

**DOVRE FORVALTNING UAB
MANAGED HARMONIZED COLLECTIVE
INVESTMENT UNDERTAKING
„DOVRE INSIDE NORDIC“**

**Independent Auditor's Report
and financial statements for the
year ended 31 December 2012**

**DOVRE FORVALTNING UAB MANAGED HARMONIZED COLLECTIVE INVESTMENT
UNDERTAKING „DOVRE INSIDE NORDIC“**

Management company c.c. 302589746, Address Konstitucijos 7, LT-09308 Vilnius

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INDEPENDENT AUDITOR'S REPORT

To the participants of Dovre Forvaltning UAB managed harmonized collective investment undertaking „Dovre Inside Nordic“:

We have audited the accompanying financial statements of Dovre Forvaltning UAB managed harmonized collective investment undertaking „Dovre Inside Nordic“ (hereinafter – “the Fund”), which comprise the Statement of Net Asset Value as at 31 December 2012, the Statement of Changes in Net Asset Value for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Business Accounting Standards of the Republic of Lithuania and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 management, as well as evaluating the overall presentation of the financial statements.

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 financial statements of the Fund in all material respects give a true and fair view of the Net Asset Value of the Fund as at 31 December 2012, and its Changes in Net Asset Value for the year then ended in accordance with the Business Accounting Standards of the Republic of Lithuania.

Deloitte Lietuva, UAB
Audit Company License No 001275

Sigitas Babarskas
Lithuanian Certified Auditor
License No. 000403

Vilnius, Republic of Lithuania
29 March 2013

DOVRE FORVALTNING UAB MANAGED HARMONIZED COLLECTIVE INVESTMENT UNDERTAKING „DOVRE INSIDE NORDIC“
 Management company c.c. 302589746, Address Konstitucijos 7, LT-09308 Vilnius

STATEMENT OF NET ASSETS AS AT 31 DECEMBER 2012

No.	Captions	Note	2012, NOK	2012, LTL
A.	ASSETS		6.581.251	3.075.682
I.	CASH	3.2.1	985.564	460.594
II.	TERM DEPOSITS	3.2.2	1.001.016	467.815
III.	MONEY MARKET INSTRUMENTS		-	-
IV.	TRANSFERABLE SECURITIES		4.594.602	2.147.241
IV.1.	Non-equity securities		-	-
IV.1.1.	Governments' and central banks' or guaranteed by them non-equity securities		-	-
IV.1.2.	Other non-equity securities		-	-
IV.2.	Equity securities	3.2.3	4.594.602	2.147.241
IV.3.	Other collective investment undertakings units and shares		-	-
V.	ACCOUNTS RECEIVABLE		69	32
V.1.	Receivables from sales of investment		-	-
V.2.	Other receivables		69	32
VI.	INVESTMENTS AND OTHER ASSETS		-	-
B.	LIABILITIES		11.706	5.471
I.	Liabilities of financial and investment asset purchases		-	-
II.	Liabilities to credit institutions		-	-
III.	Liabilities from derivative contracts		-	-
IV.	Accounts payable to the management company and the custodian		11.406	5.331
V.	Other payables and liabilities (e-bank costs)		300	140
C.	NET ASSETS (A-B)		6.569.545	3.070.211

The accompanying notes are an integral part of these financial statements.

The financial statements have been approved and signed on 29th of March, 2013:



