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Investeringsforeningen BIL Danmark

Annual Report
2017

9 April 2018

Annual Report 2017 for Investeringsforeningen BIL Danmark, CVR no 21 35 35 31

I, the undersigned chairman of the annual general meeting of Investeringsforeningen BIL Danmark held on 9 April 2018, hereby confirm that the Annual Report 2017 of Investeringsforeningen BIL Danmark was approved by the General Meeting, with the Chairman noting, however, that a printing error occurred on page 43 of the Annual Report, which indicated a rate of turnover of 1.35. The correct rate of turnover was 0.47. The printing error had been corrected in the Annual Report.

Chairman of the meeting:

[Signed]

Peter Søbey, Attorney

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This Annual Report 2017 of Investeringsforeningen BIL Danmark contains expectations of the future held by Management and advisers of the Fund at the beginning of February 2018. Experience shows that forecasts concerning macroeconomic trends and markets for the various investment universes of the Fund are subject to continuous revision and may be highly uncertain. Hence, expectations expressed in this Annual Report should not be considered specific recommendations.

Information on the Fund

Investeringsforeningen BIL Danmark was established on 7 October 1998. At end-2017, the Fund comprised two subfunds, each with two unit classes:

Danske Small Cap aktier KL
Danske Small Cap aktier KL A
Danske Small Cap aktier KL W
Danske Small Cap aktier Akk. KL
Danske Small Cap aktier Akk. KL A
Danske Small Cap aktier Akk. KL W

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Executive Board

Nykredit Portefølje Administration A/S

Board of Directors

Jacob Saxild (Chairman)
Niels Pram Nielsen
Jette Hassing Ronøe

Depositary

Ringkjøbing Landbobank A/S

Auditors

Ernst & Young, Godkendt Revisionspartnerselskab

Financial calendar 2018

9 February	Announcement of annual report 2017
9 April	Annual general meeting 2018
22 August	Announcement of H1 Financial Statements 2018

Portfolio adviser

BIL Danmark, branch af Banque Internationale à Luxembourg SA

Management Statement

The Board of Directors and the Executive Board of the Fund have today reviewed and approved the Annual Report 2017 of Investeringsforeningen BIL Danmark.

The Annual Report has been presented in accordance with the Danish Investment Associations etc. Act.

The Financial Statements of the individual subfunds give a fair presentation of the individual subfunds' assets, liabilities, net assets attributable to unitholders and financial position and of the results for the period 1 January – 31 December 2017.

The Management Commentary of the Fund gives a fair review of the development in the operations and financial circumstances of the Fund and the subfunds as well as a description of the material risk and uncertainty factors that may affect the Fund or the subfunds.

The Annual Report is recommended for approval by the General Meeting.

Copenhagen, 9 February 2018

Executive Board

Nykredit Portefølje Administration A/S

[Signed]
Martin Udbye Madsen

[Signed]
Tage Fabrin-Brasted

Board of Directors

[Signed]
Jacob Saxild
Chairman

[Signed]
Niels Pram Nielsen

[Signed]
Jette Hassing Ronøe

To the investors of Investeringsforeningen BIL Danmark Opinion

We have audited the Financial Statements of the individual subfunds of Investeringsforeningen BIL Danmark for the financial year ended 31 December 2017 comprising the individual subfunds' income statements, balance sheets, notes and general notes, including accounting policies. The Financial Statements have been prepared in accordance with the Danish Investment Associations etc. Act.

In our opinion, the Financial Statements give a fair presentation of the subfunds' assets, liabilities, net assets attributable to unitholders and financial position at 31 December 2017 and of the results of the subfunds' operations for the financial year ended 31 December 2017 in accordance with the Danish Investment Associations etc. Act.

Our opinion is consistent with the long-form audit report issued by us to the Board of Directors.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the Financial Statements section of our report (the "Financial Statements"). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Fund in accordance with the IESBA Code of Ethics for Professional Accountants and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 were not provided.

Appointment of auditors

We were appointed as auditors for Investeringsforeningen BIL Danmark the first time on 29 March 2017 for the financial year 2017.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Statements for the financial year ended 31 December 2017. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the Financial Statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying Financial Statements.

Valuation of financial instruments

Fair value valuation of investments in equities ("Financial Instruments") is the most significant element in determining the return and net asset value of the Fund.

In our view, no considerable risks of material misstatement are generally attaching to the financial instruments of the individual subfunds, as the subfunds' financial instruments mainly comprise liquid listed financial instruments, for which a quoted price exists in an active market, and only to a limited extent of less liquid listed and unlisted financial instruments, where the fair value is determined on the basis of generally accepted valuation techniques and management estimates.

In light of the material importance of the instruments to the subfunds' total returns and net asset value, the valuation of the individual subfunds' financial instruments is deemed to be the key audit matter.

Our audit procedures targeted towards the valuation of financial instruments in the individual subfunds have included:

- Assessment of a statement for the Executive Board and independent auditors of the investment management company of business procedures and internal controls regarding valuation of financial instruments.
- Testing of registration systems, business procedures and internal controls, including IT- and system-based controls supporting the valuation of financial instruments.
- Sample checks of reconciliation of financial instruments with information from the custodian bank and sample checks of the valuation of the instruments by making comparisons with independent price sources.
- Assessment and sample checks of valuation techniques used and management estimates made when determining the fair value of less liquid listed instruments.

The percentage breakdown of the financial instruments of the individual subfunds by listed and other financial instruments appears from a note in the individual subfund's Financial Statements.

Statement on the Management Commentaries

Management is responsible for the Management Commentary and the management commentaries of the individual subfunds (the "Management Commentaries").

Our opinion on the Financial Statements does not cover the Management Commentary, and we do not express any form of assurance conclusion on the Management Commentaries.

In connection with our audit of the Financial Statements, our responsibility is to read the Management Commentaries and, in doing so, consider whether the Management Commentaries are materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management Commentaries provide the information required under the Danish Investment Associations etc. Act.

Based on the work we have performed, we conclude that the Management Commentaries are in accordance with the Financial Statements and have been prepared in accordance with the requirements of the Danish Investment Associations etc. Act. We did not identify any material misstatement of the Management Commentaries.

Management's responsibilities for the Financial Statements

Management is responsible for the preparation and fair presentation of Financial Statements for the individual subfunds in accordance with the Danish Investment Associations etc. Act. Management is also responsible for such internal control as Management determines is necessary to prepare Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, Management is responsible for assessing the subfunds' ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in the preparation of the Financial Statements unless Management either intends to liquidate the subfunds or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing and additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit in accordance with International Standards on Auditing and additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 subfunds' internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in the preparation of the Financial Statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the subfunds' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the subfunds to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures in the notes, and whether the Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and, where applicable, related safeguards.

