



2013 Annual Report

Investeringsforeningen Sydinvest Emerging Markets
Investment Fund under Danish Law

CVR No: 10082226

Sydinvest Emerging Markets

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Investment Fund Information

Investeringsforeningen Sydinvest Emerging Markets
c/o Sydinvest Administration A/S
Peberlyk 4, DK-6200 Aabenraa

Website www.sydinvest-em.com
FSA No (the Danish FSA) 16.065
CVR No 10082226

Board of Directors

Hans Lindum Møller, Attorney
(Chairman)
Niels Therkelsen, General Manager (Vice-
Chairman)
Peter Christian Jørgensen, General Manager
Svend Erik Kriby, Partner
Linda Sandris Larsen, Associate Professor

Day-to-day management

Eskild Bak Kristensen, CEO

Investment management company

Sydinvest Administration A/S
Peberlyk 4
DK-6200 Aabenraa

Custodian

Sydbank A/S
Peberlyk 4
DK-6200 Aabenraa

Auditor

Deloitte
Statsaut. Revisionspartnerselskab

Place of Payment

Place of payment in Germany

Sydbank A/S
Rathausplatz 11, D-24937 Flensburg
Tel +49 (0)461 86020
deutschland@sydbank.dk

The prospectus, Key Investor Information, the articles of association as well as interim and annual reports are available free of charge at Sydinvest Administration A/S or the place of payment.

Directors' Report

The directors' report is applicable to the entire Investment Fund, Investeringsforeningen Sydinvest Emerging Markets, and both of its funds. In addition the directors' report covers all comments on portfolios listed in connection with each fund as well as the financial data which appear from the financial statements of each fund.

Financial markets in 2013

Positive developments in mature countries. Emerging markets disappointed in 2013.

Strong performance in USA

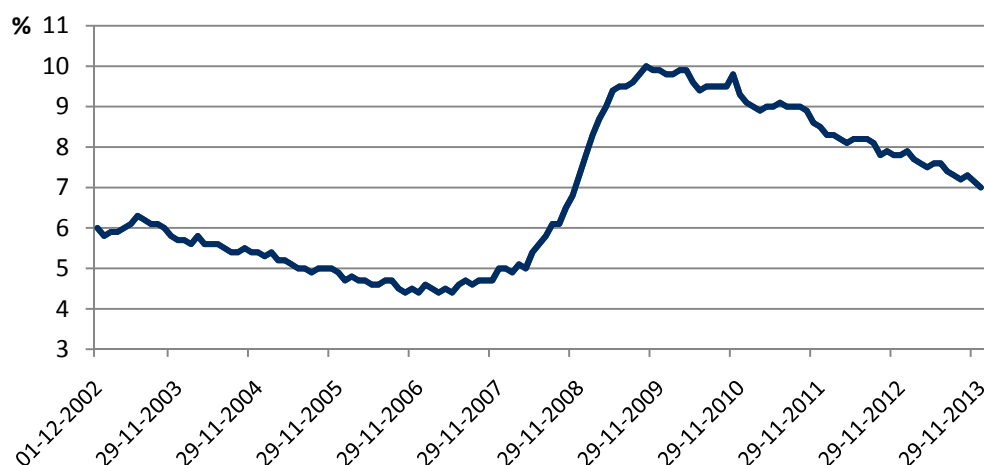
The US economy has performed well. This must be considered in the context that public spending cuts and higher taxes were introduced in spring and that the public sector was shut down for around two weeks in October due to a political crisis.

The positive trend has resulted in:

- a rise in house prices and a three-year peak in house sales
- an increase in corporate earnings and a new all-time high in the share market
- a decline in unemployment to 7%, see figure 1. A significant improvement compared to 10% during the financial crisis in 2009.
- an increase in the number of new jobs in November of more than 200,000
- a decline in the number of people claiming unemployment benefits.

All of which benefits the American budget. Tax revenue is growing and unemployment benefits are falling. Moreover in 2013 USA benefited greatly from the increasing use of shale gas. It represents a cheaper source of energy, it improves the trade balance and it lowers reliance on foreign oil.

Fig 1: Unemployment in USA



New monetary challenges in USA

It has been clear for a long time that the Fed will soon start tapering its bond purchases worth USD 85bn a month. Originally it was expected that the tapering would already have started in autumn but a collapse in the political negotiations on the budget and debt ceiling as well as very low inflation in USA prompted the Fed to stall at first. But in December US policy makers made a new agreement whereby the open market purchases were lowered to USD 75bn a month.

Favourable developments in Europe

Following six consecutive quarters of negative growth the euro area finally recorded positive growth in Q2 and Q3 2013. Germany led the field but several Southern European countries noted progress as well. A number of economic institutions forecast growth of around 1% in the euro area in 2014. Ireland and the UK are faring even better. Ireland no longer needs EU assistance.

However the European Central Bank (ECB) cautioned that the euro area continues to have major problems. Growth is subdued, debt and unemployment are high and European banks are reluctant to lend money. Inflation has dropped well below the ECB's long-term target of 2%. A strong euro throughout 2013 has aggravated the problems and as a result the ECB has lowered its key rate, see table 1, most recently in November by 0.25 percentage points.

... and in Japan

In Japan the Bank of Japan (BOJ) and the government have managed to create growth and reverse the deflationary economic trend. BOJ has been even more aggressive than the Fed and undertaken relatively large bond purchases. Consequently the Japanese equity market has risen by no less than 54.6% measured in JPY but on the other hand JPY weakened significantly in 2013.

Table 1: Central bank key rates in 2013

Country	31 Dec 2013	31 Dec 2012
USA	0.25%	0.25%
Euro area	0.25%	0.75%
Japan	0.10%	0.10%
UK	0.50%	0.50%
Sweden	0.75%	1.00%
Denmark	0.20%	0.20%

Emerging markets disappointed in 2013

Expectations that the Fed would soon tighten its monetary policy coupled with lower growth in some large EM countries had an overall adverse impact on EM countries in 2013. EM countries may find it more difficult to finance their government budget deficits and current account deficits when the US monetary policy is tightened. In addition a number of countries have neglected to implement necessary economic reforms in recent years. Furthermore lower oil and commodity prices have been a negative factor for a number of commodity exporting EM countries, see table 2.

Table 2: Commodity prices in 2013 (USD)

	Price 31 Dec 2013	Change since 31 Dec 2012
Brent oil per barrel	110.82	(1.0%)
CRB Index	280.17	(5.0%)
Gold per ounce	1,205.65	(28.3%)

Higher bond yields

As a result of the positive developments in mature economies and expectations of further tapering of the Fed's bond purchases in 2014, international bond yields rose in 2013, see table 3. However yields declined in Southern Europe as confidence in these countries has improved.

Table 3: 10-y government bond yields

Country	31 Dec 2013	31 Dec 2012
Denmark	2.0%	1.0%
Sweden	2.5%	1.5%
UK	3.0%	1.8%
Germany	1.9%	1.3%
Italy	4.0%	4.5%
Spain	4.2%	5.2%
Poland	4.3%	3.7%
USA	3.0%	1.8%
Canada	2.8%	1.8%
Australia	4.2%	3.3%
Japan	0.7%	0.8%
South Korea (USD)	3.6%	3.2%
Brazil (USD)	4.8%	2.5%
Mexico (USD)	4.1%	2.5%

Higher yields in EM countries

Declining confidence in the economic policy pursued in a number of EM countries as well as new signals from the Fed triggered a significant rise in yields in several EM countries in 2013. In index terms the excess yield on bonds from EM countries has gone up by 0.5 percentage points. In index terms the yield on bonds issued in local currency has risen by 1.4 percentage points. At index level EM currencies have weakened by around 12.6% against EUR and 8.7% against USD.

