Annual Report

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Beginning of financial year: 1 January 2015
End of financial year: 31 December 2015
Depositary: Swedbank AS
Auditor: AS Deloitte Audit Eesti
Enclosed documents: Independent Certified Auditor’s Statement
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Management Report

Danske Invest New Europe Fund is an open-ended common investment fund established in 1998 that meets the requirements of the European Union UCITS Directive. The Fund invests its assets mainly in the equities traded on the stock exchanges of European Union Member States that joined in 2004 or states that are looking to join the European Union in the future. The Fund also invests in equities that are traded on other markets, but which are issued by issuers whose business operations are largely related to countries of the so-called New Europe and the European convergence area. The Fund's investment universe therefore borders mainly on the financial markets of Central and Eastern Europe (CEE), the Baltic States and the Balkan countries.

The comparison index of the Fund is the Dow Jones STOXX EU Enlarged Total Market Index (EUETMP Index), which covers ca 95% of the free float of the market capitalisation of New Europe. An important part of the Fund’s investment strategy is the condition that the Fund can invest in the securities of no more than 25 issuers at a time, which leaves the proportion of one position in the portfolio at 4% on average. This means that the dispersion of the Fund is lower when compared to a typical equity investment fund that is focussed on Central and Eastern Europe and its concentration risk is higher than average.

The Fund’s portfolio consists mainly of the most attractive large companies in the region, and we have also added a selection of small and medium-sized companies with high growth potential. We continue combining the so-called bottom-up method [based on the evaluation of a company’s fundamental value] with the so-called top-down approach [based on a general analysis of the regional and global economic environment] when investing the Fund’s assets. The goal is to find equities that are valued low and to exit overvalued equities at the right time whilst attentively observing and analysing the region’s macro environment and the other significant economic and political developments occurring in the states.

The net asset value of the Fund as at the end of 2015 was 2.25 million euros (2.47 million euros at the end of 2014). The number of circulating units of the Danske Invest New Europe Fund was 1,324,842 as at the end of 2015.

The NAV of a Fund unit increased from 1.59038 euros to 1.70179 euros or by 7% between 1 January and 31 December 2015, exceeding the yield of the benchmark index by 14.4%. The benchmark index of the Fund decreased by 7.4% in the same period.
As at 31 December 2015, the standard deviation of the Danske Invest New Europe Fund for the last 24 months based on annual performance was 8.9%. The annualised standard deviation of the Fund’s benchmark index, the EUETMP Index, in the same period was 11.9%.

As of the end of 2015 a total of 88.5% of the Fund’s assets were invested in equities and 11.5% of the assets consisted of cash in bank and overnight deposits. The Fund’s assets were invested in the equities traded on the stock markets of Poland, the Czech Republic, Hungary, Estonia, Lithuania, Romania, Turkey and Austria. The five largest positions of the Fund at year end were Ciech S.A (Poland, 7.2%); fuel company PKN Orlen (Poland, 6.4%); tobacco manufacturer Philip Morris (Czech Republic, 5.9%); pharmaceutical manufacturer Richter Gedeon (Hungary, 6.2%) and Estonian shipping group Tallink Grupp (5.7%).

The biggest contribution to the positive total returns of the Fund in 2015 was made by the investment in the Czech chemical industry Ciech S.A, which was the biggest position in the portfolio for most of the year. Hungarian commercial bank OTP Bank, pharmaceutical manufacturer Richter Gedeon,
Austrian bank Erste and telecommunications company O2 Czech Republic, which all increased by more than 50% in euros over the year, proved to be good investments. Estonian and Czech positions also worked well and demonstrated the best growth in terms of regions. Unlike Hungary and Austria, the Polish financial companies in the portfolio underwent a big fall, which had the biggest negative impact on the total returns of the Fund. In terms of sector allocation, the Fund was underweight in the financial sector and noticeably overweight in the energy sector and industry in comparison with the benchmark index. In the geographic allocation of the Fund, the share of Polish investments was significantly smaller and the proportion of Estonian investments was larger in comparison with the benchmark index. These factors were the main reason why the New Europe Fund was able to offer a higher rate of return than the benchmark index. The Fund did not participate in new issues or IPOs in 2015.

In general, 2015 was rather volatile for the region of New Europe as well as for the rest of the world. The changes made by the US Federal Reserve in monetary policy and the resulting strengthening of the USD as well as the fluctuations on the bond market caused uncertainty in the outlook of the financial markets and revaluation of various asset classes by investors. The instability of the Chinese financial system, slowdown of economic growth and collapse of commodity prices [incl. oil] increased the insecurity on global markets. In addition to said negative factors, the region of New Europe was further weakened by local problems such as the geopolitical uncertainty in respect of Russia [incl. the conflict between Russia and Turkey], the popular rhetoric of the new Polish government and its hostile steps against the financial market, which made the Polish equity market undergo the biggest fall in the region. However, if we look at the macroeconomic status of the given region as a whole, we can say that 2015 passed with good dynamics. The financial status of several countries became stronger and they continued with economic growth indicators that were two to three times faster than those of Western Europe. The main engines of economic growth were the low oil price, increasing domestic demand, improved employment rate and the ability to adapt to low commodity prices. The New Europe countries also stood out with improved public sector balance sheets, increased competitiveness as a result of cheaper currencies and decrease of the private sector loan burden (except Turkey). These trends helped the Czech stock exchange achieve 8% annual total returns with dividends, whilst the same indicator in Hungary was 44% in euros. Baltic markets also experienced good growth in the year - total returns with dividends were 7.4% at the Lithuanian stock exchange and 19% in Estonia. It is possible that the mitigation of sanctions against Russia may help restore the interest of investors in the New Europe region in the future.

The macroeconomic outlook of the New Europe region in 2016 is positive. Low oil prices, continuation of stimulating monetary policy and stable recovery of the labour market may again be the factors that support growth. Also, private consumption in the region should be favourably influenced by the level of the household loan burden that has improved in recent years. We can see that the equity markets of emerging European countries remain attractive and there are companies that are expected to achieve a good increase in profits and dividend rates. We will continue focusing on companies whose economic activities are aimed at stable growth and economic sectors/geographic regions that are not burdened by excessive debt rates and where the geopolitical situation is favourable. We expect moderate positive performance among New European equity markets and consequently also the Fund’s investments in 2016.

In February 2015 Danske Bank, the sole shareholder of Danske Capital, announced its plan to focus on corporate banking and providing services to the private banking clients associated with them in the Baltic States. As a result of the changed strategy, Danske Bank A/S decided to sell all of the shares of Danske Capital to AS LHV Varahaldus. The relevant agreement was signed on 29 January 2016.

The transaction will enter into force once it has been approved by the Financial Supervision Authority and the Competition Board, and should be completed by the end of the first half of 2016. The resulting merger of management companies should take place during Q3.

