

Swedbank Management Company S.A.
Société Anonyme

**ANNUAL ACCOUNTS
AND REPORT OF THE
REVISEUR D'ENTREPRISES AGREE**

**AS AT
DECEMBER 31, 2016**

65, Boulevard Grande-Duchesse Charlotte
L-1331 Luxembourg
R.C.S. Luxembourg : B149317

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To the sole Shareholder of,
Swedbank Management Company S.A.
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L-1331 Luxembourg

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REPORT OF THE REVISEUR D'ENTREPRISES AGREE

Following our appointment by the Annual General Meeting of the Shareholders dated April 28, 2016, we have audited the accompanying annual accounts of Swedbank Management Company S.A., which comprise the balance sheet as at December 31, 2016 and the profit and loss account for the year then ended, and a summary of significant accounting policies and other explanatory information.

Responsibility of the Board of Directors for the annual accounts

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

Responsibility of the Réviseur d'Entreprises Agréé

Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the *Commission de Surveillance du Secteur Financier*. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the *Réviseur d'Entreprises Agréé's* judgement, including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the *Réviseur d'Entreprises Agréé* considers internal control relevant to the entity's preparation and fair presentation of the annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the annual accounts.

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

Opinion

In our opinion, the annual accounts give a true and fair view of the financial position of Swedbank Management Company as at December 31, 2016, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report but does not include the annual accounts and our report of *Réviseur d'Entreprises Agréé* thereon.

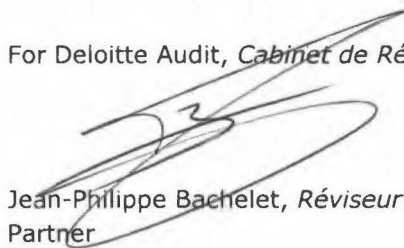
Our opinion on the annual accounts does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the annual accounts, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the annual accounts 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 this fact. We have nothing to report in this regard.

Report on other legal and regulatory requirements

The annual report is consistent with the annual accounts and has been prepared in accordance with the applicable legal requirements.

For Deloitte Audit, *Cabinet de Révision Agréé*



Jean-Philippe Bachelet, *Réviseur d'Entreprises Agréé*
Partner

Luxembourg, April 25, 2017

Swedbank Management Company S.A.

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BALANCE SHEET

As at December 31, 2016

(expressed in EUR)

ASSETS	Notes	December 31, 2016	December 31, 2015
FORMATION EXPENSES	2, 3	46,312	69,468
CURRENT ASSETS		1,353,184	2,200,822
Receivables	2	268,053	387,407
a) <i>Becoming due and payable within one year</i>		268,053	387,407
b) <i>Becoming due and payable after more than one year</i>		-	-
Cash at bank, cash in postal cheque account, cheques and cash in hand	2	1,085,131	1,813,415
DEFERRED CHARGES	2, 4	133,956	135,782
TOTAL ASSETS		<u>1,533,452</u>	<u>2,406,072</u>

The accompanying notes form an integral part of these annual accounts.

Swedbank Management Company S.A.

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BALANCE SHEET

As at December 31, 2016

(expressed in EUR)

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LIABILITIES	Notes	December 31, 2016	December 31, 2015
CAPITAL AND RESERVES	5	1,393,084	1,315,922
Subscribed capital		500,000	500,000
Share premium and similar premiums		11,800,000	11,800,000
Result brought forward		(10,984,078)	(11,247,074)
Result for the financial year		77,162	262,996
PROVISIONS	2, 6	77,354	46,658
DEBTS	2, 7	63,014	1,043,492
<i>a) Becoming due and payable within one year</i>		63,014	1,043,092
<i>b) Becoming due and payable after one year</i>		-	-
TOTAL LIABILITIES		<u>1,533,452</u>	<u>2,406,072</u>

The accompanying notes form an integral part of these annual accounts.

Swedbank Management Company S.A.

