



## December 2011 and future outlook

2011 was a year of misery also in the Finnish equity market. As a consequence of the market's sector composition and Finland's peripheral geographical location the Finnish market is generally very cyclical. It did not help that some of the heavyweights in the market index struggled: Nokia's public struggle to keep up its position as the market leader within the cell phone industry has not gone unnoticed. The utility company Fortum, which under "normal" circumstances is a defensive position, was quite the opposite during 2011.

Unfortunately, ODIN Finland was not able to ease the pain for its shareholders as it underperformed the index. Although the performance lagged the index, in a year like 2011, it could have been much worse. However, the fund is back on track on the 3-year investment horizon.

### Actions

Going into 2011, I felt that the fund was well positioned given the circumstances at that time and how I viewed the possibilities and the individual stock valuations. High valuations made me avoid names like Kone and Elisa, and valuations and risk to avoid companies like Talvivaara, Outokumpu, Stockmann and Nokia and to keep below-market exposure to the forestry sector.

As the year played out with increased uncertainty on the general economic side and a scare for lower global growth, it is easy in hindsight to review why things turned out the way it did. In spite of high valuations, Kone and Elisa did well given their stability regarding earnings profile, and thus hurt the relative performance. Avoiding the names mentioned above turned out to be a good call.

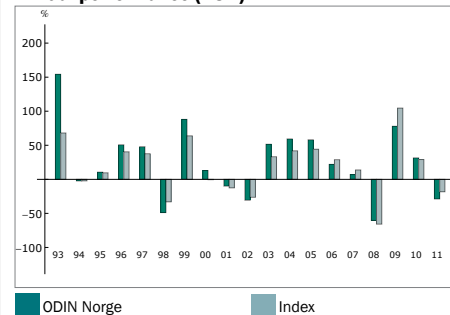
However, the call that was not put into action and that almost by itself made up the relative underperformance, was slashing of high-beta positions, that would have made all the difference! So, not that much was done to the structure of the fund, and as of consequence looking into 2012, I do not believe this is the time to do it either. Hopefully that makes it wrong-right, and not wrong-wrong...

### Contributions

On the relative side, materials, information technology and consumer discretionary were strong sectors, although within materials, Rautaruukki's performance hampered our returns. The misfortune was largely attributable to the industrials sector, and in particular the two equipment rental companies Ramirent and Cramo. Other cyclical companies added to the misfortune, with Rautaruukki, Konecranes, YIT and Metso leading the fall. But what goes around comes around...

Good calls and good contributions in 2011 was Huhtamaki, Olvi, Sampo and TeliaSonera. Huhtamaki will be interesting to follow in 2012 with its high emerging markets exposure that people tend to overlook combined with falling raw materials prices.

### Annual performance (EUR)



### ODIN Norge

#### Portfolio manager

Carl Erik Sando

#### Benchmark index

Oslo Børs Fondindeks

Annual management fee:	2%
Established:	6/26/1992
Assets u. Man. (mill. EUR):	553

#### Performance per 12/31/2011

Last month	2,40%
Year to date	-28,84%
Last 12 months	-28,84%
Last 5 years	-6,72%
Last 10 years	8,56%
Since inception	15,95%

#### 5 largest sectors

Oil, Gas & Consumable Fuels	18,50%
Energy Equipment & Services	15,66%
Marine	6,67%
Commercial Banks	6,39%
Electric Utilities	5,16%
Other	47,62%

#### 10 largest holdings

Statoil	8,50%
Hafslund B	5,16%
Det Norske Oljeselskap	5,13%
Gjensidige Forsikring	5,00%
Kongsberg Gruppen	4,83%
Norsk Hydro	4,15%
Yara International	4,09%
Wilh. Wilhelmsen Holding B	4,02%
Nordic Semiconductor	3,84%
Farstad Shipping	3,63%
Other	51,64%

## Fund commentary ODIN Norge



### Outlook

Whatever one expects from 2012, it looks to be anything but unexciting. Uncertainty prevails in a number of areas, but then again we all know that, don't we? The key question is how much of the uncertainty is already discounted into current share prices. I say a lot. Can the stock markets go further down? Yes, we are still not at trough-valuation levels. But the risk-reward picture has become increasingly favorable for the long-term stock investor throughout 2011.

### About ODIN Norge

ODIN Norge freely invests, regardless of the industry, in limited liability companies listed on the stock exchange, whose head offices or origins are in Norway. The long-term aim of the fund is to give a higher return than the Norwegian equity market.

### 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](http://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.