Danske Capital will continue with its activities in the present direction until the merger of the companies in 2016. Funds with similar strategies will be merged later, after the merger of the management companies.

31 March 2016
## Financial Statements

### Financial Position Report

<table>
<thead>
<tr>
<th></th>
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<tbody>
<tr>
<td><strong>Assets of Fund</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>3, 4</td>
<td></td>
<td>177,742</td>
<td>267,515</td>
</tr>
<tr>
<td>Financial assets at fair value with change in income statement</td>
<td>4, 5</td>
<td></td>
<td>1,995,727</td>
<td>2,200,816</td>
</tr>
<tr>
<td>Receivables and prepayments</td>
<td>6</td>
<td></td>
<td>85,208</td>
<td>3,854</td>
</tr>
<tr>
<td><strong>Total assets of Fund</strong></td>
<td></td>
<td></td>
<td>2,258,677</td>
<td>2,472,185</td>
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<tr>
<td><strong>Liabilities and NAV of Fund</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total financial liabilities</td>
<td>7</td>
<td></td>
<td>4,074</td>
<td>4,360</td>
</tr>
<tr>
<td>NAV of Fund assets belonging to unit-holders</td>
<td>8</td>
<td></td>
<td>2,254,603</td>
<td>2,467,825</td>
</tr>
<tr>
<td><strong>Liabilities and NAV of Fund</strong></td>
<td></td>
<td></td>
<td>2,258,677</td>
<td>2,472,185</td>
</tr>
</tbody>
</table>

The notes given on pages 11-25 form an inseparable part of the Financial Statements.
## Income Statement of Fund

<table>
<thead>
<tr>
<th></th>
<th>Note no.</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income of Fund</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest income</td>
<td>9</td>
<td>12</td>
<td>85</td>
</tr>
<tr>
<td>Dividend income</td>
<td>9</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>65,028</td>
<td>74,388</td>
</tr>
<tr>
<td>Net profit/loss at fair value on financial assets and liabilities recognised via income statement</td>
<td>9</td>
<td>160,932</td>
<td>-97,579</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income of Fund total</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>225,972</td>
<td>-23,106</td>
</tr>
<tr>
<td>Total operating expenses of Fund</td>
<td>10</td>
<td>-51,629</td>
<td>-54,247</td>
</tr>
<tr>
<td>Profit/loss of Fund</td>
<td></td>
<td>174,342</td>
<td>-77,353</td>
</tr>
</tbody>
</table>

The notes given on pages 11-25 form an inseparable part of the Financial Statements.
### Statement of Changes in Net Asset Value of Fund

<table>
<thead>
<tr>
<th>Description</th>
<th>Note no.</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>NAV of Fund at beginning of financial year</td>
<td>2015</td>
<td>2,467,825</td>
<td>2,728,193</td>
</tr>
<tr>
<td>Receipts for issued units</td>
<td>2015</td>
<td>65,742</td>
<td>73,147</td>
</tr>
<tr>
<td>Payouts for redeemed units</td>
<td>2015</td>
<td>-453,306</td>
<td>-256,162</td>
</tr>
<tr>
<td>Profit/loss of Fund</td>
<td>2015</td>
<td>174,342</td>
<td>-77,353</td>
</tr>
<tr>
<td>NAV of Fund at end of financial year</td>
<td>2015</td>
<td>2,254,603</td>
<td>2,467,825</td>
</tr>
<tr>
<td>NAV of Fund per unit at end of financial year</td>
<td>2015</td>
<td>1.70179</td>
<td>1.59038</td>
</tr>
<tr>
<td>Number of units in circulation at end of financial year</td>
<td>2015</td>
<td>1,324,842</td>
<td>1,551,724</td>
</tr>
</tbody>
</table>

The notes given on pages 11-25 form an inseparable part of the Financial Statements.
## Cash Flow Statement

<table>
<thead>
<tr>
<th>Note no.</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flow from Fund’s operating activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest received</td>
<td>12</td>
<td>81</td>
</tr>
<tr>
<td>Dividends received</td>
<td>68,726</td>
<td>70,075</td>
</tr>
<tr>
<td>Net result from changes in exchange rates</td>
<td>9,204</td>
<td>1,516</td>
</tr>
<tr>
<td>Money received from investments sold</td>
<td>270,713</td>
<td>81,374</td>
</tr>
<tr>
<td>Money paid on investments purchased</td>
<td>0</td>
<td>-26,072</td>
</tr>
<tr>
<td>Operating expenses paid</td>
<td>-51,490</td>
<td>-54,506</td>
</tr>
<tr>
<td><strong>Cash flow from Fund’s operating activities</strong></td>
<td>297,165</td>
<td>72,468</td>
</tr>
</tbody>
</table>

| Money received for Fund units | 65,742 | 73,147 |
| Money paid for Fund units | -453,306 | -256,162 |
| **Cash flow from Fund’s financing activities** | -387,564 | -183,015 |

| Total cash flow | -90,399 | -110,547 |

| Cash and cash equivalents |       |       |
| start of period | 267,515 | 380,960 |
| change in cash and cash equivalents | -90,399 | -110,547 |
| impact of exchange rates on foreign currency | 626 | -2,898 |
| end of period | 177,742 | 267,515 |

The notes given on pages 11-25 form an inseparable part of the Financial Statements.
Notes to Financial Statements

Note 1 Accounting Principles and Procedures

1 General Information

The Danske Invest New Europe Fund (hereinafter the Fund) is an open-ended public fund, which means that it consists of money collected through a public offer of units and other assets earned from the investment of the fund’s money, which is owned collectively by unit-holders and managed by the Management Company. The Fund is a UCITS, which means that the Fund complies with the requirements of Council Directive 52/611/EEC of 20 December 1985 and that the Fund units can be offered publicly in all contracting states of the European Economic Area. The Fund is managed by Danske Capital AS (hereinafter the Management Company), registered office: Narva mnt 11, 15015 Tallinn.

The objective of the Fund is to increase the value of the assets of the Fund’s unit-holders in the mid-term perspective by investing the assets in shares of issuers in Emerging European countries who have joined or intend to join the European Union in the future, and other countries that are under the direct influence of the above-mentioned convergence area. In addition to shares, up to 20% of the total assets of the Fund may be deposited with credit institutions, invested in money market instruments and debentures that mature in up to 13 months, and in the units or shares of such funds as can be regarded as money market funds under Estonian or a foreign country’s law.

2 Basis of Preparation of Report

The Fund’s accounting and reporting are organised pursuant to the Accounting Act, the Investment Funds Act, the Funded Pensions Act, the legislative documents issued on the basis thereof, the International Financial Reporting Standards adopted by the European Commission, interpretations of the IFRS and the Fund’s rules.