Stig Myrseth
CEO



Eglė Jonaitytė
Accountant

**STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED
 31 DECEMBER 2012**

No.	Captions	Note	2012, NOK	2012, LTL
I.	NET ASSET VALUE AT THE BEGINNING OF THE PERIOD		-	-
II.	INCREASES IN NET ASSET VALUE		7.932.711	3.707.273
II.1.	Contributions from Fund participants	3.4	6.932.100	3.239.648
II.2.	Amounts received from other funds		-	-
II.3.	Guarantee income		-	-
II.4.	Interest income		1.016	475
II.5.	Dividends		15.229	7.117
II.6.	Gains from change in value of investments and sales	3.5	953.589	445.650
II.7.	Gains from changes in foreign exchange rates		30.717	14.355
II.8.	Gains from derivative transactions		-	-
II.9.	Other increase in net asset value		60	28
	TOTAL INCREASE:		7.932.711	3.707.273
III.	DECREASE IN NET ASSET VALUE		1.363.166	637.062
III.1.	Payments to Fund participants	3.4	599.036	279.954
III.2.	Payments to other funds		-	-
III.3.	Losses from change in value of investments and sales		643.999	300.966
III.4.	Losses from changes in foreign exchange rates		6.314	2.950
III.5.	Losses from derivative transactions		-	-
III.6.	Management costs:		113.817	53.192
III.6.1.	Remuneration to the management company	3.12	55.791	26.074
III.6.2.	Remuneration to the depository	3.12	6.406	2.994
III.6.3.	Remuneration to brokers	3.7	39.503	18.461
III.6.4.	Audit costs	3.12	9.417	4.401
III.6.5.	Other costs (e-bank costs)	3.12	2.700	1.262
III.7.	Other loss in net asset value		-	-
III.8.	Cost reimbursement (-)		-	-
III.9.	Distribution of profit		-	-
	TOTAL DECREASE:		1.363.166	637.062
IV.	NET ASSET VALUE IN THE END OF THE PERIOD		6.569.545	3.070.211

The accompanying notes are an integral part of these financial statements.

The financial statements have been approved and signed on 29th of March, 2013:



 Stig Myrseth
 CEO



 Eglė Jonaitytė
 Accountant

DOVRE FORVALTNING UAB MANAGED HARMONIZED COLLECTIVE INVESTMENT UNDERTAKING „DOVRE INSIDE NORDIC“

Management company c.c. 302589746, Address Konstitucijos 7, LT-09308 Vilnius

EXPLANATORY NOTES FOR THE YEAR ENDED 31 DECEMBER 2012

1. GENERAL INFORMATION

1.1 General information about “Dovre Inside Nordic” fund

“Dovre Inside Nordic” (hereafter – “Fund”) is a harmonized collective investment undertaking, it was established on 24 November 2011 and is managed by Dovre Forvaltning UAB.

Operation period of the Fund is indefinite.

Management Company - Dovre Forvaltning UAB, c.c. 302589746, address Konstitucijos 7, Vilnius.

Custodian, that protects the assets of the Fund, – Swedbank AB, cc 112029651, address Konstitucijos 20A, Vilnius.

Audit company – Deloitte Lietuva UAB, c.c. 111525235, address Jogailos str. 4, Vilnius.

Reporting period – 1 January 2012 – 31 December 2012.

The Fund has no employees.

The management fee - 1,75 % of Fund's average annual net assets value (NAV).

1.2 Investment policy and portfolio composition

The Fund is an actively managed mutual fund whose purpose - to achieve returns on investment greater than the ones of the chosen benchmark index by investing in attractive companies situated in Nordic countries (Denmark, Norway, Sweden, Finland). The main method for choosen in which companies to invest is by tracking related persons* transactions. It is believed that related persons have the advantage of information that is revealed by their transactions (of which the public stock exchanges inform).

To indicate which sector's or what size companies related persons will do most transactions is practically impossible, therefore, in implementing this strategy large fluctuations in net assets are possible.

It is likely that the Fund's resources will be invested mainly in shares, but the Fund may also invest in varying lengths and different grade companies' debt securities and derivative financial instruments to manage currency risk (derivatives are used to compensate for the change in the Fund's assets due to exchange rate fluctuations. Using derivatives to manage currency risk may cause interest rate and counterparty risk). In order to ensure liquidity, the Fund will keep cash position, which can be invested in short-term highly liquid money market instruments: deposits, short-term government securities, money market funds. The Fund does not set limits for individual regions or sectors; therefore, there may be periods when the risk increases with certain narrow asset classes, industry sectors and geographical distribution.

The Fund's investments are based on both strategic and tactical asset allocation techniques in order to increase the portfolio gains. The Fund manager, having regard to the market situation, economic and political risks, may at his discretion decide what part of the Fund's assets must be invested in equities. In cases where the market situation seems particularly unfavorable for equities, the Fund may be up to 100 percent invested into cash, deposits, money market instruments, short-term government securities or money market funds

The Fund does not invest more than 35 percent. of net assets in transferable securities or money market instruments issued or guaranteed by the Republic of Lithuania and European Union member states, their municipalities, other countries or international organizations with at least one European Union country.