Independent Auditor's Report

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Copenhagen, 9 February 2018

Ernst & Young
Godkendt Revisionspartnerselskab
CVR no 30700228

[Signed]
Ole Karstensen
mne no 16615

[Signed]
Rasmus Berntsen
mne no 35461

State-Authorised Public Accountants

Annual Report 2017 in brief

- The Fund achieved a fair return in 2017. The Fund's subfund Danske Small Cap aktier KL generated a return of 9.7% in 2017 which exceeding Management's expectations at the beginning of the year. The subfund's return was about 10 percentage points lower than the subfund's benchmark. In the past three years the subfund has yielded a return of 22.8% pa vs benchmark's 22.0% pa. Therefore, in the opinion of the Fund's Management performance is considered acceptable.
- At end-2017, the Fund's net asset value totalled DKK 588m against DKK 562m at end-2016.
- The Fund recorded a profit of DKK 50.9m in 2017 compared with DKK 16.1m the year before.
- Total administration costs were DKK 11.4m in 2017 against DKK 10.7m the year before. Costs as a percentage of the average net asset value were 1.64% in 2017 against 2.06% the year before.
- In connection with the implementation of MiFID II's ban on commission to distributors as at 1 July 2017, the Fund established two unit classes in the subfund Danske Small Cap aktier KL. The listed unit class A continued existing conditions in the subfund, whereas unit class W was established for portfolio management clients without commission to distributors.
- In December 2017, the Fund launched a new accumulation subfund – Danske Small Cap aktier Akk. KL with two unit classes. The net asset value totalled DKK 76m at end-2017.
- Growth in the global economy strengthened in 2017, which saw higher momentum in H2, and the large economies such as the US, the EU, Japan and China experienced a synchronous upswing. The upswing was underpinned primarily by the continued lenient monetary policy with low interest rates and ample liquidity on a global level, which resulted in still rising employment and private consumption. Despite incipient economic upturn and rising oil prices, there were no signs of alarming increases in salaries or inflation. Denmark, too, experienced a positive development in 2017 with economic growth levels not seen before the financial crisis.
- Global economic growth is expected to remain high in 2018 as a result of increasing activity in the US and growth in a number of emerging market countries. Likewise, the EU, Japan and China are expected to see decent growth, yet at a somewhat slower pace than in the last year. The confidence indicators, particularly in the US, were at an all-time high at the start of 2018. The extraordinarily high level is expected to mean a short-term deceleration of economic activity in the course of H1/2018. Underlying employment growth is, however, expected to boost economic growth in the course of H2/2018. This development may imply moderately rising inflation and wages in the coming year.
- In 2018, the global monetary policy is expected to be less favourable than in 2017. The Federal Reserve is expected to continue its prudent monetary policy tightening. Market expectations indicate three key policy rate hikes across the year. The European Central Bank (ECB) has announced that it will maintain a low key policy rate and that it will continue purchasing bonds in the market (albeit fewer in number), initially until September. Short-term market rates are thus deemed to remain low in Europe, whereas long-term market rates may go up in H2/2018 as a consequence of the ECB's change in monetary policy.
- With a forecast of growth in the global economy, Danish companies are expected to be able to increase earnings in 2018. The Danish equity market is thus believed to generate moderately positive returns in the coming year. Price fluctuations in the market are expected to intensify in the coming year, something which was evident at the beginning of 2018. Disappointment regarding earnings growth or above-expectations interest rate rises may result in negative equity price movements, as the equity market is found to be priced at the high end after several years marked by increases.
- On the basis of these uncertain expectations, the Fund's Management foresees moderately positive returns in the Fund's subfunds in 2018. Since the coming year may be a period of rapid change, significant return fluctuations must be expected in the Fund's subfunds, and negative returns cannot be ruled out.

Fund developments in 2017

At end-2017, the Fund comprised two subfunds – the subfund Danske Small Cap aktier KL and the subfund Danske Small Cap aktier Akk. KL.

Performance in 2017

Influenced by the positive climate in the Danish equity market, the Fund's subfunds delivered positive returns in 2017.

The subfund Danske Small Cap aktier KL generated a return of 9.7% in 2017. The subfund's benchmark yielded a return of 19.8% in the same period. The return exceeded the Management's expectations at the beginning of the year, but was somewhat lower than the subfund's benchmark.

The new subfund Danske Small Cap aktier Akk. KL generated a return of 1.4% in the period 7 – 31 December 2017.

The subfunds' investment styles are based on active management and focused on a limited number of positions in the portfolio. Positive as well as negative deviations from the benchmark should therefore be expected in the short investment horizon such as a calendar year.

Measured by performance in the three-year period between 2015 and 2017, the subfund Danske Small Cap aktier KL generated a return of 22.8% pa vs the subfund's benchmark of 22.0% pa. Therefore, in the opinion of the Fund's Management, performance is considered acceptable.

Returns and benchmark returns of the Fund's subfunds are shown in the table called "Performance in 2017".

Financial results and development in net asset value etc

The Fund recorded a profit of DKK 50.9m in 2017 compared with DKK 16.1m the year before.

The net asset value of the Fund totalled DKK 588m at year-end against DKK 562m at the beginning of the year.

The increase in the net asset value is attributable to the return and the emission activity exclusive of the large distribution in the subfund Danske Small Cap aktier KL in 2017.

The profit, net asset value and net asset value per unit of the Fund's subfunds are shown in the table "Profit and net asset value in 2017".

Costs in 2017

The Fund's costs of administration, marketing and investment advisory and depositary services etc totalled DKK 11.4m in 2017 compared with DKK 10.7m the year before. Costs as a percentage of the average net asset value were 1.64% in 2017 against 2.06% the year before.

"Important agreements" describes the tasks performed by the various business partners of the Fund and the costs incurred by the Fund in that regard.

The total expense ratios of the individual subfunds of the Fund are shown in the table "Total expense ratio".

Extraordinary general meetings

At the extraordinary general meeting held on 23 May 2017, the Board of Directors recommended the adoption of a proposal to amend the Fund's Articles of Association so as to allow the Fund to use unit classes and to be included in master/feeder structures. The General Meeting adopted the Board of Directors' proposal.

MiFID II and establishment of unit classes

With the implementation of MiFID II into Danish legislation, from 1 July 2017, distributors may no longer receive payments from the Fund for units placed in proxy agreements, or where the distributor is independent of the Fund. Under other circumstances distributors may receive commission for investor advisory services.

In July, the Board of Directors resolved to use its authorisation to establish unit classes in the subfund Danske Small Cap aktier KL. As of 25 August 2017, the units in the subfund Danske Small Cap aktier KL were divided into two unit classes, KL A and KL W, which are subject to payment and non-payment for distribution.

Establishment of accumulation subfund

In September, the Fund's Board of Directors decided to establish a replicate of the subfund Danske Small Cap aktier KL in the form of an accumulation subfund with two unit classes. The subfund will be advantageous for funds subject to the Danish Business Tax Scheme and for foreign investors.

The subfund was launched on 7 December 2017 and had a net asset value of DKK 76m at the end of the year.

Performance in 2017

Unit class	Returns in 2017	Benchmark in 2017
Danske Small Cap aktier KL A ¹⁾	9.7%	19.8%
Danske Small Cap aktier KL W ¹⁾	(4.7)%*	1.8%
Danske Small Cap aktier Akk. KL A ²⁾	1.4%	2.3%
Danske Small Cap aktier Akk. KL W ²⁾	1.4%	2.3%

Profit (loss) and net asset value in 2017

Unit class	Profit (loss), DKKm	Net asset value, DKKm	Net asset value per unit, DKK
Danske Small Cap aktier KL A ¹⁾	52.8	476.7	301.89
Danske Small Cap aktier KL W ¹⁾	(2.9)*	34.9	302.73
Danske Small Cap aktier Akk. KL A ²⁾	0.9	67.6	101.39
Danske Small Cap aktier Akk. KL W ²⁾	0.1	8.5	101.44

Total expense ratio

Unit class	Total exp ratio 2017	Total exp ratio 2016	Total exp ratio 2015
Danske Small Cap aktier KL A ¹⁾	1.93	2.06	2.00
Danske Small Cap aktier KL W ¹⁾	0.46	-	-
Danske Small Cap aktier Akk. KL A ²⁾	0.22	-	-
Danske Small Cap aktier Akk. KL W ²⁾	0.17	-	-

AER in the Annual Report

Unit class	AER 2017	AER 2016	AER 2015
Danske Small Cap aktier KL A ¹⁾	2.45	2.42	2.42
Danske Small Cap aktier KL W ¹⁾	1.69	-	-
Danske Small Cap aktier Akk. KL A ²⁾	2.57	-	-
Danske Small Cap aktier Akk. KL W ²⁾	1.81	-	-

Note: 1) The unit class has been active since 25 August 2017.

2) The unit class has been active since 7 December 2017.