The financial Status Report, Income Statement, Statement of Changes in Net Asset Value of Fund, Cash Flow Statement and Notes to the Fund’s Financial Statements 2015 were prepared according to the Minister of Finance Regulation No. 21 ‘Requirements for Reports of Investment Funds Subject to Disclosure’ of 13 April 2011 (version entered into force on 18 December 2011).

The financial year of the Fund began on 1 January 2015 and ended on 31 December 2015.

The Fund’s accounting currency and presentation currency is the euro. The Financial Statements were prepared to the accuracy of 1 euro.

2.1 Use of Estimates and Decisions

The management of the Fund, incl. making investment decisions, is based on the Rules of the Funds that comply with law and the internal procedures of the Management Company.

The decisions and estimates made in the course of the aforementioned process were proceeded from the in preparation of the Financial Statements of the Fund. Estimates and the premises related to them are based on historical experience and several other facts that are presumed to be relevant and proceed from the circumstances that shape the principles for evaluation of assets and liabilities that do not arise directly from other sources. Actual results may be different from estimates.

Estimates and the premises they are based on are periodically reviewed. The impact arising from the review of accounting estimates is recognised during the period of change and in the future periods affected by the change.

The main accounting policies and procedures used in the preparation of these Financial Statements, which proceed from the Management Company’s internal document ‘Procedure for Determining the Net Asset Value of Investment Funds’ that complies with law, are given below. Said policies and procedures are applied proceeding from the principle of continuity and comparability, and the content and impact of changes in evaluations are explained in the relevant notes. If the presentation or
classification method of the entries in the Financial Statements has been changed, the reference indicators of the previous period have also been reclassified accordingly.

The Management Board has assessed the continuity of the Fund’s operations and confirms that the Fund will be continuously operating in the next 12 months.

3 Important Accounting Policies and Procedures

3.1 Calculation of Financial Assets and Liabilities.
Cash, securities, deposits, accrued income, other receivables and derivative instruments are deemed to be financial assets. Accrued liabilities to the Management Company and other liabilities are deemed to be financial liabilities.

Financial assets and liabilities are initially recorded at their acquisition cost, which is the fair value of the consideration paid for the financial asset in question. Purchases and sales of financial assets under ordinary market conditions are recognised, or their recognition stops, using calculations based on the transaction date or the date when the Fund entered into the contract concerning the instrument. Transactions for subscription and redemption of fund units, which take place on a subscription scheme based on amount rather than price and on a redemption scheme based on quantity rather than price, may be an exception. Such transactions are recognised on the basis of the transaction date as the information of the fund unit purchase and sale price becomes available on the value date.

The commission and transaction fees that accrued in relation to the acquisition and sale of securities but have not yet been paid are recognised on the transaction date in the Fund’s income statement under total operating expenses of the Fund.

3.2 Transactions in Foreign Currencies; Financial Assets and Liabilities Specified in Foreign Currency
Financial assets and liabilities specified in a foreign currency on the reporting date are converted on the same date on the basis of the exchange rates effective in the Fund’s Depositary. The profits and losses earned from currency transactions and revaluation of currency positions are recognised in the income statement under net profit/loss at fair value on financial assets and liabilities recognised via the income statement.

3.3Offsetting
Financial assets and liabilities are offset and the obtained net amounts are recognised in the financial position report only if the Fund is legally entitled to offset and it intends to offset the assets and liabilities in the net amount or sell the asset and perform the liability at the same time.

3.4 Financial Assets
Cash, deposits, securities and accrued income, other receivables and derivative instruments are recognised as financial assets. Securities mean the financial instruments specified in § 2 of the Securities Market Act.

3.4.1 Classification of Financial Assets
Financial assets are classified depending on the purpose for which the assets were acquired into one of the following categories:

- financial assets at fair value with change via income statement; or
- investments held until redemption date;
- loans and receivables; or
- financial assets ready for sale.

The category to which financial assets belong is evaluated upon initial recognition. The Fund has classified financial assets into the following categories:
financial assets at fair value with change via income statement; or
loans and receivables.

Financial assets recognised at fair value with change via the Fund’s income statement are financial assets held for the purpose of trading and the financial assets classified as financial assets recognised at fair value with change via the Fund’s income statement when initially recognised. Financial assets are deemed financial assets recognised at fair value with change via the Fund’s income statement if the Fund manages such investments and makes purchase and sale decisions on the basis of their fair value according to the Fund’s documented risk management and investment strategy. The transaction costs attributed to the investment on initial recognition are recognised as expenses for the period. Financial assets recognised at fair value with changes via the Fund’s income statement are measured at fair value and changes in them are recognised during the financial year on the Fund’s income statement as net under net profit/loss at fair value on financial assets and liabilities recognised via income statement.

Financial assets recognised at fair value with change via the income statement are the financial instruments specified in § 2 of the Securities Market Act:

1) a share or other similar tradable right;
2) a bond, convertible security or other tradable debt obligation issued, except a money market instrument;
3) a subscription right or other tradable right that grants the right to acquire the securities specified in clauses 1 or 2;
4) an investment fund unit;
5) a money market instrument;
6) a derivative instrument or derivative contract;
7) a tradable depositary receipt.

Loans and payables are financial assets that are not derivative instruments with payments that are or will be fixed, which are not quoted in an active market. Loans and payables are recognised in the financial position report at fair value.

Cash and cash equivalents, payables to brokers and other payables are recognised as loans and payables.

3.4.2 Further Measurement of Financial Assets and Determination of Net Asset Value of Fund

After initial recognition the Fund evaluates financial assets pursuant to the Procedure for Determining the Net Asset Value of Investment Funds, which has been approved by the management board of the Management Company, at fair value with change via the Fund’s income statement. The realised income and expenses of financial assets are recognised at fair value with change via the Fund’s income statement. The unrealised income and expenses arising from changes in the fair value of financial assets are recognised in the Fund’s income statement during the period of their accrual.

Pursuant to IFRS 13 the Fund uses the following evaluation techniques in the hierarchy of assets measured at fair value:

1. level – financial instruments whose fair value is determined on the basis of the prices quoted on the active market This category comprises equities; units and shares of open-ended investment funds; and bonds that are evaluated using the quoted price or using the net asset value if the open-ended investment fund is not listed on the stock exchange;
2. level – financial instruments whose fair value is determined using an evaluation technique whose input is market information [rates and yields of similar transactions];
3. level – financial instruments whose fair value is determined using other evaluation methods [e.g. the discounted cash flow method] with estimated input.

Note 5 presents an overview of the evaluation technique used as a result of the hierarchy of assets measured at fair value.
The NAV of the Fund is determined on the basis of the Management Company’s Procedure for Determining the Net Asset Value of Investment Funds, which complies with the provisions of the Securities Market Act, the Investment Funds Act and the regulations of the Minister of Finance concerning the determination of the NAV of investment funds.