** Related person - a natural person working for the company, including CEO, partners, or any other persons holding an analogous situation, or persons, directly or indirectly related to the company control. As well as persons who have close relationship with the company's related parties, or there is reason to believe that such persons have a close relationship with the company's related parties.*

EXPLANATORY NOTES FOR THE YEAR ENDED 31 DECEMBER 2012

The Fund does not invest primarily in not transferable securities or money market instruments.

List of financial instruments in which the Fund invests / can invest is stated in the Fund's full prospectus (paragraph 27).

2. ACCOUNTING POLICY

The financial statements have been prepared in accordance with the Lithuanian Business Accounting Standards, Collective Investment Undertakings and Accounting laws, Net asset value calculation methods and other by-laws approved by the Government of the Republic of Lithuania.

Below are the basic accounting principles.

Functional and presentation currency

Items included in the Fund's financial statements are measured using the currency of the primary economic environment in which the Fund operates (the 'functional currency'). The functional currency of the Fund is the Norwegian krone (NOK) as it mainly influences sale and purchase prices of the securities and major part of Fund's participants reside in Norway. The management uses the NOK to manage business risks and exposures and to measure performance of the business.

The Fund's financial statements are presented in Norwegian krone, which is the Fund's functional currency, and, due to the requirements of the laws of the Republic of Lithuania, also in Lithuanian Litas (LTL) being an additional presentation currency. Since 2 February 2002 the exchange rate of the Litas has been pegged to the euro at a rate of LTL 3.4528 = EUR 1.

In 2012 exchange rates of the main currencies were as follows:

Currency	Average exchange rate for the reporting period	Exchange rate at the end of the reporting period	
	2012	31 December 2012	31 December 2011
LTL / NOK	0.46163	0.46734	0.44324

The financial statements of the Fund, prepared in Norwegian krone, the functional currency of the Fund, are translated to the presentation currency, Lithuanian Litas by using period end exchange rate for translation of assets and liabilities and average exchange rate for the year for translation of income and expenses (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at rates prevailing at the dates of the transactions). All resulting exchange differences are recognized as cumulative translation adjustments in other comprehensive income.

Principles of recognition for increase and decreases in assets - Fund's assets increase or decrease in value due to changes of stock prices and exchange rates. Increase in assets is recognized by getting: new contributions, investment income from sales, interest on securities, investment income and gains of foreign exchange rate changes.

A decrease in assets is recognized by making possible deductions: payment of asset management fee, the redemption payments. A decrease in asset value is caused by realized losses, unrealized losses and by negative changes in exchange rates.

Rules for deductions to the management company and the custodian - from the assets of the Fund only those deductions are carried out that are related to management of the Fund and described in the Fund Rules. The amount may not exceed the size stated in the Fund Rules. All other expenses that are not mentioned in the Rules of the Fund or exceed the limits stated in the Rules are covered by the management company.

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EXPLANATORY NOTES FOR THE YEAR ENDED 31 DECEMBER 2012

Investment valuation methods:

Instruments' traded on regulated markets, fair value is determined by the market's publicly announced closing price on the valuation date (submitted by news agency Bloomberg, FactSet, Reuters and so on).

Derivative financial instruments are valued: According to the latest market value of a similar instrument. Assessment of these instruments is based on information from the financial markets. Forward and swap transactions are valued using the following formula: Value of a derivative financial instrument = payables from derivative financial instrument (current value) - (minus) receivables from the derivative financial instrument (current value).

Term deposits with banks are valued by face value / amortized cost value method.

Cash and balances with credit institutions are valued at face value.

Dividends on equity securities of companies in the Fund's assets are accounted on an accrual basis on the date of publication of a dividend. The date of dividend announcement is considered to be when such information is published in the stock exchange websites or when this information is presented by the Custodian. If the amount of dividends received does not match the company's general shareholders' meeting approved dividends, the Fund's NAV is accordingly adjusted on the business day on which the dividends are received. The resulting difference is recorded as investment gain or losses.

Money market instruments with a maturity or the remaining maturity of less than 397 days, or instruments whose yield is regularly adjusted at least every 397 days, or instruments which have very similar risks, including credit and interest rate risk, to those financial instruments with maturities and yields mentioned above are measured using amortized cost method.

Instruments', traded on regulated markets and multilateral trading systems, fair value is determined by the mid-market price or the closing price on the multilateral system of trade in which these instruments tend to have more liquidity, regularity and frequency (these characteristics are best described by the average volume and the average number of trades during the past 12 months).