*) Returns and profit (loss) concern the period from formation of the unit class, 25 August – 31 December 2017.

The investors of the unit class hold a share of the return of Danske Small Cap aktier from before the division into unit classes.

In accordance with a standard of the Danish Investment Association, AER must, as at 31 December, appear from the Annual Reports, in which AER is referred to as "AER in the Annual Report".

Economic climate in 2017

Global economic growth

Growth in the global economy strengthened in 2017, which saw higher momentum in H2, and the large economies such as the US, the EU, Japan and China experienced a synchronous upswing. The upswing was underpinned primarily by the continued lenient monetary policy with low interest rates and ample liquidity on a global level, which resulted in still rising employment and private consumption.

Trump's first year as president

At the beginning of the year, markets expected US President Donald Trump to honour a number of his electoral pledges to further stimulate economic growth in the US. As the year progressed, these expectations dampened due to Donald Trump's failure to impose his political agenda in Congress, despite Republican majority in the Senate and in the House. However, the year ended in success for the president with the adoption in December of the announced tax reform, which included a reduction of the company tax rate.

Donald Trump's first year was marked by foreign policy tension, which was self-induced in some instances as a result of the "America First" policy. A number of international agreements entered into under Barack Obama were unilaterally terminated by Donald Trump with a view to renegotiation. Moreover, the North Korea conflict escalated in 2017, just as Donald Trump's decision to recognise Jerusalem as Israel's capital aroused bitterness in the Arabic world. These conflicts are still smouldering and may briefly impact the financial markets in 2018.

Elections in Europe calmed the markets

In H1/2017, the financial markets were briefly affected by general and presidential elections in Europe. Concern about populist trends caused unrest up to the Dutch general election and also affected the first round of the French presidential election. After the elections, pro-EU parties stayed in power, which had a stabilising effect on the markets.

In the UK, Prime Minister Theresa May surprisingly called a general election in June. The purpose of the election was to strengthen the parliamentary position before the Brexit negotiations with EU partners. Despite the electoral defeat she maintained a majority in the UK Parliament with the aid of the Northern Irish Unionist Party. However, the mandate in the Brexit negotiations was weakened, which, together with the complexity and the internal British conflict, has hampered negotiations thus far.

Economic growth in Denmark

In 2017, Danish economy was in a solid upswing with GDP growth rising to an expected 2.5% from 2.0% the year before. The current upswing is backed by increased employment and rising property prices, which has had a positive effect on private consumption trends.

2017 once again saw a large current account surplus, and the public budget deficit once again showed a downward trend and is expected to reach close to zero.

Despite the current economic upturn, salary and inflation rates continued to rise moderately in 2017.

Monetary policy inching towards normalisation

The Federal Reserve continued the normalisation of the US monetary policy by raising its key policy rate thrice by 0.25pp in March, June and December, respectively.

The ECB maintained its lenient monetary policy in 2017 with a low key policy rate but reduced monthly bond purchases in the market from EUR 80bn to EUR 60bn. In September, the ECB announced that the Bank's management had decided to further reduce purchases to EUR 30bn a month from January 2018 until end-September 2018. An extension of the purchase programme, or an increase in the purchase amount, is possible if deemed necessary in order to raise inflation in the EU to the desired level of around 2%. At the same time, the ECB announced that the key policy rates will remain low for some time after expiry of the purchase programme.

Danmarks Nationalbank maintained its monetary policy unchanged throughout 2017. The CD rate was kept at a negative 0.65% in 2017.

Strengthening of EUR and DKK

Despite the lenient monetary policy in the EU, the EUR, and with that, the DKK, was strengthened in 2017 vs the other key currencies. In 2017, the USD and the JPN dropped 12% and 9%, respectively, vs the DKK.

The strengthening of the EUR helped damp down inflation in the EU in the previous year.

Limited returns in the bond markets

In H1, global market rates saw a slight uptrend. Short as well as long-dated government bond yields rose with the exception of the yield of long-dated US government bonds. This trend continued until the summer of 2017 as a result of expectations of increasing economic activity, uncertainty about the outcome of general elections in a number of countries and misunderstanding as to statements made by the President of the ECB, Mario Draghi.

The ECB's continued purchases in the European bond markets led to minor yield declines in Europe in H2/2017.

Conversely, American government bond yields showed an upward trend as a consequence of high activity in the US economy coupled with Federal Reserve interest rate hikes. Short-term rates rose in particular, flattening the yield curve in the US.

As a result of the above, US 10Y government bond yields rose from 2.4% at end-2016 to 2.5% at end-2017. Yields on German 10Y EUR-denominated government bonds rose from 0.2% to 0.5% in 2017.

US 2Y government bond yields increased from 1.2% to 1.4% in H1, only to climb to 1.9% at end-2017. Yields on German 2Y EUR-denominated government bonds rose from a negative 0.8% to a negative 0.6% in 2017.

In 2017, the Danish bond market was affected by international yield developments. Danish 2Y bond yields closed at a negative 0.6%, unchanged on the beginning of the year. Danish 10Y government bond yields edged up from 0.3% to 0.5% at end-2017.

Positive returns in global equity markets

Price movements in the global equity markets, including in DKK, were positive in 2017, despite a weakening of the majority of currencies vs the DKK. In particular, weakening of the USD of more than 12% reduced the return on international equities for Danish investors. Also, developments turned out to be less turbulent than first feared despite general and presidential elections in a number of countries and political tension involving North Korea, Brexit, Jerusalem, etc.

In DKK terms, the MSCI All Country World Index yielded a return of 9.0% in 2017, while the MSCI USA, MSCI Europe and MSCI Japan indices yielded returns of 6.6%, 10.4% and 9.1%, respectively, in the same period. Performance in emerging market countries was also positive in 2017, with the MSCI Emerging Markets Free Index going up by 20.8%.

The performance of the individual sectors differed significantly in 2017. Hence, on average, equities in the IT sector on a global level soared by 24.5% in DKK. This development was driven particularly by equities such as Alphabet Inc. (Google), Amazon.com, Alibaba, Facebook and other internet companies. By contrast, equities in the defensive sector of stable consumer durables and equities in the health sector only edged up by only 3.4% and 5.5%, respectively, while equities in the energy sector declined by 6.2% despite rising oil prices, and equities in the telecoms sector dropped by 5.4% on average in 2017.

Positive trends in the Danish equity market

Following a mediocre 2016, the Danish equity market developed particularly positively in 2017. The Danish equity market, measured by the OMXCCapGI Index, rose by 16.8% in 2017. Performance in small and medium-sized Danish companies improved, as the KFMX index increased by 19.8% in the same period.

Generally, most Danish companies delivered reasonable financial results in 2017. Market returns were generated with the help of, *inter alia*, Novo Nordisk, which regained the market's confidence in the product pipeline and earnings growth in the coming years, despite price pressure on the important US market for insulin. Being the largest company, Novo Nordisk affected overall market returns considerably thanks to price rises of more than 31% in 2017.

Risks affecting the Fund's subfunds

The risk profiles of the Fund's subfunds are primarily determined by the Fund's Articles of Association and prospectus.

On this basis, the Board of Directors lays down detailed investment guidelines for the Executive Board and the Fund's investment advisers.

This and the following sections outline the most significant risks affecting the Fund's subfunds and provide an account of how the Fund's Management generally handles the issue of risk.

Risk

Any investment entails uncertainty about future returns along with the risk that invested assets may be lost in full or in part. Even when money is deposited with a bank, there is a risk that the bank defaults and that the depositors lose their money to the extent that the deposits are not covered by a deposit guarantee scheme.

Standard deviation

Risk can be perceived in many ways. In the financial world risk is most often described as deviations from the expected return. The larger the potential deviation from the investor's expected return, the greater the risk.