Table 4: Exchange rate development vs EUR in 2013

Currency	Rate 31 Dec 2013	Change since 31 Dec 2012
DKK	13.40	0.0%
NOK	11.96	(12.2%)
SEK	11.30	(3.1%)
GBP	120.20	(2.5%)
CHF	81.60	(1.5%)
USD	72.57	(4.3%)
MXN	5.54	(5.1%)
BRL	30.76	(17.0%)
INR	0.01	(13.0%)
CAD	68.30	(10.3%)
JPY	0.69	(21.3%)
HKD	9.36	(4.4%)
AUD	64.93	(17.6%)

Performance

Expectations of a less expansionary monetary policy in USA prompted higher international interest rates as well as declines in share prices, bond prices and exchange rates in EM countries.

Net profit

Net profit for 2013 totalled minus EUR 40.3m compared with a profit of EUR 35.2m in 2012. The returns of the individual funds are shown in the table below.

Large declines in EM bond prices

Sydinvest Emerging Markets funds were under pressure in 2013, which produced negative returns of minus 5.3% and minus 14.7%. The fund with currency exposure took the hardest blows. Sydinvest Emerging Markets Local Currency Bonds underperformed its benchmark in 2013. In contrast Sydinvest Emerging Markets Bonds generated a return that was higher than its benchmark in 2013.

Table 5: NAV, total value increase and dividends at 31 December 2013

Fund	NAV	Return (%)				
		1 yr	3 yrs	5 yrs	7 yrs	10 yrs
Emerging Markets Bonds	2,138.05	(5.25%)	22.54%	92.93%	67.12%	64.30%
Emerging Markets Local Currency Bonds	1,514.70	(14.72%)	(2.15%)	44.54%	44.91%	-

[†] Past performance is no guarantee of current or future performance. Returns are exclusive of commission and charges in connection with issue and redemption.

Asset developments in 2013

Despite the disappointing trend in EM markets new investors joined the Investment Fund in 2013. As a result the Investment Fund's total assets went up by EUR 161.4m to EUR 434.7m in 2013.

During 2013 investors purchased new units for EUR 212.3m net and as such the positive trend from 2012 continued. The increase in assets under management was driven in particular by Sydinvest Emerging Markets Local Currency Bonds.

Significant events after the expiry of the financial year

No matters of significant impact on the financial position of the Investment Fund have occurred after the end of the financial year.

Market outlook for 2014

At the end of 2013 the prospects for the world look slightly better. The US economy is showing clear signs of progress and this is positive for the rest of the world. US monetary policy will be tightened further in 2014. This may squeeze EM countries and European countries that are thirsting for higher growth rates necessary to reduce unemployment and their high debt levels.

We forecast:

- that growth in the world economy including Europe will rise in 2014
- that the Fed will cautiously taper its bond purchases while the Bank of Japan and the European Central Bank will continue to pursue very loose monetary policies.

Likely impact on financial markets:

- that interest rates in safe markets, eg Germany and USA, will rise even further
- that the yield spreads of EM bonds issued in USD may narrow
- that the yields of EM bonds issued in local currency will not rise in general
- that EM currencies will continue to be characterised by large fluctuations.

A heavy responsibility rests on the Fed – also in 2014. How will the additional tapering of bond purchases be implemented? And how will the financial markets respond? Large fluctuations in financial markets may occur in 2014.

Emerging markets have taken the Fed's decision calmly – even positively. In general EM equity prices rose on the Fed's announcement. EM bonds issued in USD remained largely unchanged where the increase in US Treasuries was compensated for by a lower yield differential. Overall it is positive that the Fed has decided to taper its bond-buying programme. Markets can now concentrate on fundamental issues in the individual countries.

Emerging markets have been hit hard compared to other asset classes and are therefore presumably in a good position to withstand any headwinds in 2014. The yield-to-maturity of EM bonds issued in USD of currently 5.88% is 150bp higher than at the beginning of the year, of which the widening of the yield differential accounts for 51bp. Next year we will probably continue to see higher yields in USA but we project that yield spread narrowing will be able to absorb a major part of these increases. The fundamentals reflected by higher credit ratings continue to improve. The technical issues – supply and current payments on bonds – will balance next year. Consequently we do not expect a repeat of the year's negative returns.

As regards EM bonds issued in local currency, tighter monetary policy will probably only be on the agenda in very few EM countries in 2014. Consequently we do not believe that there will be higher yields in EM countries in general. After increases of 139bp this year much has already been factored in. As regards EM bonds higher US Treasuries may cause headwinds for currencies and bonds. However we expect that most of it has already been factored in. Nevertheless currencies may well still continue to be characterised by fluctuations. One factor in favour of EM currencies is the high yield of 6.85% and a high excess yield compared to the 5-yr US Treasury. In addition we project a stronger USD against EUR, resulting in stronger currencies, in particular Asian and Latin American currencies, against EUR. This is an effect that has worked in quite the opposite way this year.

Business developments

Fund governance

The discussions on fund governance by the Board of Directors of the Investment Fund represent an ongoing process that aims to ensure at all times that Sydinvest Emerging Markets continuously addresses developments in fund governance issues. Sydinvest Emerging Markets complies with the recommendations of the industry association the Federation of Danish Investment Associations on fund governance.

Fund governance recommends that board members are not elected for a period exceeding one year at a time and that there is a maximum number of terms of office as regards the board chairman and the other board members. Sydinvest Emerging Markets' fund governance deviates in these respects as board members are elected for a period of two years at a time. In addition no maximum number of terms of office

has been stipulated. These deviations have been adopted to ensure greater continuity as regards the Board of Directors.

Information and communication policy

At Sydinvest Emerging Markets high priority is given to providing investors and advisers with relevant and timely information. To ensure this we use several media. Our website, www.sydinvest-em.com, is updated daily with current prices and information of significance to Sydinvest Emerging Markets funds and of interest to our investors.

Our efforts are focused on informing our business partners in the best possible way so that they can provide their clients with competent advice on making investments through Sydinvest Emerging Markets.

Management company

Investeringsforeningen Sydinvest Emerging Markets is managed by the investment management company Sydinvest Administration A/S, which is owned by the investment funds that it manages and this is where all staff members are employed. Their primary responsibility is to manage the assets of Sydinvest Emerging Markets. In addition they are responsible for efficiently managing and marketing Sydinvest Emerging Markets.

Corporate social responsibility policy

Sydinvest Emerging Markets has addressed responsible investments since 2009 when the Investment Fund formulated a policy on responsible investments. In 2010 the Investment Fund signed UN's Principles for Responsible Investment, UNPRI. Consequently we have made a commitment to incorporate environmental, social and corporate governance (ESG) issues in investment decisions. These principles also apply to investments in government bonds.

The Investment Fund has not formulated a policy on active ownership as the Investment Fund invests in government bonds where active ownership is not possible.

Government bonds In 2013 the Danish Council for Corporate Responsibility released its "Guidance on Responsible Investments in Government Bonds". Sydinvest Emerging Markets participated in the task force under the Federation of Danish Investment Associations, which has contributed to the guidance.

Sydinvest Administration A/S receives advice from Sydbank A/S in connection with evaluating from which countries it would be responsible to invest in government bonds. The advice is based on published sanction lists accessible at the website of the Ministry of Foreign Affairs of Denmark to ensure that investments in government bonds respect the sanctions in force from time to time. This is supplemented by a model assessment based on ESG issues in connection with evaluating responsibility in the individual countries. Many of the model parameters are retrospective and as a result they do not detect any turning points in the assessment of responsibility. Consequently quantitative results are supplemented by short-term qualitative assessments of responsibility.

Further information on Sydinvest Emerging Markets' policies on responsible investments and active ownership, including results, is available at the Investment Fund's website: <http://www.sydinvest-em.com/about-sydinvest-em/ethical-investments.aspx>.

Investment philosophy

Sydinvest Emerging Markets' primary aim is to create competitive returns by managing unit-holders' assets in accordance with specific investment philosophies. We work continuously to improve the day-to-day investment processes enabling us to put our philosophies into practice and choose good investments and avoid poor investments. It is important that our investment philosophies and processes are well documented so that we may repeat the processes from period to period. We believe that good systematics can create attractive returns that are not the result of coincidences.