Instruments', traded only on the multilateral trading system, fair value is determined by the mid-market price or the closing price on the multilateral trading system in which trading in these instruments tends to have more liquidity, regularity and frequency (these characteristics are best described by the average volume and the average number of trades during the past 12 months).

The frequency of investment valuation– evaluation of investments is done when calculating net asset value which is carried out every day.

Realized and unrealized gain/loss in investments – in the statement of changes in net asset the realized gain/loss is calculated as the difference between the selling price and the price at the start of the reporting period or the purchase price if the purchase has taken place within the reporting period. Unrealized gains are calculated as the difference in the price of securities at the start and at the end of the reporting period or the purchase price and the price at the end of the reporting period if the securities were purchased during the reported period.

Rules for determining the price of fund units – The net asset value of the Fund and the price of Fund units is determined daily. The net asset value is determined using the methods described in methodology for calculating net asset value. The price of Fund units is determined dividing the net asset value by the number of shares. The price and the number of Fund units is determined to four decimal places.

EXPLANATORY NOTES FOR THE YEAR ENDED 31 DECEMBER 2012

Cash and cash equivalents – Cash in the bank account and cash equivalents. Cash equivalents are considered to be short term (up to three months) liquid investments that can be quickly converted into cash and their risk of price variation is insignificant. Equity investments are not considered to be cash equivalents.

Effective interest rate method – a method for determining the amortized purchasing price and for the distribution of interest income to a specific period. Effective interest rate is an interest rate that discounts future cash-flows to the price of the financial instrument during the tenure of the instrument or if necessary for a shorter period.

Below are the basic calculation principles of Net asset value (NAV) and Fund unit value

Fund NAV is calculated each day according to the supervisory authority approved NAV calculation methodology and Management company's NAV calculation procedures. Calculation of NAV includes calculations of value of assets and value of liabilities. The difference between the calculated assets and the liabilities value comprises the net asset value of the Fund (NAV).

Liabilities are calculated according to business accounting standards. Liabilities (or portions thereof) are debited only when they disappear, i.e. when the contract obligations are met, canceled or expired. Assets (or part thereof) are debited only when the rights are enforced to the property (or part thereof), when the rights expire or when the rights are passed.

When calculating net assets denominated in foreign currency, the value of the assets and liabilities is determined according to the Bank of Lithuania official currency exchange rate of the valued currency and NOK valid on valuation date.

Fund NAV is calculated to four decimal places rounded according to the mathematical rules of rounding. The current day's NAV is calculated till 12.00 hrs on the next working day. Day's NAV calculations include those transactions that were concluded prior to the date of NAV calculation 24 hrs. The Fund unit value is determined each business day by dividing the NAV by the total number of circulating Fund units. The Fund unit value is calculated to four decimal places rounded according to mathematical rules of rounding.

3 OTHER IMPORTANT INFORMATION

3.1 Comparative information is not presented in this report as „Dovre Inside Nordic“ fund was not operating in 2011. Fund started its actual operations after it receive first contribution 25 January 2012.

3.2 Investment portfolio structure

3.2.1 Cash:

Issuer title	Country	Currency	Total market value, NOK	Total market value, LTL	Share in net assets, %
Swedbank, AB	LT	NOK	985.564	460.594	14,98%
TOTAL	-	-	985.564	460.594	14,98%

3.2.2 Term deposits:

Issuer title	Country	Currency	Total market value, NOK	Total market value, LTL	Interest rate %	Maturity after 31 December 2012	Share in net assets, %
Swedbank, AB	LT	NOK	1.001.016	467.815	0,6 and 0,91	7 days (0,6%); 33 days (0,91%)	15,21%
Total	-	-	1.001.016	467.815	-	-	15,21%

