



December 2011 and future outlook

ODIN Europa SMB achieved relative good performance during the first half of the year but fell slightly more than the market in the second half. The fund is relatively cyclical in nature and was therefore hit a bit harder than the overall market as Eurozone debt issues flared up during the summer.

Actions

Going into 2012, we have a slightly more balanced fund in terms of sector exposure. Our over-exposure to industrial and cyclical companies has been reduced. We have found some interesting opportunities in a couple of telecommunication companies like the German service provider Drilisch and the British satellite company Inmarsat. In addition, the exposure to information technology has increased. With the current tight credit markets and challenging funding environment we have aimed to avoid companies with limited access to funding.

Contributions

ODIN Europa SMB benefitted from having limited exposure to financials in 2011. Our two holdings within the sector, the Norwegian saving bank SpareBank1 SMN and the German real estate company Patricia Immobilien, performed well above the average during the period. We have avoided, and will continue to avoid, banks with weak balance sheets and funding issues.

In the information technology sector ODIN Europa SMB saw very positive contributions from Spectris and Austriamicrosystems. The latter has grown rapidly and posted solid numbers through the year – well above expectations. The main driver seems to be deliveries to Apple's Ipad and Iphone products. Our absolutely best performer is the German bicycle manufacturer Derby Cycle. We participated in the IPO in February at EUR 12.50. In September we received a take-over bid on EUR 28 and sold our position with a 124 percent profit.

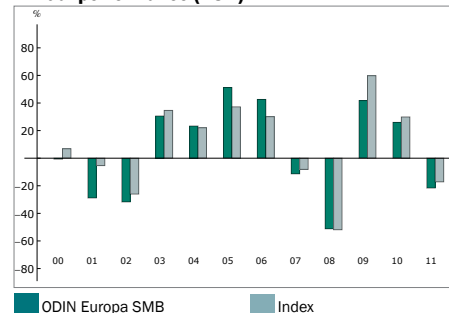
Premier Foods is our worst performer. The UK based food company issued a profit warning as it revealed a slump in sales this autumn. The financial structure of the company is in the center of attention, and has put a pressure on the stock over the recent months.

Companies like Ramirent, Georg Fischer and Leoni were hit disproportionately hard when investors shied away from cyclical stocks. The fall in prices took place without the companies underlying operations performing less well. In our eyes these companies have just become more and more attractively priced. When the dust settles around the Euro-crisis and the market again focuses on the operating performance, these companies will likely lead the recovery.

Outlook

In 2012 much will depend on the political process towards finding a solution for sovereign debt in Europe. At present, the financial markets are expecting the worst and many have fled to other regions. The European

Annual performance (EUR)



ODIN Europa SMB

Portfolio manager

Alexandra Morris

Benchmark index

MSCI Europe Small Cap USD

Annual management fee:	2%
Established:	11/15/1999
Managed by ODIN since:	11/24/2004
Assets u. Man. (mill. EUR):	180

Performance per

Last month	1,32%
Year to date	-21,63%
Last 12 months	-21,63%
Last 5 years	-9,55%
Last 10 years	3,68%
Since inception	1,68%

5 largest sectors

Machinery	12,42%
Construction & Engineering	12,01%
Auto Components	8,65%
Food Products	7,28%
Containers & Packaging	5,92%
Other	53,72%

10 largest holdings

Astaldi	5,22%
Leoni	4,79%
Bucher Industries Ltd	4,42%
Glanbia	4,38%
Ramirent	4,05%
Symrise	3,97%
Austriamicrosystems	3,90%
Spectris	3,82%
Huhtamäki	3,81%
Drillisch	3,58%
Other	58,07%

Fund commentary ODIN Europa SMB



stock market is now trading at a 45 percent discount to the US stock market. In addition to this – smaller companies are traded at a relatively high discount compared to larger companies. Price to book value is getting close to record lows and the macro outlook is pretty gloomy. Historically this kind of market situation has been synonymous with an attractive buying opportunity.

About ODIN Europa SMB

ODIN Europa SMB freely invests, regardless of the industry, in small and medium-sized limited companies listed on the stock exchange, whose head offices or origins are in Europe. The long-term aim of the fund is to give a higher return than the European equity market for small and medium-sized businesses.

We would like to remind you that...

In this report ODIN has referred to sources that are regarded as reliable. ODIN can however not guarantee that the information derived from these sources is either accurate or complete. Statements made in this report reflect ODIN's market view when the report was produced.

Employees in ODIN are entitled to trade on own account in several financial instruments. This implies that employees in ODIN may hold securities in companies mentioned in this report as well as units in ODIN's funds. Employees' own account trading shall comply with ODIN's internal guidelines. These guidelines are prepared in accordance with the Norwegian Act on Securities Trading and business standards issued by the Norwegian Mutual Fund Association.

Past performance is no guarantee for future performance. Future performance will depend, among other things, on movements in the market, the manager's skills, the fund's level of risk and the subscription, management and redemption costs. The value of the fund may decline as a result of a general fall in share prices.

For further information please visit www.odinfundmanagement.com

About ODIN

ODIN is a boutique manager specializing in focused, bottom-up value investing. Our 20 years of experience in asset management have taught us valuable lessons.

Lesson 1: Focus on the horizon

In ODIN, we focus on fundamentals, basing our expectations on competitive advantages, product development, financial viability, leadership and strategic positioning of individual companies. These factors tend to be consistent across short term business cycles. Our confidence in the long term viability of our investments means that we are prepared to stay invested for a long time, and engage actively in corporate governance. Sound and sustainable value creation is a slow and steady process, not a get rich quick-scheme. But we find it is worth the wait.

Lesson 2: Think independently

Unlike passive investors, insights gained through thorough analysis enable us to form an independent view of the fundamental value of a company. This is key in order to identify companies where strong companies are available with compelling value propositions. And in our experience opportunities abound, especially in periods where fear and panic are driving the markets. Under such circumstances many investors fail to maintain focus on the fundamental value of individual companies.

Lesson 3: Stay on target

Strategy drift is an expression used to describe how some asset managers try to adjust their investment process according to what the market currently seems to favour. We do not adjust our philosophy to the latest fads or fashions in the investment industry. We are constantly on alert to avoid letting fear or greed cloud our judgment and steal our attention away from the fundamentals of individual companies.