Product development

The main objective of the Investment Fund is to create competitive returns at minimal costs. To ensure adequate fund assets, it is also our aim to be able to offer funds that are in demand by investors. Three conditions must be met before a new fund can be launched. Firstly there must be a clear manifestation that investors and their advisers in financial institutions are interested in and have confidence in the new

investment area. Secondly we must be convinced that there is an attractive return potential for investors in the long term. Thirdly we must be able to ensure competent asset management. Having the competence within Sydinvest Emerging Markets to make the investments is not all important. If in-house expertise is not available, we can conclude consultancy agreements with external partners who possess the necessary expertise.

Costs

As regards savings in securities, costs are incurred in connection with the purchase, sale and management of investments by private investors who choose their own shares and bonds and by Sydinvest Emerging Markets. The Investment Fund has concluded an agreement with Sydinvest Administration A/S.

The Investment Fund has concluded an agreement with Sydinvest Administration A/S on a fixed annual management fee to be paid by the funds of the Investment Fund. The most important agreements concluded by Sydinvest Emerging Markets to cover these areas are found on page 10.

The Investment Fund buys and sells securities for the purpose of managing savings in the best possible way and as for all other investors trading also involves costs. The amounts appear from the financial statements of the individual funds.

One of the most important responsibilities of the Investment Fund is to minimise costs without it affecting the quality of the services we receive in return. All the costs mentioned appear from the financial statements of each fund.

Remuneration of auditor, Board of Directors and Executive Management

We aim to keep remuneration at a competitive and reasonable level to make it possible to retain and attract qualified board and executive management members. Each board member receives a fixed annual remuneration and is not offered bonus schemes. Remuneration to the Board of Directors is approved in connection with the adoption of the annual report by the general meeting. The remuneration of the Executive Management is included in the fixed management fee paid by Sydinvest Emerging Markets to Sydinvest Administration A/S. The Investment Fund's remuneration to the Board of Directors represented EUR 4,692 in 2013. Audit fees for 2013 amounted to EUR 5,729.

Election of Board of Directors and appointment of auditor

At the annual general meeting of the Investment Fund on 11 April 2013, the Board of Directors had proposed that Niels Therkelsen and Peter Christian Jørgensen be re-elected. Furthermore the Board of Directors proposed that Linda Sandris Larsen be elected as Hanne Harmsen had expressed a wish to resign from the Board of Directors. All candidates were elected. Subsequently the Board of Directors appointed Hans Lindum Møller Chairman and Niels Therkelsen Vice-Chairman. Board members must resign no later than at the general meeting following the expiry of the financial year in which he or she attains the age of 65.

Deloitte Statsautoriseret Revisionspartnerselskab was reappointed as auditor of the Investment Fund.

Risks

Special risks

The most significant business and financial risks of the Investment Fund and its funds are related to the type of securities invested in and developments in the financial markets on which securities are issued. With respect to uncertainty regarding recognition and measurement of individual assets, reference is made to the relevant paragraphs under accounting policies. In the following a breakdown and more detailed description of the individual elements of risk in the Investment Fund are given:

- Risks in relation to investors' choice of fund
- Risks in relation to investment markets
- Risks related to investment decisions
- Risks in relation to investment fund operations
- Risks in relation to marketing

Risks related to investors' choice of fund

Before investors decide to invest it is important that an investment profile is determined so that investments are tailored to the individual investor's needs and expectations. Moreover it is decisive that investors are aware of the risks associated with the specific investment. It may be a good idea to determine the investment profile in consultation with an adviser.

The investment profile takes into account for instance the degree of risk the investor wishes to take with the investment and the time horizon of the investment. If for instance investors are looking for a very stable development in their fund units, funds with high risk (ie funds with positions 6 or 7 on the risk scale) should generally not be chosen.

The individual fund's financial statements show the fund's risk classification measured by the risk indicator from the document Key Investor Information. Risk is expressed by a number between 1 and 7, where »1« expresses the lowest risk and »7« the highest risk. Category »1« does not represent a risk-free investment.



A fund's position on the risk scale is determined by fluctuations in the fund's return over the past five years. Large fluctuations will result in a high position on the risk scale and small fluctuations will result in a low position. However it should be noted that the historical data which forms the basis of the ranking in a risk category does not necessarily give a true view of the future risk profile.

If a fund has not existed for five years, the historical data available are combined with a relevant representative portfolio or a portfolio with an asset allocation equal to the objective of the fund or a benchmark covering the period for which the fund does not have any historical data.

Risks in relation to investment markets

Risks in relation to markets may typically be divided into market-related risks, such as impacts of market conditions, political risks, exchange rate risks and interest rate risks deriving from an individual investment. Sydinvest Emerging Markets manages these risks within the given limits of the individual markets. Examples of risk management elements are fund investment policies, internal control procedures and statutory requirements as to risk diversification.

Risks related to investment decisions

Investment decisions in actively managed funds are based on our own and external advisers' expectations for the future. Sydinvest Emerging Markets attempts to give a realistic outlook of interest rate developments, economic conditions etc, on the basis of which investments are made. This type of decision is always associated with uncertainty. There is always a risk that things will turn out differently than expected regardless of the quality of analyses made.

In connection with securities trading, settlement is effected as delivery versus payment. The risk that this does not occur is called trading risk. This risk is hedged through the custodian bank. Sydinvest Emerging Markets' custodian is Sydbank A/S.

Risks in relation to investment fund operations

The management of Sydinvest Emerging Markets is based on the principle of efficient and reliable investment fund operations. An agreement has been concluded with Sydinvest Administration A/S, which has formulated a large number of control procedures and business procedures to counter operational risks. Sydinvest Administration A/S has made considerable investments in IT equipment to ensure a high degree of data and systems security. Furthermore emergency plans and procedures have been put into place to ensure that data and systems can be restored in the event of a breakdown.

Moreover the management company devotes considerable resources to ensure the most correct pricing of shares, bonds and other instruments in the funds' portfolios.

The Investment Fund also ensures on a continuing basis that the company's staff is adequate, well-qualified and experienced.

The overall level of security is determined and regularly monitored by the Board of Directors.

Sydinvest Emerging Markets is subject to the supervision of the Danish FSA as well as statutory auditing, where focus is on risks and controls. The auditors submit an opinion on their reviews to the Board of Directors and are obliged to inform of significant weaknesses.

Risks in relation to marketing

The most important risk in connection with marketing is judged to be that marketing material is regarded as not rightfully describing the underlying product, ie the funds of the Investment Fund.

Inadequate information in marketing material may entail a financial risk as well as a risk of damage to reputation.

The Investment Fund attempts to minimise this risk by having in place a very thorough procedure as regards the preparation and approval of marketing material.

Overall risk factors

Currency

Investments in foreign securities imply exposure to exchange rate movements. Therefore the price of the individual fund will be impacted by the extent of investments in foreign securities and exchange rate fluctuations between these currencies and EUR.

The currency risk is limited in funds where hedging against EUR is involved.

Company-specific issues

The Investment Fund spreads its investments across many different securities to lower the dependency on the price development of a single company. Nonetheless company-specific issues, eg bankruptcies, will affect return, also because each fund may own up to 10% of assets in a single company.

New markets (emerging markets and frontier markets)

New markets include almost all countries in Latin America, many countries in Asia, Eastern Europe and Africa. Generally these countries are more politically unstable. Their financial markets are not as well-organised as in mature markets and economic developments may vary considerably. As a result investments in these regions involve a higher risk than investments in mature markets.

For investors this may be reflected in for instance a greater risk of nationalisation, the introduction of exchange control regulations or violent political upheavals. These are all factors that at a given time may lower the value of the investment and that at times may mean that trading in these markets is not possible.

Special risks – bond investments

Bond market

The bond market may be exposed to specific political or regulatory measures which may affect the value of investments. Furthermore market-related or overall economic circumstances, eg interest rate developments, will have an impact on the value of investments.

Interest rate risk

When interest rates change the value of bonds is affected. How the value is affected depends on the nature of the individual bond. It is of great importance whether a bond is a fixed-rate, a floating-rate or perhaps an index-linked bond. A measure of the change in a bond's price in connection with a given interest rate change is determined by calculating the bond's duration. When interest rates change the following will apply: the greater the duration, the greater the change in prices and thereby risk. Duration is one of the instruments used to manage risk in bond funds.