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EXPLANATORY NOTES FOR THE YEAR ENDED 31 DECEMBER 2012

3.2.3 Equities:

Issuer title	Country	Currency	Quantity	Nominal value, NOK	Nominal value, LTL	Total purchase value, NOK	Total purchase value, LTL	Total market value, NOK	Total market value, LTL	Share of the issuer, %	Share in net assets, %
Aker ASA	NO	NOK	591	28	13.0855	90.601	42.341	125.292	58.554	0,00082%	-
Aker Solutions ASA	NO	NOK	1130	1,66	0,7758	90.556	42.320	127.577	59.622	0,00041%	-
Atea ASA	NO	NOK	1871	10	4,6734	97.853	45.731	112.260	52.464	0,00186%	-
Bergesen Worldwide Offshore	NO	NOK	36080	0,0558	0,0261	146.533	68.481	185.812	86.837	0,00524%	-
Bonheur ASA	NO	NOK	1500	1,25	0,5842	185.939	86.897	204.000	95.337	0,00368%	-
Danske Bank	DK	DKK	1618	9,9039	4,6285	151.171	70.648	153.275	71.632	0,00016%	-
Det norske oljeselskap ASA	NO	NOK	1848	1	0,4673	141.318	66.044	152.460	71.251	0,00144%	-
ElectroMagnetic GeoServices	NO	NOK	22937	0,25	0,1168	305.567	142.804	299.556	139.995	0,01156%	-
H. Lundbeck A/S	DK	DKK	1617	4,952	2,3143	163.935	76.613	132.761	62.045	0,00082%	-
Holmen B	SE	SEK	1178	42,8403	20,021	189.796	88.699	194.193	90.754	0,00190%	-
Intex Resources ASA	NO	NOK	26894	0,02	0,0093	184.114	86.044	128.822	60.204	0,02934%	-
Know IT	SE	SEK	4122	-	-	164.021	76.654	164.580	76.915	0,02330%	-
Meda A	SE	SEK	3091	0,8568	0,4004	176.761	82.607	177.310	82.864	0,00102%	-
NCC B	SE	SEK	1195	6,8545	3,2034	124.876	58.359	139.453	65.172	0,00153%	-
Norsk Hydro ASA	NO	NOK	7165	1,1	0,5141	185.705	86.787	199.760	93.356	0,00035%	-
Northland Resources	NO	NOK	32537	-	-	188.677	88.177	195.222	91.235	0,00633%	-
Ramirent Oyj	FIN	EUR	4202	1,6993	0,7941	171.585	80.189	194.033	90.679	0,00387%	-
Sandvik	SE	SEK	1572	1,0282	0,4805	126.263	59.008	139.404	65.149	0,00013%	-
Sanoma Oyj	FIN	EUR	3080	-	-	168.186	78.600	169.188	79.069	0,00189%	-
Skanska B	SE	SEK	2143	2,5704	1,2013	191.074	89.297	194.998	91.130	0,00054%	-
Solar A/S B	DK	DKK	656	99,0392	46,285	176.737	82.596	167.622	78.336	0,00934%	-
SpareBanken Midt-Norge	NO	NOK	3227	20	9,3468	89.105	41.642	112.300	52.482	0,00260%	-
SpareBank 1 SR-Bank ASA	NO	NOK	3019	25	11,6835	86.288	40.326	112.307	52.485	0,00118%	-
SSAB Svenskt Stal A	SE	SEK	2977	7,5399	3,5239	127.520	59.595	144.243	67.410	0,00124%	-
Subsea 7 S.A.	NO	NOK	996	11,1525	5,212	127.939	59.791	131.572	61.489	0,00028%	-
Sweco B	SE	SEK	3323	-	-	195.904	91.554	207.843	97.133	0,00405%	-
Tomra Systems	NO	NOK	3653	1	0,4673	174.719	81.653	183.563	85.786	0,00247%	-
Vaisala Oyj A	FIN	EUR	1236	-	-	144.534	67.546	145.196	67.856	0,00834%	-
Total	-	-	-	-	-	4.367.277	2.041.003	4.594.602	2.147.241	-	69,81