One measure of this risk is the "standard deviation" of the return. The standard deviation is the deviation of the return in a given period from the average return over a longer period. The greater the deviation, the more uncertain or risky the investment. The limitation of this measure is that calculations are based on historical returns that will not necessarily reflect the future risk development.

Risk assessment of the Fund's subfunds

Subfund	Standard deviation	Maximum 12M price fall registered	Maximum price fall registered	KIID risk scale (1-7)	Risk assessment
Danske Small Cap aktier KL	15.1%	58.4%	68.6%	6	High
Danske Small Cap aktier Akk. KL ¹⁾	15.1%	58.4%	68.6%	6	High

Note: 1) For subfunds launched less than three years ago, the above risk key figures are based on returns supplemented by benchmark returns.

Maximum price fall registered

Many investors generally think of risk as the risk of huge losses on their investments. This risk can be determined in several ways. The table at the end of this section shows the maximum fall in net asset value per unit registered over a continuous 12-month period, as well as the maximum fall in net asset value per unit registered, irrespective of the period, for each of the Fund's subfunds. For subfunds that have existed for only a limited time, calculations are supplemented by maximum price falls for benchmarks.

These measures also rely on historical data, and future losses may be higher.

Key Investor Information Document (KIID) risk scale

The risk scale used in the Key Investor Information Document (KIID) provides a risk assessment of a subfund. The scale ranges from 1 to 7, where 7 is the most risky investment.

The table at the end of this section shows the risk scale of the Fund's subfunds at end-2017. The ratings are not fixed and may change over time.

Risk assessment

Based on these ratings and on historical experience with the individual asset classes, the Fund has also made a risk assessment of the subfund Danske Small Cap aktier KL and the subfund Danske Small Cap aktier Akk. KL using the Fund's own risk scale with the categories low, medium and high risk.

Risk factors and risk management

The risk of return fluctuation of the Fund's subfunds depends on a number of different risk factors, as well as the steps taken by the Fund's Management to manage the risk. Risk factors vary from one asset class to another and from one subfund to another.

The following risk factors are relevant to the subfunds Danske Small Cap aktier KL and Danske Small Cap aktier Akk. KL.

Equity market risk

Equity prices may fluctuate strongly at times and may drop considerably and fast. The equity markets may be subject to particular political or regulatory conditions that may affect the value of a subfund's equity investments. Furthermore, the value of a subfund's investments may be affected, positively or negatively, by market, sectoral, national, regional or general economic conditions.

The subfunds Danske Small Cap aktier KL and Danske Small Cap aktier Akk. KL mainly invest in small and medium-sized companies whose equity prices are deemed to fluctuate more than prices of equities in large Danish companies.

Geographical risk

Investing in securities in a limited geographical area or a single country entails a particular risk. For instance, the financial markets in the relevant area or country may be subject to particular political or regulatory conditions that may affect the value of a subfund's investments. Market or general economic conditions in the individual area or country, such as currency and interest rate levels, may also affect the value of an investment.

Since the investment universe of the subfunds Danske Small Cap aktier KL and Danske Small Cap aktier Akk. KL is limited to Denmark, the subfunds' market risk is deemed to be higher for investments in the global equity market in that the same risk diversification across companies and sectors cannot be obtained.

Liquidity risk

In special cases, local, national or global circumstances may render some securities or currencies difficult to buy and/or sell. For instance, if the relevant securities have been issued in a small amount, extensive buying or selling may drive market prices significantly up or down. This in itself may affect the value of the subfund's investments. In rare cases, this may cause the subfund to suspend the redemption and sale of new investment certificates for shorter or longer periods.

Since the subfunds Danske Small Cap aktier KL and Danske Small Cap aktier Akk. KL invest in small and medium-sized Danish companies, liquidity risk should be expected where prices may be driven down by large redemptions.

Counterparty risk

When a subfund invests in derivative financial instruments and depositary receipts, such as ADRs or GDRs, or engages in securities lending, there is a risk that its counterparties do not meet their obligations. This may cause a loss to the subfund.

Risk related to investment style

Subfunds that are limited to investing in a certain part of the equity or bond market incur the risk that financial market demand shifts away from that particular part of the market for some periods. During such periods the value of the subfund's investments may decline, or the subfund may underperform the market.

The subfunds Danske Small Cap aktier KL and Danske Small Cap aktier Akk. KL invest in small and medium-sized companies whose performance may deviate significantly from equity performance of the large leading companies in the Danish equity market.

Cash deposit risk

A subfund may place a part, whether large or small, of its net asset value as a cash deposit or a fixed-term deposit with a bank, eg the Fund's depositary. The subfund incurs a risk of loss if the bank goes bankrupt.

Issuer-specific risk

The value of individual securities may fluctuate more than the market as a whole, thereby generating a return that differs from that of the market. The value of individual securities depends on, for instance, the earnings of the issuer, for example the issuer or the company issuing the equity or corporate bond, which in turn may be affected by factors such as regulation, competition and liquidity. If a subfund has a large percentage of its net asset value invested in one security, it becomes more sensitive to this issuer's situation, and the value of the subfund may vary substantially. If the issuer defaults, the subfund may sustain a loss.

The subfunds Danske Small Cap aktier KL and Danske Small Cap aktier Akk. KL seek to limit issuer-specific risk by diversifying its investments across a number of companies in many sectors. The portfolios of the subfunds are concentrated, exposing the subfunds to the development in the individual companies.

Diversification takes place in accordance with the rules set out in the Danish Investment Associations etc. Act, ie normally 5% of the subfund's net asset value in a given company, with exceptions allowing up to 10%. The Fund's Management continually monitors compliance with these investment rules.

Fund Governance

General

Fund Governance relates to rules of governance of investment associations, etc and to Management's performance of its responsibilities. Legislation contains detailed rules for the Fund's Management. The Danish Investment Associations etc. Act lays down the basic framework. More detailed provisions are found in the Danish Executive Order on the management, governance and administration of investment associations and in guidelines and recommendations from the Danish FSA.

The supreme authority of the Fund is the Annual General Meeting, whose tasks include the election of a Board of Directors and the appointment of an auditor of the Fund.

The Board of Directors has appointed an investment management company, Nykredit Portefølje Administration A/S, as its Executive Board to manage the day-to-day business of the Fund. The Board of Directors has also appointed a depository, Ringkjøbing Landbobank A/S, to keep custody of the assets of the Fund and to settle payments. The functions of the various parties are described in the Articles of Association of the Fund, the rules of procedure of the Board of Directors, the Board of Directors' guidelines to the Executive Board and in agreements between the Fund and its business partners.

The Danish Investment Association, which is the industry association for investment funds, has prepared a set of recommendations on Fund Governance for its members and Best Practice for boards of directors. Also, Nasdaq Copenhagen A/S has decided that publicly traded companies must observe corporate governance rules on a "comply or explain" basis. The Board of Directors finds that the Fund should generally follow the recommendations of the Danish Investment Association and that the Fund should additionally take into consideration applicable corporate governance rules for publicly traded companies.

Annual general meetings and investor issues

Pursuant to the Articles of Association, general meetings are the link to the Fund's investors, and an annual general meeting is held every year before the end of April. The Fund sends out a notice convening the annual general meeting in good time and in such manner that investors obtain an insight into the business to be transacted. The material will also be available on the Fund's website.

Apart from the general meetings, the most important channel for communicating with investors is the Fund's website, bildanmark.dk.

Board of Directors and management of the Fund in general

The Fund's Board of Directors consists of three members, who are described in detail in "Board of Directors of the Fund".

The tasks of the Board of Directors are described in the Fund's Articles of Association and rules of procedure. The Board of Directors sets special store by:

overseeing that the Fund's business partners observe all regulatory requirements, agreements and board resolutions

- ensuring that agreements with the Fund's business partners are drawn up so as to offer the Fund the best possible relationship between the services acquired and prices paid compared with alternative business partners
- formulating an investment strategy in accordance with the Articles of Association and prospectuses and adjusting it as required;
- ensuring that the Fund's structure matches the investors' investment demand;
- ensuring the best possible subfund returns, considering each subfund's investment style and risk profile.