Credit risk

The different types of bonds – government bonds, mortgage bonds, emerging market bonds, corporate bonds etc – are associated with a credit risk. In relation to bond investments, there may be a risk that the rating of the issuer is lowered and/or that the issuer cannot fulfil his obligations. This risk is called credit risk.

Significant agreements

Custodian bank agreement

The Investment Fund has concluded an agreement with Sydbank A/S whereby the bank as a custodian will manage and keep in custody securities and liquid funds of each of the Investment Fund's funds in compliance with the Danish Investment Associations, etc. Act as well as the stipulations of the Danish FSA and will undertake the control responsibilities and obligations contained herein.

Marketing and distribution agreement

The Investment Fund has concluded an agreement with Sydbank A/S whereby the bank will at any time arrange for the sale of units in the Investment Fund's funds on the basis of client requirements as well as keep units in custody. The bank will plan its own marketing efforts with a view to promoting the sale of the Investment Fund's units and as a parallel to this measure the Investment Fund may implement its own marketing activities as regards units. The Investment Fund has concluded similar agreements with other distributors.

Investment consulting agreement

The Investment Fund has concluded an investment consulting agreement with Sydbank A/S. As a result the bank will prepare macro-economic analyses and investment proposals to be applied as input by the investment department of the investment management company in its formulation of an investment strategy and its subsequent implementation.

Administration agreement

The Investment Fund has concluded an agreement with Sydinvest Administration A/S whereby the company will undertake the administrative and investment responsibilities in compliance with the Danish Investment Associations, etc. Act, the Articles of Association of the Investment Fund and instructions issued by the Board of Directors of the Investment Fund, including investment limits applying to the individual funds. In addition the company performs information and marketing services for the Investment Fund.

The price paid for services is fixed subject to negotiation between Sydinvest Administration A/S and the provider of the individual service. In accordance with the Articles of Association the costs of Sydinvest Administration A/S are allocated to the funds of the investment funds managed.

Board of Directors and Executive Management

<p>Board of Directors</p> <p>Chairman Hans Lindum Møller 61 Attorney</p> <p>Elected to the Board of Directors in 2004, most recently re-elected in 2012 and up for re-election in 2014.</p>	<p>Chairman of the board of directors of:</p> <p>Member of the board of directors of:</p> <p>General manager of:</p>	<ul style="list-style-type: none"> • Fr. Petersen Maskinfabrik af 1978 A/S • Ejendomsselskabet Palæet A/S • Automatic Syd A/S • Automatic Syd Ejendom ApS • Dan Spedition A/S • Svend Beck, Peter Holm og Vagn Jacobsens Almene Fond (BHJ-Fonden) • K/S Varberg Hotelopsparing • Den selvejende Fond Dybbøl Mølle • FormueEvolution I A/S • Bjerrisgård & Piepgræss A/S • Marina Minde P/S • Marina Minde P/S
<p>Vice-Chairman Niels Therkelsen 54 General Manager</p> <p>Elected to the Board of Directors in 1987, most recently re-elected in 2013 and up for re-election in 2015.</p>	<p>General manager and member of the board of directors of:</p>	<ul style="list-style-type: none"> • NT Holding af 12. september 2005 ApS • City Immobilien Flensburg ApS • Business Leasing Danmark ApS
<p>Svend Erik Kriby 53 Partner</p> <p>Elected to the Board of Directors in 2006, most recently re-elected in 2012 and up for re-election in 2014.</p>	<p>Chairman of the board of directors of:</p> <p>Member of the board of directors of:</p> <p>Managing director and member of the board of directors of:</p>	<ul style="list-style-type: none"> • Eskesen A/S • Kriby Holding A/S • Gris og Ko ApS • ECLAB ApS • Labofa A/S
<p>Peter Christian Jørgensen 48 General Manager</p> <p>Elected to the Board of Directors in 2007, most recently re-elected in 2013 and up for re-election in 2015.</p>	<p>Member of the board of directors of:</p> <p>General manager and member of the board of directors of:</p>	<ul style="list-style-type: none"> • Fonden Syddanske Forskerparker (vice-chairman) • Kollund Skov ApS • Nørremølle ApS
<p>Linda Sandris Larsen 35 Associate Professor</p> <p>Elected to the Board of Directors in 2013, up for re-election in 2015.</p>	<p>Holds no other directorships.</p>	
<p>Executive Management</p> <p>Eskild Bak Kristensen 58</p> <p>Appointed as CEO in 2004.</p>	<p>Member of the board of directors of:</p>	<ul style="list-style-type: none"> • The Federation of Danish Investment Associations (InvesteringsForeningsRådet)

Management Statement

Today the Board of Directors and Executive Management have reviewed and approved the annual report for the financial year from 1 January to 31 December 2013 of Investeringsforeningen Sydinvest Emerging Markets.

The annual report has been prepared in accordance with the Danish Investment Associations, etc. Act.

The directors' report contains a fair review of developments in the Investment Fund's and the funds' operations and financial position as well as a fair description of the most significant risks and elements of uncertainty which may affect the Investment Fund and the funds, respectively.

We consider the accounting policies applied to be appropriate and it is our opinion that the financial statements give a true and fair view of the Investment Fund's and the funds' assets and liabilities, financial position and result.

We propose that the annual report be submitted for adoption by the AGM.

Aabenraa, 18 February 2014

Board of Directors

Hans Lindum Møller
Chairman

Niels Therkelsen
Vice-Chairman

Svend Erik Kriby

Peter Christian Jørgensen

Linda Sandris Larsen

Executive Management of Sydinvest Administration A/S

Eskild Bak Kristensen

Independent Auditor's Report

To the unit-holders of Investeringsforeningen Sydinvest Emerging Markets

Report on the financial statements

We have audited the financial statements of Investeringsforeningen Sydinvest Emerging Markets for the financial year 1 January to 31 December 2013, which comprise the accounting policies income statement, balance sheet, and notes for 2 compartments. The financial statements are prepared in accordance with the Danish Investment Associations, etc Act.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Investment Associations, etc Act 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 the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires 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 judgement, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the association's preparation of financial statements that give a true and fair view 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 association'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 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.

Our audit has not resulted in any qualification.

Opinion

In our opinion, the financial statements give a true and fair view of the association's and the compartments' financial position at 31 December 2013 and of the results of its operations for the financial year 1 January to 31 December 2013 in accordance with the Danish Investment Associations, etc Act.

Statement on the management commentary

Pursuant to the Danish Danish Investment Associations, etc Act, we have read the management commentary including the management commentary for each of the compartments. We have not performed any further procedures in addition to the audit of the financial statements.

On this basis, it is our opinion that the information provided in the management commentary and the management commentary for each of the compartments is consistent with the financial statements.

Aabenraa, 18 February 2014

Deloitte

Statsautoriseret Revisionspartnerselskab

John Ladekarl
State Authorised
Public Accountant

Per Rolf Larssen
State Authorised
Public Accountant

Fund Reports and 2013 Financial Statements

General reading instructions

Investeringsforeningen Sydinvest Emerging Markets consists of two funds. Each fund prepares separate financial statements and a fund report. The financial statements show the funds' financial developments during the year and the state of affairs at year-end. The fund reports comment on the funds' results for the year as well as specific circumstances that apply to the individual fund.

The Investment Fund manages administrative tasks and the investment task common to all funds within the framework laid down for the funds by the Board of Directors. This contributes to ensuring a cost effective operation of the Investment Fund as the funds are often influenced by many of the same factors even though they invest in different types of securities and follow different strategies. For instance fluctuations in global growth may affect return and risk in individual funds.

Consequently overall market developments and risks are described for all funds under "Directors' Report". We recommend that this be read in connection with the specific fund reports to get a complete picture of developments and any special circumstances and risks affecting individual funds.