The value of the Fund’s assets, from which the claims against the fund set forth in legislation are subtracted, is calculated in order to determine the NAV of the Fund. The NAV of the Fund unit is calculated by dividing the NAV of the Fund by the number of all units of the Fund issued by the time of calculation.

The principles for determining the NAV of the fund are as follows:

1) The value of cash and cash equivalents is established on the basis of their book value. Balances of demand deposits in bank accounts and balances of overnight deposits are recognised as cash and cash equivalents in the Fund’s Financial Status Report. The interest accrued on deposits is calculated on an accrual basis and recognised under receivables and prepayments in the financial status report.

2) All currencies except the euro are deemed to be foreign currencies. Assets and liabilities in foreign currencies are converted into euros on the basis of the exchange rate as at the balance sheet date based on the exchange rates of the depository Danske Bank A/S Estonia branch.

3) When determining the fair value of a debt security traded on a regulated market in an ordinary situation, the Management Company proceeds from the procedure established in the Procedure for Determining the Net Asset Value of Investment Funds based on one of the following methods:
   1) the average price calculated by the Management Company;
   2) the closing price of the regulated market; or
   3) non-market purchase quote.

4) When determining the fair value of other securities traded on a regulated market the Management Company proceeds from the closing price of the regulated market on the valuation date. If there is no such price, the fair value of the debt security is determined on the basis of the closing price of the regulated market on the working day preceding the valuation date or the last known closing price of the regulated market.

5) The basis for determining the value of a security not traded on a regulated market is its fair value, which is first and foremost the purchase quote of a professional securities market participant for which said market participant is prepared to perform a transaction with the relevant security. The Management Company approves a list of market participants whose quotes may be used.

6) The fair value of the investment fund units belonging to the assets of the Fund that are tradeable on the regulated market (primarily ETFs or Exchange Traded Funds) is the last known closing price on the regulated market. If the closing price is not available or if the management company finds that it does not reflect the fair value of the fund unit, the value will be determined similarly to the value of a non-tradeable investment fund unit.

The value of a non-tradeable investment fund unit is its last known net asset value or redemption price if the transaction actually took place with a redemption price that is smaller than the net asset value.

Further recognition of loans and receivables is done at adjusted acquisition cost.

**3.4.3 Impairment of Financial Assets**

If the fair value of a financial asset cannot be determined, the Management Company proceeds from objective evidence of the possible value of the financial asset or a group of financial assets.

The circumstances that refer to potential impairment of financial assets may be serious financial difficulties of a debtor or a group of debtors, non-performance of obligations or insolvency in regard to interest or principal payments, likelihood of bankruptcy or financial reorganisation and significant decrease in cash flow that may be concluded on the basis of accessible data, such as changes in debts or in economic conditions that can be associated with breaches of obligations.
Impairment of financial assets is primarily calculated via the fair value of the assets. All losses generated by impairment are recognised in the Fund’s income statement.

When loss from impairment of financial assets decreases and this decrease can be objectively tied to an event, which occurs after the recognition of the impairment, the previously recognised loss from impairment of financial assets is deleted.

3.4.4 Derecognition of Financial Assets

The Fund derecognises financial assets when the contractual rights that guarantee the cash flow obtained from the assets has ended or if the Fund has transferred the rights to the cash flow obtained from the financial assets with a transaction with which the significant risks and benefits related to the right of ownership were transferred. The Fund recognises the rights created or preserved in relation to the transferred financial assets as a separate asset or liability.

3.5 Financial Liabilities

Financial liabilities are classified into one of the following categories depending on their essence:

- financial liabilities recognised at fair value with change via the Fund’s income statement;
- financial liabilities recognised at adjusted acquisition cost.

The category to which a financial liability belongs is evaluated upon initial recognition. The Fund has classified financial liabilities into the category of financial liabilities recognised at adjusted acquisition cost.

Payables to the Management Company for management of the Fund, to the depositary for the provision of depositary service and transaction fees, payables to brokers and other liabilities are recognised as the Fund’s financial liabilities. The cost of purchased securities whose value date has not arrived yet is indicated as other liabilities.

The Fund pays the Management Company an agreed fee for managing the Fund. The rate of the management fee is 0.005% per day calculated daily on the market value of the Fund’s assets.

The Fund pays the depositary a charge for the depositary services provided. The rate of the depositary’s charge is 0.216% of the market value of the Fund’s assets per year, calculated on a daily basis, if the proportion of Romanian, Bulgarian and Croatian securities in the total market value of the assets is smaller than or equal to 15%. The depositary’s charge is 0.295% of the market value of the Fund’s assets per year, provided that the total share of Romanian, Bulgarian and Croatian securities in the market value of the assets of the Funds is higher than 15%. The depositary’s charge is subtracted from the market value of the Fund’s assets on a daily basis.

3.5.1 Further Measurement of Financial Liabilities

After initial recognition the Fund evaluates financial liabilities at adjusted acquisition cost.

3.5.2 Derecognition of Financial Liabilities

The Fund derecognises a financial liability after it has been satisfied or after it has expired or ended.

3.6 Settlements with Unit Holders after Determination of the Net Asset Value of the Fund

3.6.1 Unit Issue Price and Issue Fee

A unit is issued at an issue price. The unit issue price is the NAV of the unit as at the day the invested amount of money is received in the Registrar’s account, which may be subject to a unit issue fee. The unit issue fee is payable to the Management Company by the unit-holder who acquired the unit. Information about the applicable unit issue fee is included in the Fund prospectus.
3.6.2 Unit Redemption Price and Fee

Units are redeemed at the redemption price. The redemption price of a unit is the NAV of the unit as at the day the unit redemption order is received by the Management Company, which may be subject to a unit redemption fee. The unit redemption fee is payable to the Management Company by the unit-holder who redeemed the unit. Information about the applicable unit redemption fee is included in the published Fund prospectus.

3.7 Income Tax

The Fund is not a taxable person pursuant to the effective Income Tax Act. Payouts made to unit-holders are subject to income tax.

3.8 Related Parties

For the purposes of this report, related persons are the Management Company and the other investment and pension funds managed by the Management Company, companies belonging to the same group as the Management Company and members of the supervisory board and management board of the Management Company and its parent company. Pursuant to the Rules of the Fund the Fund pays the Management Company a management fee and the depositary service charges every month. The Management Company has carried out transactions with Danske Bank A/S Estonia branch, an entity belonging to the same group as the Management Company, on behalf of the Fund during the financial year.

3.9 Income

Interest income is recognised in the Fund’s income statement for all instruments recognised at adjusted acquisition cost using the internal interest rate method or at fair value with change via the Fund’s income statement in terms of recognised bonds.

The internal interest rate method is a method for calculating the adjusted acquisition cost of a financial asset or liability and dividing the interest income or interest expenses for the relevant period. Internal interest rate is the rate that discounts the presumed future cash flow to the book value of the financial asset or liability via the anticipated useful life of the financial instrument in such a manner that the interest rate in respect of the instrument’s residual value is always the same.