The Board of Directors and its members are independent of the Nykredit Group, the Fund's depository as well as the Fund's portfolio manager and distributor.

The Board of Directors is aware of the potential conflicts of interest between the Fund and the companies with which the Fund collaborates. The Fund and Nykredit Portefølje Administration A/S have formulated a policy for addressing conflicts of interest.

The Board of Directors reviews its rules of procedure each year.

Each year, the two members of the Board of Directors who have served on the Board of Directors the longest - calculated from the date of their election when the members in question were elected - must retire from office. The Board of Directors attaches importance to experience when performing its supervisory tasks and therefore has not fixed an upper limit to the number of terms served by a board member. However, the Articles of Association stipulate an age limit of 75 years for members of the Board of Directors.

The Board of Directors conducts an annual evaluation of its own skills and internal collaboration. The evaluation takes into consideration the size and composition of the Board of Directors in relation to for instance experience, gender and age.

Instead of having a proper executive board, the Fund has appointed Nykredit Portefølje Administration A/S as its investment management company. This means that the Board of Directors of the Fund has no direct influence on the investment management company's remuneration policy and executive remuneration. Such matters are determined by Nykredit Portefølje Administration's board of directors, which is independent of the Fund and without any interlocking directors. The Fund pays remuneration to the investment management company in accordance with the agreement concluded, of the Fund's prospectus.

The Board of Directors conducts an annual evaluation of the collaboration between the Board of Directors and the investment management company and its Executive Board.

Business procedures

Written business procedures have been drawn up for all areas of importance to the Fund. Moreover, the investment management company operates with a functional division of day-to-day operations and independent compliance and risk management functions that oversee compliance with legislation and investment rules on a regular basis. These units report to the Fund's Board of Directors and the investment management company's Executive Board.

The investment management company's Executive Board has appointed a complaints officer to ensure fast and efficient processing of any complaints. The complaints procedure is described on the Fund's website, bildanmark.dk.

Outsourcing and external service providers

At present, the Fund has outsourced the following tasks: Portfolio management, market making, investor advisory services, marketing and distribution.

Agreements on outsourcing of tasks have been concluded pursuant to the rules of sections 64-66 of the Danish Investment Associations etc. Act.

The investment management company's Executive Board oversees the outsourced tasks on a current basis. Moreover, the Board of Directors evaluates the price and quality of the outsourced tasks on an annual basis.

Trade in investment certificates

The conditions for valuation, issuance, redemption and trade in the Fund's units are described in the Fund's Articles of Association and prospectus, which can be found at the website bildanmark.dk.

Via BIL Danmark, branch of Banque International à Luxembourg S.A., the Fund has entered into agreements on subscription and marketing fees for select distributors. See also "Important agreements". These agreements have been entered into with a view to ensuring that investors receive competitive advice and services and that the Fund is competitive in terms of attracting new investors and thereby increasing the size of the Fund.

Through agreements and reporting by the investment management company, the Board of Directors ensures that the Fund is marketed in accordance with good marketing practice and that distributors observe the rules on investor protection and good business practice for financial undertakings and have the necessary knowledge about the Fund's products.

Trade in underlying securities

Through its agreements with the portfolio manager, the Fund has contracted for best execution of each individual transaction. This means that the adviser must ensure the best transactions in relation to eg all costs, settlement speed and probability that the transaction can be executed.

Risk management and closing of the accounts

The financial risk of the Fund is managed within the framework of the Articles of Association, the prospectus and the investment guidelines set out in agreements with the investment management company, the portfolio manager and the depository. The investment guidelines are based on the risk profiles of the individual subfunds laid down by the Board of Directors. The Executive Board of the investment management company regularly reports to the Board of Directors on compliance with the limits in the form of compliance statements.

The Board of Directors oversees that the investment management company maintains the requisite IT security through reporting and by obtaining audit opinions.

The risk management of the Fund is assessed at least once a year in connection with the preparation of the Annual Report.

Before the accounts are closed, the Board of Directors assesses the entire Fund's process for closing its accounts.

Shareholder rights of the Fund

The Fund has shareholder or investor rights through investments directly in equities or in other investment funds. Such rights can typically be exercised at the general meetings of the companies or investment funds. Read more about the policy of the Board of Directors on exercising voting rights in "Other issues".

Auditors

Each year the Fund's Annual General Meeting appoints the auditors. The Board of Directors meets with the auditors to consider the Annual Report and the related auditors' report. In addition, the Chairman of the Board of Directors contacts the auditors as required. So far, the need for non-audit services from the auditors has been so modest that the Board of Directors has not laid down a budget limit for such services.

Important agreements

The Fund has concluded agreements on for instance administration, custody services and portfolio management.

Depositary agreement

The Fund has a depositary agreement with Ringkjøbing Landbobank. According to this agreement, the depositary must keep and manage securities and liquid funds for each of the Fund's subfunds in pursuance of the Danish Investment Associations etc. Act, the Danish Financial Business Act and the rules of the Danish FSA. The depositary undertakes the control tasks and obligations laid down in current legislation.

As part of the agreement, the Fund pays a fixed basic fee per subfund and a fee per transaction. See the current rates in the Fund's current prospectus on the Fund's website.

The Fund's total costs relating to the depositary inclusive of costs relating to VP Securities A/S amounted to DKK 0.3m in 2017 compared with DKK 0.3m the year before.

Administration agreement

The Fund has an administration agreement with Nykredit Portefølje Administration A/S. Under the agreement, Nykredit Portefølje Administration A/S must perform the administrative tasks and undertake the day-to-day management of the Fund in accordance with the Danish Investment Associations etc. Act, the rules of the Danish FSA, the Fund's Articles of Association, the instructions of the Board of Directors and the agreements entered into by the Fund.

As part of the agreement, the Fund pays a fee depending on the net asset value of each subfund. In addition the Fund pays a fee per transaction as well as sale and redemption fees. See the current rates in the Fund's current prospectus on the Fund's website.

The Fund's administration costs totalled DKK 1.4m in 2017 compared with DKK 1.3m the year before.

Agreements on portfolio management

The Fund has a portfolio management agreement with BIL Danmark, branch of Banque Internationale à Luxembourg S.A. Under the agreement the portfolio manager undertakes to provide discretionary portfolio management and make decisions on the placement of investors' funds in the Fund's subfunds. Portfolio management is provided in accordance with the guidelines for the individual subfunds laid down by the Board of Directors of the Fund.

As part of the agreement, the Fund pays a fee depending on the net asset value of each subfund. See the current rates in the Fund's current prospectus on the Fund's website.

The Fund's costs relating to the portfolio manager totalled DKK 9.2m in 2017 compared with DKK 8.4m the year before.

Cooperation agreement

The Fund has a marketing agreement with BIL Danmark, branch of Banque Internationale à Luxembourg S.A. The purpose of the agreement is, among other things, to strengthen the marketing of the Fund and advisory services to investors and to service both potential and existing investors in the Fund.

As part of the agreement, the Fund pays a marketing fee and a subscription fee in connection with the sale of new units in the A unit classes. See the current fees in the Fund's current prospectuses on the Fund's website.

The cooperation agreement contains a description of the legal obligations of BIL Danmark, branch of Banque Internationale à Luxembourg S.A., in connection with investment advisory services concerning the Fund units.

Auditors

The Fund's statutory audit costs totalled DKK 42 thousand in 2017 compared with DKK 29 thousand the year before.

In 2017, the subfund has not had any audit costs other than for the statutory audit.

Annual general meeting 2018

The Fund's annual general meeting will be held on Monday 9 April 2018.