Sydinvest Emerging Markets Bonds

Fund report

Fund data

ISIN	DK0060406759	Launch date	30 September 2002
Listed	No	Currency	EUR
Accumulation fund	Yes	Risk category	5
Benchmark	JP Morgan EMBI Global Diversified		

Introduction

The fund report should be read together with the sections in the annual report “Financial markets in 2013” on page 3, “Asset developments in 2013” on page 5 and “Risks” on page 8 to provide a complete picture of developments. The evaluation by the Board of Directors and Executive Management regarding fund specific risks appears below. For further information on risks associated with investing in the fund, reference is made to the current prospectus which may be downloaded at www.sydinvest-em.com.

Investment profile

The fund invests predominantly in high-yield government bonds issued in USD or EUR from emerging market countries in Eastern Europe, Asia, Latin America and Africa. The majority of the fund’s currency positions are hedged to EUR.

Risk profile

The fund carries a somewhat higher risk than that of traditional bond funds. In the short term large fluctuations in return may occur. The objective is to achieve a higher average return in the long term. Fund return depends on interest rate movements, issuers’ ability to service debt and, to a lesser extent, exchange rates. Risk factors consist of credit risk, interest rate risk, liquidity risk and emerging markets risk. The fund is suitable for investments with a time horizon of at least four years.

Further information on risks in investment markets is found under “Risks” in the Directors’ Report. The fund is placed in risk category 5.

Developments in 2013

In 2013 the fund generated a return of minus 5.25% whereas its benchmark dropped by 5.58%. The market fell short of expectations at the beginning of the year but the fund performed well compared to overall market developments.

In 2013 emerging market (EM) bonds issued in hard currency were primarily hit by the fluctuations in US Treasuries on the back of the Fed’s statements that it is considering tapering quantitative easing. This resulted in considerable declines in the benchmark and a widening yield spread. The yield spread widened from 257bp to more than 308bp.

The fund has produced a return that is 0.33 percentage points better than the change in its benchmark. The fund pursued a defensive approach during part of the year. Country as well as asset allocations have contributed to return.

Market outlook for 2014

We project that the Fed will withdraw most of its quantitative easing programme during 2014 and that uncertainty in this regard will be the focal point for EM bonds in USD at the beginning of the year. Consequently the market’s response to the Fed’s actions represents the biggest risk factor. We expect that the credit ratings of EM countries will continue to go up and that the yield spread of the benchmark will narrow.

We project that the fund will generate a positive return in 2014 on a par with its benchmark although there is a risk of significant price fluctuations along the way.

10 largest positions

Name	Country	Portfolio share
5.75% Mexico 12.10.2110	Mexico	5.11%
9.50% NAK Naftogaz Ukraine 30.09.2014	Ukraine	3.18%
12.75% Russia 24.06.2028	Russia	3.02%
7.25% Serbia 28.09.2021	Serbia	2.68%
7.50% Russia 31.03.2030	Russia	2.13%
6.40% Qatar 20.01.2022	Qatar	2.01%
5.75% Qatar 20.01.2042	Qatar	1.99%
8.13% Colombia 21.05.2024	Colombia	1.93%
3.00% Poland 23.09.2022	Poland	1.81%
7.50% Turkey 14.07.2017	Turkey	1.73%

Sydinvest Emerging Markets Bonds – 2013 Financial Statements

SUMMARY FINANCIAL HIGHLIGHTS FOR 2009-2013

(EUR 1,000)	2013	2012	2011	2010	2009
Income statement					
Interest and dividends	8,847	9,633	14,347	15,133	22,345
Market value adjustments	(15,559)	19,659	4,423	22,210	59,955
Administrative costs	(1,897)	(1,818)	(2,450)	(1,144)	(1,178)
Net profit for the year	(8,609)	27,474	16,320	36,199	81,122
Assets					
Liquid funds	3,845	15,488	21,562	25,785	22,231
Listed bonds from foreign issuers	149,459	139,388	141,571	185,983	242,435
Unlisted bonds from foreign issuers	9,660	2,680	4,810	15,751	21,072
Shares in investment management company	0	536	668	767	690
Derivatives	1,606	3,236	811	2,162	313
Other assets	2,673	2,038	2,336	3,540	4,566
Total assets	167,243	163,366	171,758	233,988	291,307
Liabilities					
Other debt	9	465	20	259	103
Loans with custodian	1,020	3,480	0	0	0
Derivatives	113	46	11,750	3,326	11,679
Unit-holders' assets	166,101	159,375	159,988	230,403	279,525
Total liabilities	167,243	163,366	171,758	233,988	291,307
Units in circulation					
Nominal (EUR 1,000) ¹⁾	77,688	70,625	84,750	132,050	183,900
Quantity	77,688	70,625	1,695	2,641	3,678
Financial ratios at year-end					
NAV per unit ¹⁾	2138.05	2256.63	94388.41	87240.60	76001.25
Return ^{*)}	(5.25%)	19.52%	8.19%	14.79%	37.16%
Benchmark return ^{*)}	(5.58%)	16.82%	7.39%	11.63%	29.35%
Total expense ratio (TER) ^{*)}	1.21%	1.20%	1.10%	0.45%	0.45%
Annual percentage rate (APR)	1.81%	1.80%	1.67%	-	-
Sharpe Ratio (5 yrs)	0.56	-	-	-	-
Standard deviation (5 yrs)	7.82	-	-	-	-
Portfolio turnover rate (PTR)	0.50	0.53	0.37	0.58	1.05

^{*)} Past performance is no guarantee of current or future performance. Return is exclusive of commission and charges in connection with issue and redemption.

¹⁾ Change in denomination of units from nominally 50,000 to 1,000 as from January 2012

Sydinvest Emerging Markets Bonds – 2013 Financial Statements

INCOME STATEMENT FOR THE YEAR 2013

Note	(EUR 1,000)	1 Jan - 31 Dec 2013	1 Jan - 31 Dec 2012
	Interest and dividends		
1.	Interest	8,846	9,633
	Total interest and dividends	8,846	9,633
	Capital gains and losses		
2.	Bonds	(22,169)	17,392
2.	Derivatives	6,653	2,364
	Currency accounts	(41)	(97)
3.	Transaction costs - operating activities	(1)	0
	Total capital gains and losses	(15,558)	19,659
	Total income	(6,712)	29,292
4.	Administrative costs	(1,897)	(1,818)
	Net profit for the year	(8,609)	27,474
	Distribution of net profit		
	Brought forward to fund assets	(8,609)	27,474

BALANCE SHEET AT 31 DECEMBER 2013

Note	(EUR 1,000)	31 Dec 2013	31 Dec 2012
	ASSETS		
	Liquid funds		
	Deposits with custodian	3,845	15,488
	Total liquid funds	3,845	15,488
7.	Bonds		
	Listed bonds from foreign issuers	149,459	139,388
	Unlisted bonds from foreign issuers	9,660	2,680
	Total bonds	159,119	142,068
	Holdings		
5.	Shares in investment management company	0	536
	Total holdings	0	536
	Derivatives		
	Unlisted derivatives	1,606	3,236
	Total derivatives	1,606	3,236
	Other assets		
	Interest receivable, dividends etc	2,666	2,038
	Receivables - unsettled transactions	7	0
	Total other assets	2,673	2,038
	TOTAL ASSETS	167,243	163,366
	LIABILITIES		
6.	Unit-holders' assets	166,101	159,375
	Loans with custodian	1,020	3,480
	Derivatives		
	Unlisted derivatives	113	46
	Total derivatives	113	46
	Other debt		
	Payables	2	465
	Payables - unsettled transactions	7	0
	Total other debt	9	465
	TOTAL LIABILITIES	167,243	163,366

