	3.88
SEK	25,000,000	Lansforsakringar Bank 0.6175% Ser 784 16/ 10.05.19	25,084,750	25,151,750	3.73
SEK	25,000,000	Nordea Bank AB FRN EMTN Sen Reg S 18/ 27.06.23	25,000,000	24,980,250	3.71
SEK	30,000,000	SBAB Bank AB 0.875% EMTN Sen 17/ 08.06.22	30,211,200	30,258,000	4.49
SEK	12,000,000	Svenska Handelsbanken AB VAR EMTN Sen Sub Reg S 17/ 15.11.27	12,000,000	12,032,940	1.79
			136,733,450	136,529,570	20.26
<b>Municipal bonds</b>					
SEK	15,000,000	Gothenburg (City of) FRN EMTN Sen 15/ 09.09.19	15,030,450	15,066,675	2.24
SEK	20,000,000	Gothenburg (City of) FRN EMTN Ser 1013 14/ 20.06.19	20,012,000	20,061,600	2.98
			35,042,450	35,128,275	5.22
<b>Total bonds</b>			447,570,790	448,642,085	66.61
<b>Open-ended investment funds</b>					
<b>Tracker funds (UCI)</b>					
<b>Investment funds</b>					
SEK	100,000	XACT BEAR Units Dist	9,113,232	6,174,000	0.92
<b>Total tracker funds (UCI)</b>			9,113,232	6,174,000	0.92
Total investments in securities			576,488,113	605,345,314	89.87
Cash at banks				68,572,168	10.18
Bank overdrafts				-5,224	0.00
Other net assets/ liabilities				-358,986	-0.05
<b>Total</b>				673,553,272	100.00

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



**Note 1 - Significant accounting policies**

a) Presentation of the financial statements

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

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.

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 2018

#### 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	=	0.1110093	CHF	Swiss Franc
			0.0957531	EUR	Euro
			0.0846779	GBP	Pound Sterling
			0.1117918	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.

**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, no performance fee was due for the Sub-Fund.

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

**Note 5 - Central administration costs**

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

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

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 96,891 are included in the caption "Other Expenses" in the statement of operations and other changes in net assets.

## Lancelot Ector

### Notes to the financial statements (continued)

as at 30th June 2018

#### Note 8 - Forward foreign exchange contracts

As at 30th June 2018, the following Sub-Fund is committed in the following forward foreign exchange contracts with Skandinaviska Enskilda Banken S.A., Luxembourg:

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

Currency	Purchases	Currency	Sales	Maturity	Unrealised result (in SEK)
EUR	200,000	SEK	2,055,469	29.08.2018	33,098
EUR	199,000	SEK	2,045,263	29.08.2018	32,861
SEK	10,942,541	CHF	1,239,316	29.08.2018	-227,815
SEK	3,420,962	EUR	334,000	29.08.2018	-66,945
SEK	666,458	EUR	65,000	29.08.2018	-12,326
SEK	24,879,867	GBP	2,131,567	29.08.2018	-248,297
SEK	148,067	GBP	12,700	29.08.2018	-1,648
SEK	295,191	USD	34,000	29.08.2018	-7,638
SEK	30,918,477	USD	3,558,920	29.08.2018	-779,927
USD	100,000	SEK	877,691	29.08.2018	12,984
USD	35,000	SEK	304,794	29.08.2018	6,943
USD	255,500	SEK	2,265,457	29.08.2018	10,217
					<hr/> -1,248,493

#### Note 9 - Changes in investment portfolio

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

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

During the reporting period, the Company did not engage in transactions which are subject to the publication requirements of SFTR. Accordingly, no information concerning the transparency of securities financing transactions and of reuse of cash collateral should be reported.