The dividends received on equities and fund units are recognised in the Income Statement when the Fund has become entitled to receive dividends.

The management fee repayments received by the Fund are recognised under other financial income in the Income Statement. If the Fund’s assets are invested in a fund managed by another management company, the Management Company repays the management fee charged on the invested amount fully to the investing fund. Such repayments of management fees are entered in the Fund’s accounts once a month. The calculated management fee repayments are transferred to the Fund’s account once a quarter.

3.10 New Financial Reporting Standards

The Fund has started using the following new standards and standard amendments [incl. amendments to other standards arising from these] that were first implemented on 1 January 2015:


- Interpretation IFRIC 21 “Levies”. The interpretation focuses on the accounting of the taxes and levies established by the government [excl. income tax]. The implementation of this interpretation had no impact on the financial statements.
Standards, amendments and interpretations of existing standards that become mandatory from 1 January 2016 or in later periods or which are not yet in force and which in the opinion of the management of the Management Company do not have a significant impact on the Fund’s financial reporting.

- IFRS 9 “Financial Instruments” will be applied to accounting periods starting on 1 January 2018 or later, after approval in the EU. IFRS 9 will replace the standard IAS 39. The standard established a new framework for the classification and measurement of financial assets, requirements for recognising financial liabilities in accounting, rules for impairment of financial assets and special rules for risk management accounting.

- IFRS 15 “Revenue from Contracts with Customers” (will be applied to accounting periods starting on 1 January 2018 or later, after approval in the EU). The standard will establish a model that will be applied to revenue earned from contracts with customers irrespective of the area of activity or type of revenue transaction. Disclosure requirements will also increase considerably.

- IFRS 16 “Leases” (will be applied to accounting periods starting on 1 January 2019 or later, hasn’t been adopted in the EU yet) will replace IAS 17 and specify how leases must be recognised, measured and presented as well as disclosure requirements in financial statements.

- Amendments to IAS 1 “Presentation of Financial Statements: Disclosure Initiative” (will be applied to accounting periods starting on 1 January 2016 or later, after approval in the EU). The amendments will specify IAS 1 to simplify the use of judgments about the manner of presentation of financial statements. The amendments clarify the guidelines of IAS 1 regarding materiality, aggregation of information, presentation of interim amounts, structure of financial statements and disclosure of accounting policies and procedures.

- Amendments to IAS 16 “Property, Plant and Equipment” and IAS 38 “Intangible Assets”: clarification of acceptable methods of depreciation.

- Amendments to IAS 19 “Employee Benefits”.

3.11 Cash Flow Statement

The cash flow statement recognises the receipts and payouts of the Fund’s cash and cash equivalents during the reporting period. The cash flow statement is presented using the direct method whereby the receipts and payouts of the financial year are grouped according to their purpose as cash flows from operating activities, investing activities and financing activities.

3.12 Events after Balance Sheet Date

The statement recognises the material circumstances influencing the evaluation of assets and liabilities which occurred between the balance sheet date and the date of preparation of the Fund’s Annual Report by the management board of the Management Company, but which are related to transactions that took place during the financial year or previous periods.

Events after the balance sheet date which have not been considered in the evaluation of assets and liabilities, but which considerably affect the results of the subsequent financial year, are disclosed in the Financial Statements.

In February 2015 Danske Bank, the sole shareholder of Danske Capital, announced its plan to focus on corporate banking and providing services to the private banking clients associated with them in the Baltic States. As a result of the changed strategy, Danske Bank A/S decided to sell all of the shares of Danske Capital to AS LHV Varahaldus. The relevant agreement was signed on 29 January 2016.

The transaction will enter into force once it has been approved by the Financial Supervision Authority and the Competition Board, and should be completed by the end of the first half of 2016. The resulting merger of management companies should take place during Q3.
Danske Capital will continue with its activities in the present direction until the merger of the companies in 2016. Funds with similar strategies will be merged later, after the merger of the management companies.

Note 2 Financial Risk Management

In its everyday activities the Fund faces the following risks the management of which is important and an inseparable part of the Fund’s activities:

- Market Risk
- Credit Risk
- Liquidity Risk

The manner in which the Fund is exposed to these risks, processes and policies used to manage these risks and the Fund’s capital are described below.

Scope of Risk Management

According to the Fund’s investment management strategy the Fund invests assets in various securities for the purposes of the Securities Market Act, including derivative instruments. In order to increase the long term yield of the Fund the Fund invests assets in equities and/or instruments with equity risk, and the share of said instruments may change within the range of 0% to 100% of the Fund’s market value. A part of the Fund’s assets are invested in deposits of credit institutions and other short-term debt obligations in order to guarantee short-term stability and liquidity. In addition to the above the Fund’s assets are also invested in negotiable securities that grant the rights to acquire securities (e.g. subscription rights), units of investment funds, currencies, derivative instruments.

Decisions on the acquisition and closure of the Fund’s investments are made by the fund manager, who has been granted the right to manage the division of the Fund’s investments in order to achieve the investment goals of the Fund. In addition to the fund manager the compliance of the division of the Fund’s investments with the Fund’s investment objectives is also monitored on a daily basis by the Management Company’s risk manager and management board. If the Fund’s investments deviate from the Fund’s investment strategy, the fund manager must bring the Fund’s investments back in compliance with its investment strategy.

The Fund’s risks are managed according to the principles set forth in the Management Company’s risk management procedure and investment risk management procedure. The purpose of said procedures is identification, assessment, measurement, analysis, management, monitoring and follow-up inspection of risks associated with the Fund’s investments as a whole and single investments intended to be made or made for the account of the Fund as well as decision-making processes related to all of the above. The aforementioned procedures and risk management systems are regularly reviewed by the Management Company to reflect changes in market conditions, the Fund’s activities as well as the general environment.

A precondition to investment risk management is that the Management Company acts in good faith, with due diligence and caution, and makes investment decisions proceeding from the Management Company’s due diligence and loyalty obligation to the Fund’s unit-holders, and always acts in their best interests. The Management Company sets the interests of unit-holders above its own interests by preventing and managing the respective conflicts of interest, or in case these cannot be avoided discloses the source and nature of the conflict.

Input in the management of the Fund’s risks includes subsections 51 (6) and 248 (1) of the Investment Funds Act, the guidelines of the Financial Supervision Authority “Requirements for Management of Risks Related to Investment of a Fund’s Assets” [entered into force on 15 February 2010] and the guidelines of the Committee of European Securities Regulators (CESR) ‘Risk Management Principles for UCITS’ regarding the requirements established for the management of the Management Company’s risks.