Sydinvest Emerging Markets Bonds – 2013 Financial Statements

NOTES

	31 Dec 2013	31 Dec 2012
1. Interest		
Deposits with custodian	3	8
Listed bonds from foreign issuers	8,432	9,201
Unlisted bonds from foreign issuers	412	338
Other interest income	0	120
Other interest expense	0	(34)
Interest expense - loans with custodians	(1)	0
Total interest	8,846	9,633
2. Capital gains and losses		
Bonds		
Listed bonds from foreign issuers	(21,270)	16,895
Unlisted bonds from foreign issuers	(899)	497
Total bonds	(22,169)	17,392
Derivatives		
Forward exchange transactions/futures etc	5,968	2,307
Forward interest rate transactions/futures etc	685	146
CDSs	0	(89)
Total derivatives	6,653	2,364
3. Transaction costs		
All transaction costs	2	0
Covered by income from issue and redemption	(1)	0
Transaction costs - operating activities	1	0
4. Administrative costs		
Fund-specific costs		
Auditors' fee	2	0
Marketing costs	867	833
Fees to custodian	158	152
Other costs relating to asset management	658	627
Other expenses	2	(20)
Fixed management fee	208	226
Total fund-specific costs	1,893	1,818
Share of joint expenses *)		
Remuneration to Board of Directors	2	0
Total share of joint expenses	2	0

Sydinvest Emerging Markets Bonds – 2013 Financial Statements

	31 Dec 2013	31 Dec 2012
Total administrative costs		
Remuneration to Board of Directors	2	0
Auditors' fee	2	0
Marketing costs	867	833
Fees to custodian	158	152
Other costs relating to asset management	658	627
Other expenses	2	(20)
Fixed management fee	208	226
Total administrative costs	1,897	1,818
<p>*) The share of joint expenses represents the fund's share of the payment to Sydinvest Administration A/S as regards administration. The distribution is according to agreement with the company in consideration of fund assets.</p> <p>Total remuneration to auditor and Board of Directors appears from the Directors' Report under "Remuneration of auditor and Board of Directors" to which reference is made.</p>		
5. Shares in investment management company		
Sydinvest Administration A/S		
Domicile: Aabenraa, Denmark		
Ownership	0.003%	9.998%
Share capital (DKK 1,000)	40,000	40,000
6. Unit-holders' assets		
Units in circulation		
Units in circulation at 1 Jan	70,625	84,750
Issues during the period	12,589	338
Redemptions during the period	(5,526)	(14,463)
Total units in circulation	77,688	70,625
Unit-holders' assets		
Unit-holders' assets at 1 Jan	159,375	159,988
Issues during the period	26,866	673
Redemptions during the period	(11,739)	(28,854)
Net issue surcharges and redemption deductions	208	94
Brought forward from income statement	(8,609)	27,474
Total unit-holders' assets	166,101	159,375
7. Financial instruments (securities)		
<p>A list of financial instruments (securities) as well as of purchases/sales can be obtained free of charge from the investment management company and from all places of payment.</p>		

Sydinvest Emerging Markets Bonds – 2013 Financial Statements

SUPPLEMENTARY NOTES WITHOUT REFERENCE

	31 Dec 2013	31 Dec 2012
a. Unlisted shares and shares in investment management company		
Nominal (EUR 1,000)	77,688	70,625
Quantity	77,688	70,625
b. Portfolio turnover		
Market value of purchase of securities	87,607	85,282
Market value of sale of securities	104,685	107,011
Total market value	192,292	192,293
c. Breakdown of financial instruments		
Listed bonds	89.98%	87.46%
Unlisted bonds and shares in investment management company	5.82%	2.02%
Other financial instruments	0.90%	2.00%
	96.70%	91.48%
Others assets/other debt	3.30%	8.52%
Total	100.00%	100.00%
d. Fund assets		
Bonds > 6 yrs	54.34%	59.67%
Bonds 4-6 yrs	21.63%	18.01%
Bonds 2-4 yrs	12.20%	12.91%
Bonds 0-2 yrs	7.63%	(3.03 %)
Cash, derivatives etc	4.20%	12.44%
Total	100.00%	100.00%
e. Bonds by country		
Russia	9.04%	8.91%
Mexico	7.67%	8.42%
Indonesia	6.66%	4.14%
Turkey	5.77%	6.44%
Venezuela	4.79%	5.17%
Ukraine	4.18%	1.51%
Qatar	4.01%	3.68%
Serbia	3.63%	1.82%
Other	50.05%	47.47%
Cash, derivatives etc	4.20%	12.44%
Total	100.00%	100.00%

Sydinvest Emerging Markets Local Currency Bonds

Fund report

Fund data

ISIN	DK0060406833	Launch date	1 December 2005
Listed	No	Currency	EUR
Accumulation fund	Yes	Risk category	4
Benchmark	J.P. Morgan Global Bond Index – Emerging Markets Global Diversified		

Introduction

The fund report should be read together with the sections in the annual report “Financial markets in 2013” on page 5, “Asset developments in 2013” on page 5 and “Risks” on page 8 to provide a complete picture of developments. The evaluation by the Board of Directors and Executive Management regarding fund specific risks appears below. For further information on risks associated with investing in the fund, reference is made to the current prospectus which may be downloaded at www.sydinvest-em.com.

Investment profile

The fund invests predominantly in government bonds from emerging market countries in Eastern Europe, Asia, Latin America and Africa. The fund pursues an active currency policy and will to a great extent be affected by exchange rate developments in the countries in which the fund invests.

Risk profile

The fund carries a somewhat higher risk than that of traditional bond funds. In the short term large fluctuations in return may occur. The fund invests in bonds issued in local currency that are generally not hedged. Consequently return is greatly influenced by exchange rate developments. Fund return depends on exchange rate movements, the level of interest rates and issuers’ ability to service debt. Risk factors consist of currency risk, credit risk, interest rate risk, liquidity risk and emerging markets risk. The fund is suitable for investments with a time horizon of at least four years.

Further information on risks in investment markets is found under “Risks” in the Directors’ Report. The fund is placed in risk category 4.

Developments in 2013

In 2013 the fund generated a return of minus 14.72% whereas its benchmark dropped by 12.91%. The market fell short of expectations at the beginning of the year and the fund underperformed compared to overall market developments.

In 2013 emerging market (EM) bonds issued in local currency were impacted in particular by the uncertainty triggered by the Fed’s statements that it was considering tapering quantitative easing. This led to weakened EM currencies and higher interest rates in local markets.

The fund has produced a return that is 1.81 percentage points lower than the change in its benchmark. The fund was primarily impacted by its overweight in Brazil whereas the fund’s cash position drove up return.

Market outlook for 2014

We project that the Fed will withdraw most of its quantitative easing programme during 2014 and that uncertainty in this regard will be the focal point for EM bonds at the beginning of the year. Consequently the market’s response to the Fed’s signals represents the biggest risk factor. We forecast that interest rates in general will remain largely unchanged whereas major fluctuations in EM currencies are likely.

We project that the fund will generate a positive return in 2014 on a par with its benchmark although there is a risk of significant price fluctuations along the way.

10 largest positions

Name	Country	Portfolio share
10.00% Brazil 15.08.2016	Brazil	8.70%
6.50% South Africa 28.02.2041	South Africa	8.07%
6.00% Brazil 15.08.2016	Brazil	4.90%
7.50% Russia 24.06.2028	Russia	3.37%
3.26% Malaysia 27.02.2015	Malaysia	2.75%
3.01% Turkey 21.07.2021	Turkey	2.63%
10.00% Mexico 05.12.2024	Mexico	2.62%
8.25% Indonesia 15.06.2032	Indonesia	2.60%
5.25% Poland 25.10.2017	Poland	2.54%
12.00% Colombia 21.05.2024	Colombia	2.46%

