



## December 2011 and future outlook

2011 was a volatile year for ODIN Sverige. Industrials, financials and materials declined while health care, telecom, IT and consumer staples and consumer discretionary gained in what was generally a schizophrenic market sentiment.

### Actions

In 2011, we have strengthened our position in Nordea and Swedbank. Our view is that Swedish banks in general have a strong capital position and could gain market share in the Nordic area. Current valuation does not reflect the possibilities to generate a high return on equity in 2012-13 for Nordea and Swedbank.

We have also increased our holding in Hexpol, a cyclical company producing rubber compounds. A positive EBIT-margin development and successful acquisition of companies have added value. Hexpol is a global market leader and has strong pricing power.

On the sell side, we have exited our position in the holding companies Investor, Industrivärden, Kinnevik and Latour. Historically the discount on net asset value has narrowed in a bear market. However, in 2011 discount to NAV continued to be on a high level and it was hard to identify any trigger for these companies.

We have also sold our stake in Securitas. Company is struggling with price pressure, hard to get compensation for wage increases (90 percent of cost). Low margin business with low value added and high staff turnover. Major part of business in mature markets, and we foresee further problems in Europe due to the Euro-crisis.

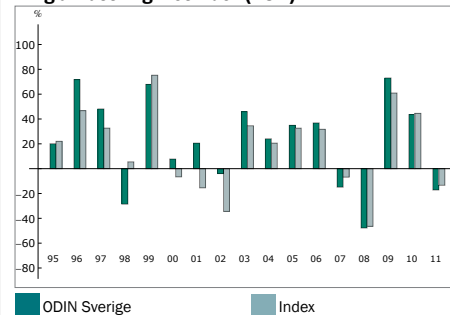
We have also exited our position in AstraZeneca after several failures with new products in pipeline. Our view is that it is more difficult to get approvals for new drugs from authorities. This combined with sovereign debt problems in Europe and USA is a challenging combination.

### Contributions

The best performer in 2011 was Hexpol due to strong profit development and successful acquisitions of companies. Other positive contributors was Unibet, on gaining market share on online gambling. The specialty pharmaceutical company Meda delivered better topline development than anticipated. Intrum Justitia, a leading European credit management company, delivered improved profits and has acquired bigger credit portfolios than anticipated.

On the other hand, we had notable declines in industrials, some of our most significant holdings, such as trading companies B & B Tools, Addtech and B E Group, construction company PEAB and engineering company Beijer Alma. They are all cyclical mid cap companies and their downturn is related to the generally worsened macro outlook.

Årlig avkastning mot index (EUR)



### ODIN Sverige

#### Portfolio manager

Tomas Ramsälv

#### Benchmark index

OMX SB Cap GI

Annual management fee:	2%
Established:	10/31/1994
Assets u. Man. (mill. EUR):	268

#### Performance per 12/31/2011

Last month	5,77%
Year to date	-17,11%
Last 12 months	-17,11%
Last 5 years	-1,75%
Last 10 years	11,37%
Since inception	16,73%

#### 5 largest sectors

Machinery	23,95%
Trading Companies & Distributors	11,83%
Commercial Services & Supplies	10,23%
Commercial Banks	9,04%
Construction & Engineering	7,02%
Other	37,93%

#### 10 largest holdings

Nordea (Sek)	6,12%
Addtech B	5,76%
Hexpol	5,34%
Unibet	4,84%
Beijer Alma B	4,76%
Loomis B	4,51%
Intrum Justitia	4,16%
Duni	4,01%
Sweco B	3,82%
SKF B	3,78%
Other	52,89%



### Outlook

Our view is that the Euro is likely to survive but the process will continue to be messy. Monetary policy is likely to remain supportive, both in terms of interest rates and quantitative measures. US economy is likely to continue on its tentative road to recovery. Growth will slow down in BRIC-countries but stimulating measures are likely to lead to a soft landing. Europe is likely to be in recession for the first half of 2012, and US growth is likely to be modest.

For most of the companies in Nordic area this means that earnings will come down in 2012. We believe the general macro outlook will be positive from 2H 2012 and that the stock market will react earlier. We have an overweight in industrials (cyclical stocks) and believe the portfolio will outperform the market in 2012.

### About ODIN Sverige

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