The main types of the Fund’s risks are market risk (incl. foreign exchange risk, interest rate risk and other price risk), credit risk, liquidity risk and operational risk.
2.1.1 Currency Risk

Currency risk is the risk that the Fund earns unanticipated losses or gains on investments made in foreign currencies due to changes in exchange rates in regard to the Fund’s accounting currency. The Fund is exposed to currency risk, as assets in different foreign currencies may be held in its investment portfolio and the exchange rate between the given foreign currency and the Fund’s accounting currency may move in a direction that is unfavourable to the Fund’s investments.

The Fund’s exposure to currency risk is calculated as a percentage of the NAT of the Fund’s portfolio in regard to the accounting currency and the different foreign currencies. The rules of the Fund stipulate the limits of exposed currency risk and permitted currencies in order to manage the currency risk. The fund manager and the risk manager monitor adherence to these limits every day.

The table below lists the percentages of investments with currency risk in regard to the Fund’s accounting currency in relation to the total value of Fund units in the Fund’s portfolio. In the case of investments made in the shares or units of another investment fund the foreign currency positions arising from the investments made by such a fund are not considered in the calculation of the net open currency position:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>CZK</td>
<td>12.85%</td>
<td>12.26%</td>
</tr>
<tr>
<td>HUF</td>
<td>12.48%</td>
<td>8.44%</td>
</tr>
<tr>
<td>PLN</td>
<td>38.97%</td>
<td>41.56%</td>
</tr>
<tr>
<td>TRY</td>
<td>5.19%</td>
<td>9.51%</td>
</tr>
<tr>
<td>USD</td>
<td>2.63%</td>
<td>3.07%</td>
</tr>
<tr>
<td>Total currency risk</td>
<td>72.11%</td>
<td>74.84%</td>
</tr>
</tbody>
</table>

The extent and impact of currency risk on the Fund’s investments can be analysed with a sensitivity analysis. The following table shows the results of the sensitivity analysis of the impact of currency risk on the total value of the investment portfolio in case of scenarios, whereby the exchange rate between the Fund’s accounting currency and the foreign currency of investments changes within the range of -15% [the Fund’s accounting currency weakens in relation to other currencies] to +15% [the Fund’s accounting currency strengthens in relation to other currencies]:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>-15.00%</td>
<td>10.82%</td>
<td>11.23%</td>
</tr>
<tr>
<td>-10.00%</td>
<td>7.21%</td>
<td>7.48%</td>
</tr>
<tr>
<td>-5.00%</td>
<td>3.61%</td>
<td>3.74%</td>
</tr>
<tr>
<td>5.00%</td>
<td>-3.61%</td>
<td>-3.74%</td>
</tr>
<tr>
<td>10.00%</td>
<td>-7.21%</td>
<td>-7.48%</td>
</tr>
<tr>
<td>15.00%</td>
<td>-10.82%</td>
<td>-11.23%</td>
</tr>
</tbody>
</table>

Detailed information about the representation of currencies in the Fund’s investment portfolio can be found in Note 5.1. Shares.
2.1.2 Interest Rate Risk

Interest rate risk is the risk that changes in the market situation (interest rates go up or down) may cause changes in the interest income earned on investments or changes in the market values of investments. Fixed interest instruments whose redemption date is in the distant future generally offer higher yields and carry higher interest rate risks than instruments with redemption dates in the near future. Fixed income instruments, where the ratio of the yield and the scale of the interest rate risk arising from redemption deadlines is the most optimal, are selected for the Fund's investment portfolio in order to manage interest rate risks.

The Fund's interest rate risk is monitored by the fund manager every day and by the Management Company's risk manager and management board every month.

No financial instruments with an interest rate risk formed part of the Fund's investment portfolio as at 31 December 2015.

2.1.3 Other Price Risk

Price risk is the risk of losses arising from unfavourable changes in the market prices of the financial instruments belonging to the Fund's investment portfolio. Practically all financial instruments carry a price risk, and the main way to manage price risk is to spread investments between different types of financial instruments, market regions, economic sectors etc., provided that the values of single investments in the investment portfolio move at different times and in different directions and the result is the relatively stable total value of the Fund's investment portfolio, in turn provided that the correlation between the given investments is small.

The fund manager monitors the values of the market prices of the different investments of the Fund every day and the Management Company's risk manager and management board monitor them every month.

The scale of the Fund's price risk and the probability of its realisation according to the volatility of the financial instruments in the investment portfolio and their mutual correlation are calculated and managed with the VaR (Value at Risk) method according to the models developed by the Danske Bank A/S Group.

The table below shows the results of the VaR (Value at Risk or the probability of financial loss) and stress-testing calculations as a percentage of the total value of the Fund's units and in millions of euros as at 31 December 2014. VaR – 95% probability that the decrease in the total value of the Fund will not exceed the level of the VaR number. ST – stress-testing, impact of the realisation of extraordinary market conditions on the Fund's investment portfolio (ST1 – recovery of equity markets in 2009; ST2 – Libyan oil shock of 2011; ST3 – Russian financial crisis of 2008; ST4 – oil price decrease in 2010; ST5 – earthquake in Japan in March 2011; ST6 – Greek financial crisis of 2010; ST7 – debt-ceiling crisis and rating lowering of 2011; ST8 – 10% fall of equity market; ST9 – Lehman crisis of 2008):

<table>
<thead>
<tr>
<th>VaR</th>
<th>ST1</th>
<th>ST2</th>
<th>ST3</th>
<th>ST4</th>
<th>ST5</th>
<th>ST6</th>
<th>ST7</th>
<th>ST8</th>
<th>ST9</th>
</tr>
</thead>
<tbody>
<tr>
<td>Probability of loss, %</td>
<td>8.74%</td>
<td>-1.76%</td>
<td>-6.67%</td>
<td>-2.34%</td>
<td>-9.79%</td>
<td>-8.55%</td>
<td>-3.11%</td>
<td>-12.3%</td>
<td>-3.11%</td>
</tr>
</tbody>
</table>

The Investment Report contains the investments made by the Fund in various types of financial instruments and their percentages in the total value of the Fund's units as at 31 December 2015.

Note 2.2 Credit Risk

Credit risk is the risk that the issuer of a security fails to perform its obligations [interest payment, investment principal repayment] and the transaction will generate a loss for the Fund. The risk relates primarily to the debt securities in the Fund's investment portfolio, but also to cash and equivalent positions.

As at 31 December 2015 the funds held in the Fund's current account in the depositary comprised 7.87% of the Fund's assets. The credit rating of the depositary Swedbank AS Estonia branch on 30 December 2015 was AA-. 
**Note 2.3 Liquidity Risk**

Liquidity risk is the risk that the Fund fails to cover the necessary liabilities, expenses and investments due to shortage of cash flow. The fund manager monitors the Fund’s liquidity needs every day in order to manage the liquidity risk. The Fund’s liquidity portfolio or set of liquid assets is primarily influenced by the instrument level, which is why liquidity risk is managed mainly in the course of selecting issuers and instruments. This means that highly liquid instruments are always preferred when investments are made, as they can be sold quickly enough to meet the liquidity needs of the Fund.