EXPLANATORY NOTES FOR THE YEAR ENDED 31 DECEMBER 2012

3.2.4 Investment allocation according to the criteria of the investment strategy:

Investment allocation	At the end of the reporting period			In the beginning of the reporting period	
	Market value, NOK	Market value, LTL	Share in assets, %	Market value	Share in assets, %
According to investment objects					
Equities	4.594.602	2.147.241	69,81%	-	-
Debt securities	-	-	-	-	-
Term-deposits	1.001.016	467.815	15,21%	-	-
Total	5.595.618	2.615.056	85,02%	-	-
According to sectors					
Energy	1.100.978	514.531	16,73%	-	-
Materials	862.240	402.959	13,10%	-	-
Industrials	1.226.916	573.387	18,64%	-	-
Casual consumer discretionary	346.498	161.932	5,26%	-	-
Consumer discretionary	-	-	-	-	-
Healthcare	132.761	62.045	2,02%	-	-
Financials	503.173	235.153	7,65%	-	-
Information Technology	422.036	197.234	6,41%	-	-
Telecommunication services	0,00	0,00	0,00%	-	-
Utilities	0,00	0,00	0,00%	-	-
Other	0,00	0,00	0,00%	-	-
Total	4.594.602	2.147.241	69,81%	-	-
According to geographical area					
Norway	2.270.504	1.061.097	34,50%	-	-
Sweden	1.362.023	636.528	20,70%	-	-
Denmark	453.658	212.013	6,89%	-	-
Finland	508.417	237.603	7,73%	-	-
Total	4.594.602	2.147.241	69,81%	-	-

3.3 Number and value of net assets and investment units:

	After first contribution		At the end of the reporting period		A year ago	Two years ago
	NOK	LTL	NOK	LTL		
Net asset value	304.145	137.579	6.569.545	3.070.211	-	-
Investment unit's (share's) value	100,00	45,23	129,01	60,29	-	-
Current number of investment units (shares)	50.923,86					

3.4 Number and value of distributed and redeemed investment units or shares:

	Number of investment units (shares)	Value, NOK	Value, LTL
Distributed investment units	50.923,86	6.932.100	3.239.648
Redeemed investment units	4.669,68	599.036	279.954

EXPLANATORY NOTES FOR THE YEAR ENDED 31 DECEMBER 2012

3.5 Investment value changes during the reporting period:

Balance sheet	At the beginning of the year	Purchased		Sold (redeemed)		Increase in value		Decrease in value		At the end of the reporting period	
		NOK	LTL	NOK	LTL	NOK	LTL	NOK	LTL	NOK	LTL
Equities	-	11.734.978	5.484.225	7.465.269	3.488.819	968.634	452.682	643.742	300.846	4.594.602	2.147.241
Total	-	11.734.978	5.484.225	7.465.269	3.488.819	968.634	452.682	643.742	300.846	4.594.602	2.147.241

3.6 Investment sales results (gains and losses):

Gain on sale of investments: 619.427 NOK; 289.483 LTL
 Loss on sale of investments: 535.122 NOK; 250.084 LTL

3.7 Payments to brokers:

Broker	Paid amount, NOK	Paid amount, LTL	Service
Swedbank, AB	26.666	12.461	brokerage
Carnegie ASA	9.599	4.486	brokerage
Netfonds Bank ASA	2.728	1.275	brokerage
Nordea Bank Norge ASA	280	131	brokerage
SEB Enskilda	230	108	brokerage
Total	39.503	18.461	

3.8 Financial risk

Risk factors associated with acquisition of units: investors should note that the Fund's unit value can either increase or decrease and investors may receive less than invested. The past returns on investment do not guarantee the same returns will be achieved in the future.

Risk factors associated with investing in securities:

Specific risk

Specific risk – risk that the prices of securities, that are in the Fund's investment portfolio, will change due to risk factors relating to the issuer of the securities. To reduce this risk, the Fund's investment portfolio will be diversified among different issuers of securities, which are active in different regions and industries.

Market liquidity risk

Under exceptional circumstances for markets or when there is a need for the Fund to sell a large quantity of securities due to lack of market liquidity the Fund may incur losses. When making investment decisions security's liquidity will be taken into account.

Market volatility risk

Fluctuations in the market risk - the risk that affects constant stock price volatility in the market (the prices may rise and fall). There are many factors that determine the overall market volatility: the macroeconomic environment, sentiment, political events, expectations for the future, natural disasters and more. The Fund will seek to reduce the risk by diversifying the portfolio.

Fund operational risk

There is a risk that if there is a sharp rise in redemption applications of Fund units, the Fund will be unable to pay the members of the Fund for the units redeemed. To reduce this risk, the Fund will invest as much as possible in liquid securities. Also part of the Fund assets will be kept as cash or cash equivalents.

EXPLANATORY NOTES FOR THE YEAR ENDED 31 DECEMBER 2012

Exchange rate fluctuations

There is a risk that the value of investments will be reduced by the unfavorable exchange rate changes, which are not directly related to the Fund securities' results. The Fund has not established any upper or lower limits on investments in the specific currency-denominated securities. The Fund may manage the risks by using derivative instruments (forward exchange transactions and currency options). Derivative financial instruments will be used to offset any adverse change in the Fund's assets due to exchange rate fluctuations.