Distribution

For 2017, the Board of Directors recommends that the General Meeting approve the interim dividends that the Board of Directors decided to distribute in January 2018. Distribution in DKK per unit for the individual unit classes appears from the table below.

Unit class	Distribution*
Danske Small Cap aktier KL A	DKK 49.30
Danske Small Cap aktier KL W	DKK 50.30

* Dividend has been distributed through VP Securities A/S in January 2018 as interim dividend.

Distribution is subject to tax rules. Distribution has thus been calculated based on realised tax gains and not on annual return. For 2017, dividend distributed by far exceeds the amount determined by the annual return. The reason for this is that it has been necessary in 2017 to realise any taxable capital gains earned in previous years, but not yet realised and distributed to the Fund's investors.

Other issues

Corporate social responsibility

As the Fund's investment area is limited to investments in Danish equities, the Fund's Management has determined that the Fund does not for the time being need a policy on corporate social responsibility policy, including the climate, environment a the time being.

Under-represented gender policy

It is the Fund's policy that both genders must be represented on the Board of Directors, with a 25% target for the under-represented gender. Election of candidates for the Board of Directors must be based primarily on qualifications and then gender.

The Fund's policy in this area was fulfilled in 2017.

Policy on exercising voting rights

The task of the Fund is to ensure an optimum return on its investments. In the opinion of the Board of Directors, the Fund should exercise its voting rights where voting at an annual general meeting may contribute to achieving this target.

The extent to which the Fund exercises its voting rights is determined on the basis of a specific assessment of whether the necessary effort will have the expected impact on the return on the investment.

When voting, the Fund will support companies managed with a view to serving the long-term interests of the shareholders.

The Fund has not voted in 2017.

Uncertainty as to recognition or measurement

In Management's view, there is no significant uncertainty as to the recognition or measurement of balance sheet items of the Fund's subfunds.

Unusual matters that may have affected recognition or measurement

No unusual matters have been reported for the Fund's subfunds which may have affected the recognition or measurement.

Events since the balance sheet date

From the balance sheet date until today, no events have occurred which affect the assessment of the Annual Report.

List of other directorships and executive positions of the Board of Directors and the Executive Board

Board of Directors

Jacob Saxild

Chairman of the Board of Directors

Development Manager, Copenhagen Capacity

Year of birth: 1955; Elected to the Board of Directors: 2003

Niels Pram Nielsen

Director

Former Managing Director, Slagelsesvej 85

Year of birth: 1946; Elected to the Board of Directors: 2002

Director of:

A/S De forenede Kaffesurrogat- og Cichoriefabrikker
C.F. Rich & Sønner A/S

Jette Hassing Ronøe

Director

Attorney, Aumento Advokatfirma

Year of birth: 1949; Elected to the Board of Directors: 2011

Meetings of the Board of Directors

The Board of Directors held nine ordinary meetings in 2017.

Remuneration of the Board of Directors

Remuneration totalling DKK 230 thousand for the Board of Directors for 2017 is recommended for approval by the General Meeting. Of this amount, the Chairman is remunerated with DKK 110 thousand, and ordinary members are remunerated with DKK 60 thousand.

Members of the Board of Directors did not receive any further remuneration in 2017 for the performance of special tasks for the Fund.

Executive Board

Nykredit Portefølje Administration A/S

Martin Udbye Madsen

CEO

Director of:
InvestIn SICAV

Tage Fabrin-Brasted

Managing Director

Outlook for 2018

The world is considered to be in an economic upturn at the beginning of 2018. 2017 saw a synchronous upswing in the US, the EU, Japan and China, which led to increasing employment and private consumption. The upswing has been backed by the continued lenient monetary policy pursued by leading central banks.

Global economic growth is expected to remain high in 2018 as a result of increasing activity in the US and growth in a number of emerging market countries. Likewise, the EU, Japan and China are also still expected to see high growth, yet at a somewhat slower pace than in the last year.

The confidence indicators, particularly in the US, were at an all-time high at the start of 2018, which may indicate a loss of short-term momentum for economic activity in the course of H1/2018. The tax reform that was passed in December 2017, along with underlying employment growth, is expected to boost economic growth in the course of H2/2018.

In China, the long-term transformation of the economy towards a larger consumption share and a smaller investment share will continue. In 2018, the authorities are expected to focus on speculative aspects of the Chinese housing market and the high debt levels in the Chinese society. Tightening of monetary conditions are expected to hamper the most credit-sensitive sectors in the year to come. This is deemed to put a slight damper on the high economic growth expected in 2018.

In Europe, economic growth is expected to continue in the coming year, albeit at a lower level than in 2017. Continued high debt levels in Southern Europe, coupled with uncertainty in Great Britain and the strengthened EUR, are expected to put a damper on developments.

In Denmark, economic growth is expected to remain at the same high level as in 2017. Employment is expected to continue to increase, which, together with higher real wages and the positive real estate market, will boost consumption further. Owing to a continued large current account surplus and a balanced public budget, movements in the Danish financial markets are primarily expected to consist of reactions to international affairs and events.

Rising prices of oil and other commodities, along with higher economic activity on a global level, are expected to drive up inflation and the wage growth rate in the coming year. The increase is believed to moderately impact the financial markets in 2018.

In the context of global monetary policy, 2018 is expected to be less favourable than 2017. The Federal Reserve is expected to continue its cautious monetary policy tightening with three key policy rate increases over the year. Moreover, the Federal Reserve is expected to fully phase in its reduction of the amount of interest-bearing assets on the balance sheet by ceasing to purchase bonds in the market for the proceeds from prepaid bonds in the autumn of 2018.

The ECB is expected to keep a low key policy rate in 2018. The ECB has announced that, initially until September, it will continue purchasing bonds in the market, albeit in lower numbers than in 2017.

In 2018, short-term market rates in Europe are expected to be restrained by the ECB's low key policy rate and extended purchase programme. In H2, long-term yields may start to rise as a reaction to an incipient and slow normalisation of the monetary policy in Europe.

In the coming year, Danish companies are expected to benefit from the economic upswing which we anticipate will lead not only to higher consumption but also to increasing investment levels. It is estimated that Danish companies will achieve moderate earnings growth in 2018, where the strengthening of the DKK is expected to put a damper on growth.

Despite the fact that price rises in the equity markets have been driven by the companies' earnings growth in recent years, the valuation is found to be at the high end. Disappointment regarding earnings growth or above-expectations interest rate rises may thus result in negative equity price movements.

On the basis of these uncertain expectations, the Fund's Management foresees moderately positive returns in the Fund's subfunds in 2018. Since the coming year may be a period of rapid change, significant return fluctuations must be expected in the Fund's subfunds, and negative returns cannot be ruled out.

Subfund review

The following subfund review should be read in conjunction with the rest of this Annual Report in order to gain a comprehensive view of the subfund's development.

The subfund review comprises both unit classes of the subfund. Unit class A is listed on the stock exchange and offers commission to the subfund's distributors for marketing and customer advisory services. The subfund's unit class W is not admitted to trading on a regulated market and is unable to pay its distributors.

Other than that, there is no difference between the two unit classes, which therefore share a joint investment portfolio.

Investment area and profile

The subfund pursues an active investment strategy with focus on the selection of 30-40 equities. The objective of the subfund is to yield a return which – as a minimum – is in line with market trends for small and medium-sized Danish companies, measured by the subfund's benchmark, the KFMX Index.

The subfund mainly invests in small and medium-sized Danish companies, but may have up to 30% of its net asset value invested in companies that are included in the OMXC25 Index.

The subfund's risk profile is considered to be high. The subfund is suitable for long-term savings, including pension savings, where high risk is acceptable.

Performance of unit class A

Unit class A yielded a return of 9.70% in 2017. The subfund's benchmark yielded a return of 19.82% in the same period. The return exceeded Management's expectations at the beginning of the year, but was somewhat lower than its benchmark. For 2017, the Board of Directors recommends that the unit class distribute a dividend of DKK 49.30 per unit, equal to the interim dividend approved by the Board of Directors and distributed in January.