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PROFIT AND LOSS ACCOUNT

For the year ended December 31, 2016

(expressed in EUR)

PROFIT AND LOSS ACCOUNT	Notes	Year ended December 31, 2016	Year ended December 31, 2015
GROSS RESULT	8	1,338,149	1,274,924
STAFF COSTS	12	(816,362)	(515,426)
<i>Wages and salaries</i>		<i>(700,443)</i>	<i>(441,358)</i>
<i>Social security</i>		<i>(115,919)</i>	<i>(74,068)</i>
VALUE AJUSTMENTS		(23,156)	(23,156)
<i>a) in respect of formation expenses and tangible and intangible fixed assets</i>		<i>(23,156)</i>	<i>(23,156)</i>
OTHER OPERATING CHARGES	2, 11	(400,163)	(465,012)
OTHER INTEREST RECEIVABLES AND OTHER FINANCIAL INCOME		-	1,114
INTEREST PAYABLE AND OTHER FINANCIAL CHARGES		(887)	(1,799)
TAX ON RESULTS	9	(1,605)	(5,350)
RESULTS AFTER TAXATION		95,976	265,296
OTHER TAXES	10	(18,814)	(2,300)
RESULTS FOR THE FINANCIAL YEAR		77,162	262,996

The accompanying notes form an integral part of these annual accounts.

Swedbank Management Company S.A.

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NOTES TO THE ANNUAL ACCOUNTS

As at December 31, 2016

NOTE 1 - GENERAL

Swedbank Management Company S.A. (formerly Ektornet Latvia S.A.), hereafter the "Company", was incorporated on November 10, 2009 as a "Société Anonyme" within the definition of the Luxembourg Law of August 10, 1915, as amended, on commercial companies for an unlimited period of time.

The Company has its registered office at 65, Boulevard Grande-Duchesse Charlotte, L-1331 Luxembourg, Grand-Duchy of Luxembourg.

The financial year of the Company runs from January 1 until December 31 of each year.

An extraordinary general meeting had been held on February 4, 2014 before Maître Henri Hellinckx during which the corporate name had been changed from Ektornet Latvia S.A. to Swedbank Management Company S.A. and the corporate object had been changed to as follows: the main corporate object of the Company is the collective portfolio management of one or several (i) undertakings for collective investment in transferable securities authorized according to the Directive 2009/65/EC, as amended from time to time ("UCITS"), (ii) alternative investment funds within the meaning of the Directive 2014/61/EUU, as amended from time to time ("AIF") and (iii) other collective investment funds not covered by these Directives ("UCI") on behalf of their unitholders or shareholders in accordance with the provisions of chapter 15 of the Luxembourg law of December 17, 2010 on undertakings for collective investment, as amended from time to time (the "2010 Law") and the law of July 12, 2013 relating to alternative investment fund managers, as amended from time to time (the "2013 Law").

The activity of collective portfolio management of investment funds includes the functions listed in Annex II of the 2010 Law and Annex I of the 2013 Law namely:

- Investment management including portfolio management and risk management. In this connection, the Company may, for the account of the investment funds, (i) provide investment advice and make investment decisions, (ii) enter into agreements, (iii) buy, sell, exchange and deliver any sort of transferable securities and/or other acceptable types of assets and (iv) exercise all voting rights pertaining to securities held by the investment funds under management;

Swedbank Management Company S.A.

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NOTES TO THE ANNUAL ACCOUNTS

As at December 31, 2016

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NOTE 1 - GENERAL (continued)

- Administration. This function includes all activities listed under "Administration" in Annex II of the 2010 Law and Annex I of the 2013 Law i.e. namely (i) legal and fund management accounting services, (ii) customer inquiries, (iii) valuation and pricing (including tax returns), (iv) regulatory compliance monitoring, (v) maintenance of unit holders and/or shareholders, (vi) distribution of income, (vii) units and/or (ix) record keeping;
- Marketing of the units /shares of the investment funds in Luxembourg and abroad;
- Activities related to the assets of the AIFs, namely services necessary to meet the fiduciary duties of the Company, facilities management, real estate administration activities, advice on undertakings on capital structure, industrial strategy and related matters, advice and services relating to mergers and the purchase of undertakings and other services connected to the management of the AIF and the companies and other assets it has invested.

The Company may perform part of or all these activities for Luxembourg and foreign UCITS, UCIs and AIFs (the management of AIFs covers at least portfolio and/or risk management) or for other management companies or alternative investment fund managers as delegate.

The Company may also administer its own assets and perform all operations and activities considered useful for the accomplishment and development its purposes, while remaining however within the limit laid down by chapter 15 of the 2010 Law, the 2013 Law and by the modified law of August 10, 1915 on commercial companies (the "Law").

As at December 31, 2016, the Company acts as a management company of the below listed funds:

- SEF;
- SEF SICAV PART II;
- MERRANT ALPHA SELECT;
- MERRANT ALPHA SELECT SEK;
- Taaleri SICAV.

The Company's accounts are included in the consolidated accounts of Swedbank AB (publ), a public limited liability company, incorporated under the Law of Sweden. These can be obtained from Swedbank AB (publ), having its registered address at SE-105 34 Stockholm, Sweden.