Inflation risk

Real Fund growth may be lower due to inflation, in addition the inflation directly affects the interest rate changes, which may have an impact on Fund investment portfolio. Historically, investments in equity securities provide sufficient protection against inflation, so the Fund will seek to reduce this risk by investing primarily in equity securities. It should be noted that investment is made in the Nordic Europe region, which normally has low inflation rates, so this should not significantly affect the risk of the portfolio.

Interest rate risk

Change in interest rates can directly affect the Fund's portfolio securities values. Since the majority of Fund investment portfolio will consist of shares, the direct impact of this risk to the Fund's investment returns will be minimal. The Fund will not forecast and will not manage interest rate risk.

Counterparty and settlement risk

The risk of loss resulting from a counterparty failing to meet its financial obligations.

The Fund will seek to minimize risk through transactions only with reliable, excellent reputation financial institutions. Most of the Fund transactions will be conducted in accordance with the payment principle. The Fund's investment portfolio will be diversified in order to reduce positions of substantial influence on the entire investment portfolio, however, there is no guarantee that the Fund's portfolio value will grow.

Fund investment objective and investment policy risk

There is a risk that the chosen Fund strategy will not work as expected. There is no guarantee that Fund objectives will be achieved.

Chosen risk management methods

In order to effectively manage the above mentioned risks, the Management Company will use the generally accepted risk management techniques (portfolio diversification, derivatives financial instruments, portfolio immunization, etc.).

Each risk's management methods are described above in the specific risk profile.

EXPLANATORY NOTES FOR THE YEAR ENDED 31 DECEMBER 2012

3.17 Benchmarking:

Benchmark component parts (used up to 2012.10.16)	Index Name
45 %	Oslo Børs Benchmark index
25 %	OMX Stockholm Benchmark Cap GI
10 %	OMX Copenhagen Benchmark Cap GI
10 %	OMX Helsinki Benchmark Cap GI
10 %	Norway Government Bond Index 0.25 years (ST1X)

Benchmark component parts (used from 2012.10.16)	Index Name
40 %	Oslo Børs Benchmark index
5 %	OMX Stockholm Benchmark Cap GI
10 %	OMX Copenhagen Benchmark Cap GI
5 %	OMX Helsinki Benchmark Cap GI
40 %	Norway Government Bond Index 0.25 years (ST1X)

NASDAQ OMX index calculation methodology detailed information is available on NASDAQ OMX's website <http://www.nasdaqomxnordic.com>, the column indices. Oslo Børs index calculation methodology details are available on web page <http://www.oslobors.no>, the column indices. Selected indexes consist of all industry and service sectors and liquidity of the market capitalization of companies with shares of the stock. Benchmark's currency is NOK.

3.10 Investment returns:

	Reporting period	A year ago	Two years ago	Ten years ago
Unit value change	29,01%	-	-	-
Benchmark index value change	8,23%	-	-	-
Annual total investment return	32,19%	-	-	-
The annual net return on investment	30,06%	-	-	-
Standard deviation of return	33,57%	-	-	-
Standard deviation of benchmark return	14,92%	-	-	-
Fund unit and benchmark correlation coefficient values	13,92%	-	-	-
Index tracking error	35,10%	-	-	-
Alfa ratio	30,77%	-	-	-
Beta ratio	0,36	-	-	-

The annual net return on investment – return on investment, calculated on the basis of the contributions and deductions from the assets of the Fund.

Standard deviation of return – a statistical risk ratio showing how strongly the return fluctuates in relation to the average return.

Standard deviation of benchmark return – statistical risk ratio showing how strongly the benchmark return fluctuates relative to the average return.

Fund unit and benchmark correlation coefficient - an indicator that shows a statistical dependence of Fund return and benchmark return.

Index tracking error - a statistical risk indicator that shows the standard deviation of the difference between the return for the Fund and for the benchmark.

Alpha ratio – an indicator, which shows the difference between the return of the Fund and the return of the benchmark with comparable risk measures.

Beta ratio - indicator, which shows how the value of the Fund unit changes when the benchmark value changes.