Performance of unit class W

Unit class W yielded a negative return of 4.68% in the period 25 August – 31 December 2017. The subfund's benchmark yielded a return of 1.80% in the same period. The return exceeded Management's expectations at the beginning of the year, but was somewhat lower than its benchmark. For 2017, the Board of Directors recommends that the unit class distribute a dividend of DKK 50.30 per unit, equal to the interim dividend approved by the Board of Directors and distributed in January.

Subfund development

The subfund's investment strategy of acquiring selected, undervalued companies remained unchanged in 2017.

Return generated by the subfund showed a satisfactory trend on a par with the benchmark in H1/2017, but developments in a few large positions in H2 meant that the subfund's return was considerably lower than its benchmark for the whole year.

A key reason for negative developments in the last six months of the year was the subfund's investment in Bavarian Nordic. Surprisingly, the company had to discontinue phase III clinical trials with the prostate cancer immunotherapy candidate ProstVac due to limited curative effects. The equity price dropped by 50% following the announcement in mid-September, and the Fund's portfolio manager decided to sell the subfund's position in Bavarian Nordic.

Also, in 2017, other companies posed a challenge to the subfund, and the return in 2017 was thus put under pressure by the subfund's investments in Harboes Bryggeri, Matas, Zealand Pharma, Santa Fe Group, NNIT and Alk-Abello.

In contrast, the subfund's relatively large investment in B&O drove up its return. The B&O equity rose by almost 87% in 2017, when the market started to believe in the turnaround Management is striving to implement with the development of the product area of B&O Play, among other things. The equity price has risen further after the turn of the year.

Also, in 2017, the subfund profited from the investments in SAS, FLSmidth & Co. and NKT. In the autumn, the latter was divided into NKT and Nilfisk Holding, rendering visible the real values in the company. Performance improved when, at end-2017, the international investment fund Primestone purchased equities in Nilfisk Holding and in the US competitor Tennant with a view to merging the two companies.

The investment style of the subfund is based on active management and is focused on a limited number of positions in the portfolio. This may be indicated by means of the two risk measures: Active Share and Tracking Error. The risk measure Active Share, which measures the difference between the portfolio's positions and those of its benchmark, came to 84.6% at end-2017. Tracking Error is a metric indicating how closely a subfund's performance tracks its benchmark. Tracking Error over the past three years came to 7.5% at end-2017. The two key figures are defined in the section on financial ratios and key figures on page 41.

The subfund recorded a net profit of DKK 49.9m in 2017. At end-2017, the net asset value of the subfund was DKK 511.6m.

In the following, accounting figures and financial ratios are specified at unit class level.

Subfund risks

Over the last five years until end-2017, the subfund's total risk, measured by the standard deviation of the weekly return, has been 15.1% pa, corresponding to risk level 6 on a risk scale ranging from 1 to 7, 1 being the low risk and 7 the high risk category.

The primary risk factors of the subfund are equity market and issuer-specific risks. The subfund does not make specific efforts to limit equity market risk as it makes no use of derivative financial instruments for hedging purposes. The subfund seeks to limit issuer-specific risk by diversifying its investments across 30-40 Danish companies in several sectors.

For a detailed description of subfund risk, please see "Risks affecting the Fund's subfunds".

Outlook

Global economic growth is expected to continue in 2018. Despite of this, market rates in Europe are expected to remain low in the year to come, as ECB has indicated that the its purchase programme will continue until September 2018 – and beyond that time if necessary. An interest rate hike cannot be ruled out in H2/2108.

Equities are expected to yield a moderately positive return in light of expected earnings growth. The price of Danish equities is, however, considered to be too high, and, consequently, periodic negative price fluctuations should be expected in 2018.

Against this background, performance in the subfund's two unit classes is expected to be moderately positive in 2018. Since the coming year may be a period of rapid change, significant return fluctuations must be expected in the subfunds' unit classes, and negative returns for the whole year cannot be ruled out.

Expectation uncertainties are described in the general section "Outlook for 2018" and the section "Risk factors and risk management" of the Annual Report.

Financial ratios and key figures

Danske Small Cap aktier KL	2017	2016	2015	2014	2013
Sharpe ratio	1.35	1.67	1.37	1.08	0.40
Net profit for the year (DKK '000)	49,904	16,101	190,195	12,971	81,435
Net assets attributable to unitholders at year-end (DKK '000)	511,647	562,281	-	-	-
Rate of turnover	0.47	0.43	0.33	0.29	0.41
Tracking Error	7.54	7.46	7.79	6.25	6.14
Active Share	84.60	74.80	68.83	-	-

Financial ratios and key figures

Danske Small Cap aktier KL A	2017*	2016	2015	2014	2013
Annual return, %	9.70	2.64	64.28	6.64	68.16
Net asset value per unit (DKK)	301.89	330.62	361.34	237.05	222.29
Dividend per unit (DKK)	49.30	58.90	36.50	22.00	0.00
Total expense ratio	1.93	2.06	2.00	2.04	2.31
Net profit for the year (DKK '000)	52,786	16,101	190,195	12,971	81,435
Net assets attributable to unitholders at year-end (DKK '000)	476,742	562,281	518,778	297,565	243,559
Units at year-end ('000)	1,579	1,701	1,435	1,256	1,095

*) The unit class has been active since 25 August 2017. The unit class will be continued from the subfund Danske Small Cap aktier.

Financial ratios and key figures

Danske Small Cap aktier KL W	2017*
Annual return, %	(4.68)
Net asset value per unit (DKK)	302.73
Dividend per unit (DKK)	50.30
Total expense ratio	0.46
Net loss for the year (DKK '000)	(2,882)
Net assets attributable to unitholders at year-end (DKK '000)	34,903
Units at year-end ('000)	115

*) The unit class has been active since 25 August 2017.

Income statement (DKK '000)	2017	2016
Note Interest and dividends		
1 Interest expenses	(130)	(121)
2 Dividends	13,740	9,745
Total interest and dividends	13,610	9,624
Capital gains and losses		
3 Equity investments	50,533	18,112
4 Transaction costs	(1,701)	(889)
Total capital gains and losses	48,832	17,223
Total income	62,442	26,847
5 Administration costs	11,224	10,656
Profit before tax	51,218	16,191
Tax	1,314	90
Net profit for the year	49,904	16,101

Balance sheet (DKK '000)

Note	ASSETS	2017	2016
	Cash and cash equivalents		
	Deposits with depositary	35,664	1,212
	Total cash and cash equivalents	35,664	1,212
6	Equity investments		
	Listed equities in Danish companies	401,945	524,812
	Listed equities in foreign companies	75,800	40,232
	Total equity investments	477,745	565,044
	Other assets		
	Receivables relating to trade settlement	1,126	5,490
	Current tax assets	1	1
	Total other assets	1,127	5,491
	Total assets	514,536	571,747
LIABILITIES AND NET ASSETS ATTRIBUTABLE TO UNITHOLDERS			
	Net assets attributable to unitholders	511,647	562,281
	Other payables		
	Accounts payable	2,889	3,226
	Payables relating to trade settlement	-	6,240
	Total other payables	2,889	9,466
	Total liabilities and net assets attributable to unitholders	514,536	571,747
7	<i>Financial instruments, %</i>		

Notes to the Financial Statements (DKK '000)

References

The note regarding total audit fees is provided in "Important agreements" on page 19 of the Management Commentary.

The note regarding the total remuneration of the Board of Directors is provided in "Remuneration of the Board of Directors" on page 21 of the Management Commentary.

The note regarding accounting policies is provided on page 40 in "Notes to the Financial Statements of the Fund".