Swedbank Management Company S.A.

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NOTES TO THE ANNUAL ACCOUNTS

As at December 31, 2016

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General principles

These annual accounts have been prepared in accordance with generally accepted accounting principles and in accordance with the laws and regulations in force in the Grand-Duchy of Luxembourg.

Cash

Cash and cash equivalents are valued at the exchange rate applicable at the balance sheet date, considering exchange rate differences as realized.

Translation of currencies

The Company maintains its accounting records in Euro (EUR) and the annual accounts are prepared in this currency.

The transactions made in another currency than EUR are translated into EUR at the exchange rate prevailing at the transaction date.

As at the year-end:

- formation expenses, intangible fixed assets and financial fixed assets expressed in another currency than EUR have been translated at the historical exchange rate;
- all other assets expressed in another currency than EUR are valued individually at the lower of the value determined using the historical exchange rate or the value determined using the exchange rate prevailing at the balance sheet date;
- all liabilities expressed in another currency than EUR are valued individually at the higher of the value determined using the historical exchange rate or the value determined using the exchange rate prevailing at the balance sheet date.

Consequently only realized foreign exchange gains and losses and unrealized foreign exchange losses are taken into account in the profit and loss account.

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NOTES TO THE ANNUAL ACCOUNTS

As at December 31, 2016

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Formation expenses

The rate and the depreciation method is the following:

Depreciation	Depreciation rate	Depreciation method
Formation expenses	20 %	straight line depreciation

Deferred charges

Expenditure incurred during the financial year but attributable to a subsequent financial year are shown under the asset item "Deferred charges".

Debts

Debts are recorded at their reimbursement value. Where the total amount repayable on any debt exceeds the amount received, the difference may be capitalized. It must be shown separately in the balance sheet or in the notes to the annual accounts. The amount of this difference must be written off in annual instalments of a reasonable amount and must be fully written off no later than the time of repayment of the debt.

Receivables

The receivables are stated at their nominal value. A value adjustment is recorded when the estimated realizable value is lower than the nominal value. The realizable value is estimated on the basis of the information available to the Board of Directors. These value adjustments are not continued if the reasons for which the value adjustments were made have ceased to apply.

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NOTES TO THE ANNUAL ACCOUNTS

As at December 31, 2016

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

Provisions are intended to cover losses or debts the nature of which is clearly defined and which at the date of the balance sheet are either likely to be incurred or certain to be incurred but uncertain as to their amount or as to the date on which they will arise. Provisions may also be created in order to cover charges which have their origin in the financial year under review or in a previous financial year, the nature of which is clearly defined and which at the date of the balance sheet are either likely to be incurred, or certain to be incurred but uncertain as to their amount or as to the date on which they will arise. Provisions may not be used to adjust the values of assets.

Provisions relating to previous periods are regularly reviewed and released if the reasons for which the provisions were recorded have ceased to apply.

Gross result

The gross result comprises the amount in relation to the management company services after deduction of waiver fees directly linked to the turnover.

Comparative figures

Following the law of December 18, 2015, amending the law of December 19, 2002, and the Grand-Ducal Regulation of December 18, 2015 dealing with the presentation of the balance sheet and profit and loss account, the presentation of the annual accounts has been modified when compared to the presentation used in respect of the financial year ended December 31, 2015. As a consequence and in order to ensure adequate comparability across both financial years, certain comparative figures in respect to the financial year ended December 31, 2015 have been reclassified.

NOTES TO THE ANNUAL ACCOUNTS

As at December 31, 2016

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NOTE 3 - FORMATION EXPENSES

In EUR	Formation expenses
Cost:	
<i>At January 1, 2016</i>	69,468
Additions	-
Disposals	-
<i>At December 31, 2016</i>	<u>69,468</u>
Accumulated amortization:	
<i>At January 1, 2016</i>	-
Amortization for the year	23,156
Disposals	-
<i>At December 31, 2016</i>	<u>23,156</u>
Net book value:	
<i>At December 31, 2016</i>	<u>46,312</u>
<i>At December 31, 2015</i>	<u><u>69,468</u></u>

NOTE 4 - DEFERRED CHARGES

The deferred charges mainly consists of prepaid IT costs.

Swedbank Management Company S.A.