The estimated division of the Fund’s liquid and illiquid assets in relation to the total value of the Fund’s units is given in the following table. Assets whose actual sale on a stock exchange, in electronic trading systems or via any other channel may, in consideration of average daily turnovers etc., require the division of the transaction into several partial transactions, and sales over a longer period of time are subjectively regarded as ‘illiquid’ assets. Some equities and other assets traded on the Tallinn Stock Exchange are such assets.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Liquid</td>
<td>71.42%</td>
<td>71.08%</td>
</tr>
<tr>
<td>Illiquid</td>
<td>28.58%</td>
<td>28.92%</td>
</tr>
</tbody>
</table>

The division of financial investments according to the speed of termination of the investment is given in the following table:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to 3 days</td>
<td>100.00%</td>
<td>100%</td>
</tr>
</tbody>
</table>

The Fund’s liquidity needs according to cash flow in relation to subscription and redemption of Fund units is monitored every day by the fund manager and those responsible for the accounting of the Fund via the Fund’s accounting system and the Management Company’s risk management system.

The liabilities of the Fund in relation to the total value of the Fund’s investment portfolio are given in the following table:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Payable to Management Company [30 days]</td>
<td>0.16%</td>
<td>0.16%</td>
</tr>
<tr>
<td>Payable to depositary [3 days]</td>
<td>0.02%</td>
<td>0.02%</td>
</tr>
<tr>
<td>Total financial liabilities</td>
<td>0.18%</td>
<td>0.18%</td>
</tr>
</tbody>
</table>

**Note 2.4 Operational Risk**

Operational risks are related to the Management Company’s internal procedures, systems, staff and external factors. The Fund’s operational risks are identified and the probability of their realisation, the impact of their realisation and the efficiency of their management are assessed once a year by way of self-assessment of operational risk.

Additional risk management measures are developed as a result of the self-assessment of risks if necessary. The deadlines for application of these measures and the persons responsible for the application of these measures are also determined.

The area of investment funds is also influenced by changes in legislation and in regulations concerning supervision. Every change is related to opportunities and threats. This is why the Management Company monitors these areas constantly. The Management Company also participates in the work of the Estonian Association of Management Companies and keeps itself informed of developments in the legislative and regulative environment.
Note 3 Cash and Cash Equivalents

The balance of cash and cash equivalents consists of demand deposits in credit institutions.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Demand deposits</td>
<td>177,742</td>
<td>267,515</td>
</tr>
<tr>
<td>Total</td>
<td>177,742</td>
<td>267,515</td>
</tr>
</tbody>
</table>

Current accounts earn interest on the balances of overnight deposits. The interest rates of overnight deposits in 2015 ranged from 0.00-0.01% (0.00-0.01% in 2014).

Cash and cash equivalents by currency

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>EUR</td>
<td>97,103</td>
<td>124,591</td>
</tr>
<tr>
<td>PLN</td>
<td>80,639</td>
<td>142,924</td>
</tr>
<tr>
<td>Total</td>
<td>177,742</td>
<td>267,515</td>
</tr>
</tbody>
</table>

See more in Note no. 4.

Note 4 Financial Assets and Liabilities by Category

<table>
<thead>
<tr>
<th>Note no.</th>
<th>At fair value with changes in income statement</th>
<th>Loans and receivables</th>
<th>Other liabilities</th>
<th>Book value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>euros</td>
<td></td>
<td></td>
<td>euros</td>
</tr>
<tr>
<td>3</td>
<td>177,742</td>
<td>0</td>
<td>0</td>
<td>177,742</td>
</tr>
<tr>
<td>Financial assets at fair value with changes in income statement</td>
<td>5</td>
<td>1,995,727</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Non-trade receivables</td>
<td>6</td>
<td>0</td>
<td>85,208</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>1,995,727</td>
<td>262,950</td>
<td>0</td>
<td>2,258,677</td>
</tr>
</tbody>
</table>

Adjusted financial liabilities at acquisition cost

<table>
<thead>
<tr>
<th>Note no.</th>
<th>At fair value with changes in income statement</th>
<th>Loans and receivables</th>
<th>Other liabilities</th>
<th>Book value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>euros</td>
<td></td>
<td></td>
<td>euros</td>
</tr>
<tr>
<td>7</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>3</td>
<td>0</td>
<td>267,515</td>
<td>0</td>
</tr>
<tr>
<td>Financial assets at fair value with changes in income statement</td>
<td>5</td>
<td>2,200,816</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>
### Non-trade receivables

<table>
<thead>
<tr>
<th></th>
<th>6</th>
<th>0</th>
<th>3,854</th>
<th>0</th>
<th>3,854</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2,200,816</td>
<td>271,369</td>
<td>0</td>
<td>2,472,185</td>
<td></td>
</tr>
</tbody>
</table>

### Adjusted financial liabilities at acquisition cost

<table>
<thead>
<tr>
<th></th>
<th>7</th>
<th>0</th>
<th>0</th>
<th>4,360</th>
<th>4,360</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>0</td>
<td>0</td>
<td>4,360</td>
<td>4,360</td>
<td></td>
</tr>
</tbody>
</table>

### Note 5 Financial Investments

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial assets at fair value with changes via income statement</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shares</td>
<td>1,995,727</td>
<td>2,200,816</td>
</tr>
<tr>
<td>Total</td>
<td>1,995,727</td>
<td>2,200,816</td>
</tr>
</tbody>
</table>

The following table gives an overview of the evaluation technique used as a result of the hierarchy of assets measured at fair value:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial assets at fair value with changes via income statement</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>177,742</td>
<td>0</td>
</tr>
<tr>
<td>Shares</td>
<td>1,995,727</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>2,173,469</td>
<td>0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>31.12.2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial assets at fair value with changes via income statement</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>267,515</td>
<td>0</td>
<td>0</td>
<td>267,515</td>
</tr>
<tr>
<td>Shares</td>
<td>2,200,816</td>
<td>0</td>
<td>0</td>
<td>2,200,816</td>
</tr>
<tr>
<td>Total</td>
<td>2,468,331</td>
<td>0</td>
<td>0</td>
<td>2,468,331</td>
</tr>
</tbody>
</table>

Levels used in hierarchy:
1. level – market price quoted on a stock exchange or another active market;
2. level – evaluation technique whereby market information [interest rates and yield curves of similar transactions] is used as input; and
3. level – other evaluation methods [such as the discounted cash flow method] with estimated input.