Sydinvest Emerging Markets Local Currency Bonds – 2013 Financial Statements

SUMMARY FINANCIAL HIGHLIGHTS FOR 2009-2013

(EUR 1,000)	2013	2012	2011	2010	2009
Income statement					
Interest and dividends	9,596	4,624	2,708	1,223	1,412
Market value adjustments	(39,016)	4,169	(2,448)	2,338	1,198
Administrative costs	(2,194)	(928)	(483)	(118)	(102)
Non-refundable tax on coupons	(103)	(117)	(27)	0	0
Net profit for the year	(31,717)	7,748	(250)	3,443	2,508
Assets					
Liquid funds	14,170	6,531	2,300	1,531	2,523
Listed bonds from foreign issuers	231,402	93,390	33,425	30,464	9,609
Unlisted bonds from foreign issuers	19,301	12,755	3,000	2,101	657
Shares in investment management company	0	268	139	38	68
Derivatives	552	132	315	0	177
Other assets	3,481	1,399	629	474	195
Total assets	268,906	114,475	39,808	34,608	13,229
Liabilities					
Other debt	9	295	12	49	6
Derivatives	252	197	169	45	461
Unit-holders' assets	268,645	113,983	39,627	34,514	12,757
Total liabilities	268,906	114,475	39,808	34,608	13,224
Units in circulation					
Nominal (EUR 1,000) ¹⁾	177,359	64,172	25,450	22,300	10,500
Quantity	177,359	64,172	509	446	210
Financial ratios at year-end					
NAV per unit ¹⁾	1514.70	1776.22	77852.20	77402.57	60734.81
Return ¹⁾	(14.72%)	14.04%	0.58%	27.44%	15.91%
Benchmark return ¹⁾	(12.91%)	14.96%	1.53%	23.72%	12.36%
Total expense ratio (TER) ¹⁾	1.21%	1.18%	1.15%	0.60%	0.60%
Annual percentage rate (APR)	1.82%	2.10%	1.94%	-	-
Sharpe Ratio (5 yrs)	0.50	-	-	-	-
Standard deviation (5 yrs)	9.08	-	-	-	-
Portfolio turnover rate (PTR)	0.48	0.37	0.46	0.43	0.95

¹⁾ Past performance is no guarantee of current or future performance. Return is exclusive of commission and charges in connection with issue and redemption.

¹⁾ Change in denomination of units from nominally 50,000 to 1,000 as from January 2012

Sydinvest Emerging Markets Local Currency Bonds – 2013 Financial Statements

INCOME STATEMENT FOR THE YEAR 2013

Note	(EUR 1,000)	1 Jan - 31 Dec 2013	1 Jan - 31 Dec 2012
	Interest and dividends		
1.	Interest	9,596	4,624
	Total interest and dividends	9,596	4,624
	Capital gains and losses		
2.	Bonds	(38,391)	4,378
2.	Derivatives	(735)	(43)
	Currency accounts	142	19
3.	Transaction costs - operating activities	(32)	(185)
	Total capital gains and losses	(39,016)	4,169
	Total income	(29,420)	8,793
4.	Administrative costs	(2,194)	(928)
	Pre-tax profit	(31,614)	7,865
5.	Tax	(103)	(117)
	Net profit for the year	(31,717)	7,748
	Distribution of net profit		
	Brought forward to fund assets	(31,717)	7,748

BALANCE SHEET AT 31 DECEMBER 2013

Note	(EUR 1,000)	31 Dec 2013	31 Dec 2012
	ASSETS		
	Liquid funds		
	Deposits with custodian	14,170	6,531
	Total liquid funds	14,170	6,531
8.	Bonds		
	Listed bonds from foreign issuers	231,402	93,390
	Unlisted bonds from foreign issuers	19,301	12,755
	Total bonds	250,703	106,145
	Holdings		
6.	Shares in investment management company	0	268
	Total holdings	0	268
	Derivatives		
	Unlisted derivatives	552	132
	Total derivatives	552	132
	Other assets		
	Other amounts receivable	0	153
	Interest receivable, dividends etc	3,481	1,246
	Total other assets	3,481	1,399
	TOTAL ASSETS	268,906	114,475
		0	
	LIABILITIES		
7.	Unit-holders' assets	268,645	113,983
	Derivatives		
	Unlisted derivatives	252	197
	Total derivatives	252	197
	Other debt		
	Payables	3	291
	Interest payable	6	4
	Total other debt	9	295
	TOTAL LIABILITIES	268,906	114,475

Sydinvest Emerging Markets Local Currency Bonds – 2013 Financial Statements

NOTES

	31 Dec 2013	31 Dec 2012
1. Interest		
Deposits with custodian	15	7
Listed bonds from foreign issuers	9,050	4,316
Unlisted bonds from foreign issuers	537	307
Interest expense - loans with custodian	(6)	(6)
Total interest	9,596	4,624
2. Capital gains and losses		
Bonds		
Listed bonds from foreign issuers	(36,394)	4,096
Unlisted bonds from foreign issuers	(1,997)	282
Total bonds	(38,391)	4,378
Derivatives		
Forward exchange transactions/futures etc	(735)	(43)
Total derivatives	(735)	(43)
3. Transaction costs		
All transaction costs	66	500
Covered by income from issue and redemption	(34)	(315)
Transaction costs - operating activities	32	185
4. Administrative costs		
Fund-specific costs		
Auditors' fee	4	0
Marketing costs	958	405
Fees to custodian	174	74
Other costs relating to asset management	833	331
Other expenses	1	(8)
Fixed management fee	221	126
Total fund-specific costs	2,191	928
Share of joint expenses *)		
Remuneration to Board of Directors	3	0
Total share of joint expenses	3	0

Sydinvest Emerging Markets Local Currency Bonds – 2013 Financial Statements

	31 Dec 2013	31 Dec 2012
Total administrative costs		
Remuneration to Board of Directors	3	0
Auditors' fee	4	0
Marketing costs	958	405
Fees to custodian	174	74
Other costs relating to asset management	833	331
Other expenses	1	(8)
Fixed management fee	221	126
Total administrative costs	2,194	928
<p>*) The share of joint expenses represents the fund's share of the payment to Sydinvest Administration A/S as regards administration. The distribution is according to agreement with the company in consideration of fund assets.</p> <p>Total remuneration to auditor and Board of Directors appears from the Directors' Report under "Remuneration of auditor and Board of Directors" to which reference is made.</p>		
5. Tax		
The fund is not liable to pay tax		
Non-refundable tax on coupons	103	117
Total tax	103	117
6. Shares in investment management company		
Sydinvest Administration A/S		
Domicile: Aabenraa, Denmark		
Ownership	0.003%	4.998%
Share capital (DKK 1,000)	40,000	40,000
7. Unit-holders' assets		
Units in circulation		
Units in circulation at 1 Jan	64,172	25,450
Issues during the period	116,641	41,936
Redemptions during the period	(3,454)	(3,214)
Total units in circulation	177,359	64,172
Unit-holders' assets		
Unit-holders' assets at 1 Jan	113,983	39,627
Issues during the period	191,108	71,595
Redemptions during the period	(5,708)	(5,345)
Net issue surcharges and redemption deductions	979	358
Brought forward from income statement	(31,717)	7,748
Total unit-holders' assets	268,645	113,983
8. Financial instruments (securities)		
<p>A list of financial instruments (securities) as well as of purchases/sales can be obtained free of charge from the investment management company and from all places of payment.</p>		

Sydinvest Emerging Markets Local Currency Bonds – 2013 Financial Statements

SUPPLEMENTARY NOTES WITHOUT REFERENCE

	31 Dec 2013	31 Dec 2012
a. Unlisted shares and shares in investment management company		
Nominal (EUR 1,000)	177,359	64,172
	177,359	64,172
b. Portfolio turnover		
Market value of purchase of securities	104,197	100,577
Market value of sale of securities	31,492	35,312
Total market value	135,689	135,889
c. Breakdown of financial instruments		
Listed bonds	86.14%	81.93%
Unlisted bonds and shares in investment management company	7.18%	11.43%
Other financial instruments	0.11%	(0.06 %)
	93.43%	93.30%
Others assets/other debt	6.57%	6.70%
Total	100.00%	100.00%
d. Fund assets		
Bonds > 6 yrs	32.28%	30.58%
Bonds 4-6 yrs	18.17%	14.69%
Bonds 2-4 yrs	22.47%	38.32%
Bonds 0-2 yrs	20.40%	9.83%
Cash, derivatives etc	6.68%	6.58%
Total	100.00%	100.00%
e. Bonds by country		
Brazil	14.67%	13.22%
Russia	10.42%	8.45%
Mexico	9.96%	10.49%
South Africa	9.19%	9.41%
Indonesia	8.34%	7.75%
Poland	8.14%	8.06%
Turkey	7.22%	10.59%
Malaysia	6.28%	5.21%
Other	19.10%	20.24%
Cash, derivatives etc	6.68%	6.58%
Total	100.00%	100.00%

Joint Notes

Accounting policies

The 2013 Annual Report of Investeringsforeningen Sydinvest Emerging Markets is prepared in accordance with the provisions of the Danish investment Associations, etc. Act.