EXPLANATORY NOTES FOR THE YEAR ENDED 31 DECEMBER 2012

3.11 The change in the value of Fund unit, investment portfolio's annual return and the benchmark index:

	Over the last 3 years	Over the last 5 years	Over the last 10 years	Since inception
The average return	-	-	-	0,11%
The average return of the benchmark	-	-	-	0,03%
The average gross return on investment	-	-	-	0,12%
The average net return on investment	-	-	-	0,11%
The average standard deviation of the Fund return	-	-	-	33,57%

The average return – change of the value of the unit during the same period, expressed as a yearly interest rate.

The average return of the benchmark – benchmark's value change over the period, expressed as a yearly interest rate.

The average net return on investment – corresponding period's net return on investment, expressed as a yearly interest rate.

The average standard deviation of the Fund return – the standard deviation of the period, expressed as a yearly interest rate.

3.20 Deductions:

Deductions	Deduction size		Deductions accrued during the reporting period		% of the average value of the reporting period's NAV
	maximum, (set in Fund's documents)	applied during the reporting period	NOK	LTL	
For management			55.791	26.074	1,78
<i>fixed fee - management</i>	1,75% of the average annual NAV		50.797	23.739	
<i>fixed fee - distribution</i>	0% of money contributed by client if amount exceeds 100.000 NOK or 50.000 LTL (in other cases 1%)		4.994	2.335	1,78
<i>success fee</i>	-		-	-	-
For custodian	0,2% of the average annual NAV, but not less than 200Lt per month		6.406	2.994	0,2
For transactions	0,2% from a transaction, but not less than 120 Lt		39.503	18.461	1,26
For audit (accumulated until 2012.10.16. From 2012.10.16 the audit expenses were covered from Management company funds)	0,5% of the average annual NAV		9.417	4.401	0,3
Other expenses:			2.700	1.262	0,09
Internet banking fee (Swedbank Norway)	300 NOK per month		2.700	1.262	0,09
Expenses included into Total Expense Ratio (TER)			74.314	34.731	2,37
TER % from NAV	2,21				
Total amount of expenses			113.817	53.192	3,63
Portfolio turnover rate	3,7170				

* - *Total Expense Ratio (TER)* – percentage, which indicates the average amount of net assets that will be allocated to cover the management costs. These expenses directly reduce the investor's return on investment. The transaction costs (remuneration to brokers) are not included into TER

** - *Portfolio turnover rate (PTR)* – index, which describes the trading activity of the collective investment undertaking's portfolio measures. Subjects with high PTR have higher transaction costs.

EXPLANATORY NOTES FOR THE YEAR ENDED 31 DECEMBER 2012

3.21 Cash flows of the reporting period:

	Cash flow name	2012, NOK	2012, LTL
I.	Cash flows from main activity	(5.356.585)	(2.503.346)
I.1.	Cash inflows of the reporting period	13.791.690	6.445.409
I.1.1.	Money received from the sale of financial and investment property	13.775.724	6.437.947
I.1.2.	Interest received	738	345
I.1.3.	Dividends received	15.228	7.117
I.2.	Cash payments of the reporting period	(19.148.275)	(8.948.755)
I.2.1.	Cash payments for financial assets and investment property acquisition; fulfilled obligations	(19.076.369)	(8.915.150)
I.2.2.	Management-related payments	(71.906)	(33.605)
I.2.3.	Other payments	-	-
	Net cash flow from main activity	(5.356.585)	(2.503.346)
II.	Cash flows from financing activities	6.333.064	2.959.694
II.1.	Cash inflows of the reporting period. Purchase of investment units	6.932.100	3.239.648
II.2.	Payouts of the reporting period. Redemption	(599.036)	(279.954)
II.3.	Payment of dividends	-	-
II.4.	Loans	-	-
II.5.	Repayment of loans	-	-
II.6.	Interest paid	-	-
II.7.	Cash flows related to other funding sources	-	-
II.8.	Other increase (decrease) in liabilities	-	-
	Net cash flows from financing activities	6.333.064	2.959.694
III.	Exchange rate changes influence on cash and cash equivalents	9.085	4.246
IV.	Net cash flow increase (decrease)	985.564	460.594
V.	Cash in the beginning of the reporting period	-	-
VI.	Cash at the end of the reporting period	985.564	460.594

Responsible persons

Names, surnames, titles and contact information of people who prepared the report:

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