### 5.1 Shares

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Euros</td>
<td>Fair Value</td>
<td>Fair Value</td>
</tr>
<tr>
<td>-------</td>
<td>------------</td>
<td>------------</td>
</tr>
<tr>
<td>Shares quoted on stock exchange</td>
<td>1,995,727</td>
<td>2,200,816</td>
</tr>
<tr>
<td>Total</td>
<td>1,995,727</td>
<td>2,200,816</td>
</tr>
</tbody>
</table>

Shares are divided as follows by the issuer’s country of origin:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Austria</td>
<td>145,015</td>
<td>114,997</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>289,628</td>
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<tr>
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<td>232,901</td>
<td>278,448</td>
</tr>
<tr>
<td>Turkey</td>
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<td>234,761</td>
</tr>
<tr>
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<td>208,281</td>
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<tr>
<td>Lithuania</td>
<td>72,600</td>
<td>103,500</td>
</tr>
<tr>
<td>Poland</td>
<td>798,011</td>
<td>882,635</td>
</tr>
<tr>
<td>Romania</td>
<td>59,203</td>
<td>75,702</td>
</tr>
<tr>
<td>Total</td>
<td>1,995,727</td>
<td>2,200,816</td>
</tr>
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 Shares are divided as follows by currency:

<table>
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<tr>
<th></th>
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<tr>
<td>EUR</td>
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<td>496,945</td>
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<td>208,281</td>
</tr>
<tr>
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<td>882,635</td>
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<td>234,761</td>
</tr>
<tr>
<td>Total</td>
<td>1,995,727</td>
<td>2,200,816</td>
</tr>
</tbody>
</table>

**Note 6 Financial Liabilities**

The payable to the Management Company, which is the amount of the management fee calculated for the Management Company for management of the Fund, is recognised as a short-term financial liability in the amount of 3,523 euros as at 31 December 2015 (3,893 euros on 31 December 2014). The management fee is paid out by the 5th banking day of the month following the reporting month.

The short-term payable to the depositary is the amount of the depositary’s charge in the amount of 423 euros calculated for the provision of depositary services to the Fund as at 31 December 2015 (467 euros on 31 December 2014). The depositary’s charge is paid out by the last banking day of the month following the reporting month.

See more in Note no. 4.

**Note 7 Statement of Comparison of Fund’s NAV**

Start of activities: 1997

<table>
<thead>
<tr>
<th>NAV of Fund</th>
<th>NAV of Fund</th>
<th>Number of units at end of reporting period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Date</td>
<td>Interest income</td>
<td>Dividend income</td>
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<tr>
<td>------------</td>
<td>-----------------</td>
<td>-----------------</td>
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<tr>
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<tr>
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<tr>
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<td>19,169,087</td>
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**Note 8 Investment Revenue**
Note 9 Operating Expenses

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<th>2014</th>
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<tr>
<td>Management fees</td>
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<td>-47,949</td>
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<tr>
<td>Depositary's charges</td>
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<td>-5,754</td>
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<tr>
<td>Transaction fees</td>
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<td>-544</td>
</tr>
<tr>
<td>Total</td>
<td>-51,629</td>
<td>-54,247</td>
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</table>

Note 10 Related Parties

For the purposes of this report, related persons are the Management Company and the other investment and pension funds managed by the Management Company and companies belong to the same group as the Management Company.

The Fund pays the Management Company a monthly management fee. Total fees comprised 45,351 euros in 2015 (47,949 in 2014). Debt as at the balance sheet date amounts to 3,523 euros (3,893 euros on 31 December 2014).

The Fund carried out no transactions with the other funds managed by the Management Company in 2015 (0 euros in 2014).

See more in Note no. 9.

Statement of Transaction and Commission Fees

The commission fees paid to transaction brokers on the acquisition and sale of the Fund's investments are recognised on the statement of transaction fees. Transactions whose underlying currency differs from the presentation currency have been converted using the exchange rate as at the balance sheet date.

<table>
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<tr>
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</thead>
<tbody>
<tr>
<td>Number of transactions</td>
<td>Volume of transactions</td>
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<tr>
<td><strong>Securities traded on stock exchange</strong></td>
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<tr>
<td><strong>Total</strong></td>
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<table>
<thead>
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<th>31.12.2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of transactions</td>
<td>Volume of transactions</td>
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<tr>
<td>Broker</td>
<td>Number of transactions</td>
</tr>
<tr>
<td>--------------------------------</td>
<td>------------------------</td>
</tr>
<tr>
<td>Securities traded on stock exchange</td>
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<td>SEB Bank</td>
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<tr>
<td>Total securities traded on stock exchange</td>
<td>7</td>
</tr>
<tr>
<td>Total</td>
<td>7</td>
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</table>
# Investment Report

## as at 31 December 2015

**euros**

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<th>ISIN code</th>
<th>Country*</th>
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<th>Currency</th>
<th>Quantity (pcs)</th>
<th>Total acquisition cost</th>
<th>Acquisition cost per unit</th>
<th>Fair value per unit</th>
<th>Total fair value on 31.12.2015</th>
<th>Share in net asset value of Fund (%)</th>
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<td><strong>Shares</strong></td>
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### Other assets

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<th>Currency</th>
<th>Fair value</th>
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Danske Invest New Europe Fund ANNUAL REPORT 2015
Non-trade receivables

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<tr>
<td>Estonia</td>
<td>EUR</td>
<td>85,208</td>
<td></td>
</tr>
</tbody>
</table>

Total

| EUR | 262,950 | 11.66 |

Liabilities

| EUR | 4,074 | 0.18 |

Payable to Management Company EUR

Payable to depositary EUR

Other liabilities EUR

Total EUR

Net asset value of Fund on 31.12.2015

(1) Country of origin (issuer of security, country where fund or credit institution is registered, location of property) or international organisation (SUP)

**Investment Report**

as at 31 December 2014 euros

<table>
<thead>
<tr>
<th>Name/issuer</th>
<th>ISIN code</th>
<th>Country*</th>
<th>Nominal</th>
<th>Currency</th>
<th>Quantity (pcs)</th>
<th>Total acquisition cost</th>
<th>Acquisition cost per unit</th>
<th>Fair value per unit</th>
<th>Total fair value 31.12.2014</th>
<th>Share in net asset value of Fund (%)</th>
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</thead>
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<tr>
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<td>0.69</td>
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Danske Invest New Europe Fund ANNUAL REPORT 2015

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<th>Percent</th>
<th>Fair Value</th>
<th>Percent</th>
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</tbody>
</table>

(1) Country of origin (issuer of security, country where fund or credit institution is registered, location of property) or international organisation (SUP)
Approval of Annual Report 2015 by Management Company’s management board


The Annual Report 2015 of the Danske Invest New Europe Fund was prepared according to the Accounting Act, the Funded Pensions Act and the Investment Funds Act, which are supplemented by the regulations of the Minister of Finance.

Management board of the Management Company:

Silja Saar
Danske Capital AS
Management Board Member

Märten Kress
Danske Capital AS
Management Board Member

Martin Hendre
Danske Capital AS
Management Board Member

Tallinn, 31 March 2016
Independent Certified Auditor's Statement