The accounting policies applied are consistent with those adopted in the previous year.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the fund and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from the fund and the value of the liability can be measured reliably.

Recognition and measurement take into account gains, losses and risks arising before the presentation of the annual report and which confirm or invalidate circumstances existing at the balance sheet date.

Income is recognised in the income statement as earned, including value adjustments of financial assets and financial liabilities measured at fair value or amortised cost. Moreover costs incurred to earn the year's income are recognised in the income statement.

Foreign currency translation

Income and expenses settled in foreign currency are translated to EUR and recognised in the income statement using the exchange rates prevailing at the transaction date.

Securities and receivables in foreign currency are translated to EUR according to the exchange rates for listed currencies at 1600 GMT.

Uncertainty regarding recognition and measurement

The most significant uncertainty concerning recognition and measurement is related to determination of a correct fair value of financial instruments as, in some circumstances, such determination is based on an estimate made by management. These estimates are made in accordance with accounting policies based on past experience and assumptions considered reasonable and realistic by management, see measurement of financial instruments.

Areas involving a higher degree of assessment comprise:

- listed financial instruments that are priced in markets with a low trading volume
- unlisted financial instruments – in particular corporate bonds – involving significant estimates in connection with fair value measurement.

Income statement

Interest and dividends

Interest includes accrued interest on bonds, convertible bonds and balances at the custodian and other banks. Interest receivable is recognised under other assets.

Interest on and dividends from securities in foreign currencies are included in the income statement at the exchange rates prevailing at the time of receipt.

Interest expense as regards loans with the custodian is realised in connection with unsettled transactions.

Capital gains and losses

Realised and unrealised capital gains and losses on financial instruments, including securities, derivatives and other assets and liabilities, are recognised in the income statement.

Realised capital gains and losses are measured per ISIN as the difference between the selling price and the fair value at the beginning of the year or the acquisition cost if the asset has been acquired during the financial year.

Unrealised capital gains and losses are measured per ISIN as the difference between the fair value at the beginning of the year and year-end or the acquisition cost if the asset has been acquired during the financial year.

Changes in the fair value of financial instruments are recognised in the income statement under derivatives.

Transaction costs

Transaction costs are determined as all direct costs etc in connection with trading in financial instruments.

The share of transaction costs incurred in connection with the purchase and sale of financial instruments and deriving from issue and redemption is recognised directly in unit-holders' assets.

Administrative costs

The Investment Fund pays a fixed management fee.

External costs are paid separately in addition to the fixed management fee.

Reimbursements

Reimbursements are allocated proportionately among the funds affected.

Tax

The funds are not independently liable to pay tax. Tax for the year consists exclusively of non-refundable tax on coupons and dividends withheld by foreign tax authorities in connection with interest and dividend payments.

Distribution of net profit and distribution statement

The proposal for distribution of net profit by the Board of Directors as regards each fund is stated beneath the income statement of the fund.

Balance sheet**Financial instruments (securities etc)**

Initial recognition of financial instruments is at fair value. Unless otherwise stated below, financial instruments are measured at fair value. Recognition ceases on the date of sale.

A financial instrument is defined as any contract that both gives rise to a financial asset of one entity and a financial liability or an equity instrument of another entity. Examples of financial instruments are liquid funds, bonds and derivatives.

The fair value of listed bonds etc is determined at the closing price on the balance sheet date or other market based price if this is assumed to be a better expression of the fair value.

Redeemed bonds are measured at present value but will be measured at the redemption price if the discounting to present value is immaterial to the amount.

Unlisted securities are measured at an estimated value at year-end to reflect fair value determined according to calculation methods consistent with the market. Bonds traded via the US OTC – Fixed Income Pricing System are included under listed bonds.

Derivatives are measured at fair value at the balance sheet date. Derivatives not publicly quoted are measured at fair value calculated on the basis of the publicly quoted prices of the underlying instruments. Positive fair value of derivatives is recognised under assets and negative fair value under liabilities.

Other assets/other debt

Other assets and other debt are measured at fair value.

Receivables/payables concerning unsettled transactions consist of the proceeds of buying and selling securities as well as issues and redemptions occurring before the balance sheet date where settlement is effected after the balance sheet date. If the amount shows a receivable, it is recorded as a receivable concerning unsettled transactions under other assets. If the amount shows a debt, it is recorded as a payable concerning unsettled transactions under other debt.

Interest receivable consists of accrued interest at the balance sheet date.

Dividends receivable consist of dividends declared before the balance sheet date but paid after the balance sheet date.

Payables consist of accrued expenses regarding for instance consulting fees or custody fees which the fund is obliged to pay but which are not paid until after the balance sheet date. Payables are measured at fair value.

Loans obtained are measured at fair value.

Unit-holders' assets

Unit-holders' assets are specified in a note. Assets include issues and redemptions for the year, issue surcharges and redemption deductions. Net issue surcharges and net redemption deductions are determined after transaction costs relating to issues or redemptions have been deducted.

Finally assets include the amount brought forward from the income statement.

Financial ratios

The annual report includes the following financial ratios:

- Units in circulation
- NAV at year-end
- Return
- Total expense ratio
- APR
- Portfolio turnover rate
- Standard deviation
- Sharpe Ratio.

Units in circulation

The nominal capital in circulation of a fund at year-end.

NAV at year-end

NAV per unit is calculated as

Total unit-holders' assets/units in circulation at year-end.

Return

Return in accumulation funds is calculated in accordance with the Danish executive order on the presentation of financial statements by investment associations and special-purpose associations etc as:

$((NAV \text{ at } 31 \text{ Dec} / NAV \text{ at } 1 \text{ Jan } - 1) \times 100)$.

Benchmark return

The annual return of the benchmark with which the fund can be compared according to the prospectus.

Total expense ratio

The total expense ratio of the funds is calculated as:

Total administrative costs / average assets x 100

According to the guidelines of the Danish FSA average assets are defined as a simple average of the sum of assets at the end of each month.

APR

Annual Percentage Rate. APR is based on costs as specified in Key Investor Information.

Annual administrative costs in percentage terms of average assets are included in the calculation of APR. Administrative costs are restated to cover changes in cost rates during the year, according to agreements concluded, to the effect that the changes would have impacted costs since the beginning of the year. In addition transaction costs of operating activities in percentage terms of average assets as well as current maximum issue surcharges and redemption deductions according to the prospectus are included.

The financial ratio is calculated on the assumption of a holding period of seven years by the investor.

As regards new funds whose first financial year deviates from one year, administrative costs and transaction costs are translated to full-year terms.

Portfolio turnover rate

The portfolio turnover rate is calculated as:

$$\frac{((\text{Market value of purchases} + \text{market value of sales} - \text{market value of purchases in connection with issues} - \text{market value of sales in connection with redemptions}) / 2) / \text{unit-holders' average assets}}{1}$$

The market value of purchases and sales is determined on the basis of realised buying and selling prices including transaction costs. In addition redemption of bonds is included in the market value of sales.

Determination of unit-holders' average assets is as described under total expense ratio.

Standard deviation

Standard deviation is a measure of the probability that the return of a period is close to the average return recorded during that period.

Sharpe Ratio

The Sharpe Ratio is a measure expressing risk assumed by an investor relative to return achieved. The greater the Sharpe Ratio, the better the fund's risk-adjusted performance.

The standard deviation and the Sharpe Ratio of a fund are only calculated if the fund has existed for more than 36 months.

Remuneration of auditor, Board of Directors and Executive Management

Reference is made to "Remuneration of auditor, Board of Directors and Executive Management" in the Directors' Report.