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NOTES TO THE ANNUAL ACCOUNTS

As at December 31, 2016

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NOTE 5 - CAPITAL AND RESERVES

In EUR	Subscribed capital	Share issue and equivalent premiums	Profit or loss brought forward	Profit or (loss) for the financial year	Total
As at January 1, 2016	500,000	11,800,000	(11,247,074)	262,996	1,315,922
Allocation of prior year result	-	-	262,996	(262,996)	-
Profit for the year	-	-	-	77,162	77,162
Capital injection	-	-	-	-	-
As at December 31, 2016	500,000	11,800,000	(10,984,078)	77,162	1,393,084

Swedbank Management Company S.A.

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NOTES TO THE ANNUAL ACCOUNTS

As at December 31, 2016

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NOTE 5 - CAPITAL AND RESERVES (continued)

Subscribed capital

At December 31, 2016, the Company's authorized capital amounts to EUR 500,000 (2015: EUR 500,000) represented by 250,000 shares of a nominal value of EUR 2 each. All the shares have been subscribed and are fully paid.

Share issue and equivalent premiums

The Company's "other reserve" amounts to EUR 11,800,000 and is compliant with the Luxemburgish law. The Company is required to have a capital amounting to 0.2 % of the assets under management (AuM) in excess of EUR 250m and deducted with actual losses.

NOTE 6 - PROVISIONS

As at December 31, 2016, provisions were composed of provisions for corporate income tax, net wealth tax, audit and legal fees and a provision for bonus to staffs.

NOTE 7 - DEBTS

	2016	2015
	EUR	EUR
Amounts owed to credit institutions	-	1,000,000
Debt to trade creditors	12,704	-
Tax and social security	49,884	43,492
Other creditors	426	-
TOTAL	63,014	1,043,492

"Amounts owed to credit institutions" EUR 1,000,000 was an annual revolving loan from Swedbank AB to bridge the liquidity need for the Company. The loan has been reimbursed on March 29, 2016.

NOTES TO THE ANNUAL ACCOUNTS

As at December 31, 2016

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NOTE 8 - GROSS RESULT

The gross result includes income received from the activities in relation to management company services and alternative investment fund manager services of one or several:

- undertakings for collective investment in transferable securities authorized according to the Directive 2009/65/EC, as amended from time to time ("UCITS"),
- alternative investment funds within the meaning of the Directive 2014/61/EUU, as amended from time to time ("AIF"),
- other collective investment funds not covered by these Directives ("UCI") on behalf of their unitholders or shareholders in accordance with the provisions of chapter 15 of the Luxembourg law of December 17, 2010 on undertakings for collective investment, as amended from time to time (the "2010 Law") and the law of July 12, 2013 relating to alternative investment fund managers, as amended from time to time (the "2013 Law").

NOTE 9 - INCOME TAX

The income tax charge for the year is as follows:

	2016	2015
	EUR	EUR
Current income tax	<u>1,605</u>	<u>5,350</u>
TOTAL	<u>1,605</u>	<u>5,350</u>

NOTE 10 - OTHER TAXES

Other taxes consists of net wealth tax of EUR 6,250 and of taxes on premiums of EUR 12,564 regarding the corporate complementary pension plan.

Swedbank Management Company S.A.

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NOTES TO THE ANNUAL ACCOUNTS

As at December 31, 2016

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NOTE 11 - OTHER OPERATING CHARGES

Other operating charges include an amount of EUR 41,828 for non-deductible VAT, EUR 25,000 for CSSF fees and a reversal of a bad debt reserve of EUR 15,118 and other general administrative costs

NOTE 12 - EMPLOYEE INFORMATION

The average number of staff employed by the Company during the year is as follows:

	2016	2015
Managerial bodies	4	3
Employees	<u>3</u>	<u>1</u>
TOTAL	<u>7</u>	<u>4</u>

NOTE 13 - OFF BALANCE SHEET COMMITMENTS

The Company does not have any off balance sheet commitments.

NOTE 14 - RELATED PARTIES

The transactions with related parties that occurred during the year are related to financing activities (we refer to note 7) and service charges of EUR 7,251 (2015: EUR 20,342) with other subsidiaries and branches within the Group.

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NOTES TO THE ANNUAL ACCOUNTS

As at December 31, 2016

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NOTE 15 - AMOUNT OF ADVANCES AND LOANS GRANTED TO MANAGEMENT AND SUPERVISORY BODIES

As at December 31, 2016, the Company has not granted any loans to the members of its administrative, managerial and/or supervisory bodies (2015: EUR 0.00).

NOTE 16 - POST BALANCE SHEET EVENTS

There were no post balance sheet events after December 31, 2016.