		2017	2016
1 Interest expenses			
Other interest expenses		130	121
Total interest expenses		130	121
2 Dividends			
Listed equities in Danish companies		9,179	8,489
Listed equities in foreign companies		4,561	1,256
Total dividends		13,740	9,745
3 Capital gains and losses, equity investments			
Listed equities in Danish companies		41,110	24,351
Listed equities in foreign companies		9,423	(6,239)
Total capital gains and losses, equity investments		50,533	18,112
4 Transaction costs			
Gross transaction costs		(2,440)	(1,624)
Direct transaction costs covered by issue and redemption income		739	735
Total transaction costs		(1,701)	(889)
	Subfund direct costs	Share of overhead costs	Total adm costs
5 Administration costs 2017			
Remuneration, Board of Directors etc	-	228	228
Audit fees	19	2	21
Marketing costs	3,432	-	3,432
Depositary fees	287	-	287
Other costs related to portfolio management	5,683	-	5,683
Fixed administration fee	1,368	-	1,368
Other costs	144	61	205
Total administration costs 2017	10,933	291	11,224
Administration costs 2016			
Remuneration, Board of Directors etc	-	230	230
Audit fees	27	2	29
Marketing costs	3,197	-	3,197
Depositary fees	320	-	320
Other costs related to portfolio management	5,228	-	5,228
Fixed administration fee	1,268	-	1,268
Other costs	234	150	384
Total administration costs 2016	10,274	382	10,656

Notes to the Financial Statements (DKK '000)

6 Equity investments	%
Sector breakdown	
Industrials	45.43
Consumer durables	26.09
Health care	10.41
Financials	7.82
Consumer discretionary	7.14
Commodities	2.48
Energy	0.63
	100.00

For a specification of the securities portfolio as at 31 December 2017 and as at 31 December 2016, see the website bildanmark.dk.

A portfolio statement can also be obtained from the Fund.

	2017	2016
7 Financial instruments, %		
Listed financial instruments	92.33	97.22
Other financial instruments	6.89	0.21
Total	99.22	97.43
Other assets/Other payables	0.78	2.57
Total financial instruments, %	100.00	100.00

Income statement (DKK '000)	2017*	2016
Note Unit class income statement items		
Share of profit from joint portfolio	53,890	16,101
Class-specific administration costs **	1,104	-
Net profit of the unit class	52,786	16,101
Allocation of profits of the unit class		
1 Available for distribution is based on:		
Proposed distributions for outstanding units	77,853	100,170
Transferred for distribution next year	64	89
Transferred to net assets attributable to unitholders	(25,131)	(84,158)
1 Available for distribution		
Interest and dividends	13,493	9,745
Non-refundable dividend tax	(1,314)	(90)
Capital gains and losses for distribution	84,520	96,496
Adjustment of distributions	(7,882)	4,688
Distributions transferred from last year	89	77
Minimum income	88,906	110,916
Administration costs to be deducted from minimum income	(10,990)	(10,656)
Total available for distribution	77,916	100,260
Net assets attributable to unitholders		
Net assets attributable to unitholders, beginning of period	562,281	518,778
Distributions from last year re outstanding units at 31.12	(100,170)	(30,855)
Adjustment of distributed dividend due to issues/redemptions	8,570	(14,978)
Issues during the year	137,595	260,031
Redemptions during the year	(184,285)	(186,796)
Issuance premiums and redemption discounts	(35)	-
Proposed distributions for outstanding units	77,853	100,170
Transferred for distribution next year	64	89
Transferred from income statement	(25,131)	(84,158)
Total net assets attributable to unitholders	476,742	562,281
Outstanding units ('000)		
Outstanding units, beginning of year	1,701	1,435
Issues during the year	460	649
Redemptions during the year	(582)	(383)
Total outstanding units ('000)	1,579	1,701

*) The unit class has been active since 25 August 2017.

**) This item includes marketing fee from 25 August – 31 December 2017.

Income statement (DKK '000) **2017***

Note Unit class income statement items

Share of profit from joint portfolio	(2,882)
Class-specific administration costs	-
Net profit of the unit class	(2,882)

Allocation of profits of the unit class

1	<i>Available for distribution is based on:</i>	
	Proposed distributions for outstanding units	5,799
	Transferred for distribution next year	10
	Transferred to net assets attributable to unitholders	(8,691)

1 Available for distribution

Interest and dividends	246
Capital gains and losses for distribution	(280)
Adjustment of distributions**	6,076

Minimum income **6,042**

Administration costs to be deducted from minimum income	(233)
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Total available for distribution **5,809**

Net assets attributable to unitholders

Issues during the year***	66,381
Redemptions during the year	(28,589)
Issuance premiums and redemption discounts	(7)
Proposed distributions for outstanding units	5,799
Transferred for distribution next year	10
Transferred from income statement	(8,691)

Total net assets attributable to unitholders **34,903**

Outstanding units ('000)

Issues during the year	211
Redemptions during the year	(96)

Total outstanding units ('000) **115**

*) The unit class has been active since 25 August 2017.

**) This item includes a share of the total distribution gained in the unit class in Danske Small Cap aktier until 25 August 2017.

***) "Issues during the year" includes profit gained from Danske Small Cap aktier until 25 August 2017.

Subfund review

The following subfund review should be read in conjunction with the rest of this Annual Report in order to gain a comprehensive view of the subfund's development.

The subfund review comprises both unit classes of the subfund. Unit class A pays commission to the Fund's distributors for marketing and customer advisory services. Unit class W is unable to pay its distributors.

In the event of differences between the two unit classes, the differences will be specified in the description. Both unit classes were launched on 7 December 2017.

Investment area and profile

The subfund pursues an active investment strategy with focus on the selection of 30-40 equities. The objective of the subfund is to yield a return which – as a minimum – is in line with market trends for small and medium-sized Danish companies, measured by the subfund's benchmark, the KFMX Index.

The subfund mainly invests in small and medium-sized Danish companies, but may have up to 30% of its net asset value invested in companies that are included in the OMXC25 Index.

The subfund's risk profile is considered to be high. The subfund is suitable for long-term savings, including pension savings, where high risk is acceptable. The subfund unit classes can be used for funds subject to the Danish Business Tax Scheme.

Performance of unit class A

Unit class A yielded a return of 1.39% in the period 7 December – 31 December 2017. The subfund's benchmark yielded a return of 2.31% in the same period.

Performance of unit class W

Unit class W yielded a return of 1.44% in the period 7 December – 31 December 2017. The subfund's benchmark yielded a return of 2.31% in the same period.

Subfund development

The subfund was launched on 7 December 2017 as a replicate of the income subfund Danske Small Cap aktier.

As is the case for the subfund Danske Small Cap aktier, the subfund's investment strategy is to purchase selected undervalued companies.

The investment style of the subfund is based on active management and is focused on a limited number of positions in the portfolio. This may be indicated by means of the two risk measures: Active Share and Tracking Error. The risk measure Active Share, which measures the difference between the portfolio's positions and those of its benchmark, came to 84.6% at end-2017. Tracking Error is a metric indicating how closely a subfund's performance tracks its benchmark. Since Tracking Error is measured over the last three years, it is not possible to calculate the key figure for the subfund. The two key figures are defined in the section on financial ratios and key figures on page 41.

The subfund recorded a net profit of DKK 1.0m for the period 7 December – 31 December 2017. At end-2017, the net asset value of the subfund came to DKK 76.1m.

In the following, accounting figures and financial ratios are specified at unit class level.

Subfund risks

Over the last five years until end-2017, the subfund's total risk, measured by the standard deviation of the weekly return, supplemented with the benchmark return, has been 15.1% pa, corresponding to risk level 6 on a risk scale ranging from 1 to 7, 1 being the low risk and 7 the high risk category.

The primary risk factors of the subfund are equity market and issuer-specific risks. The subfund does not make specific efforts to limit equity market risk as it makes no use of derivative financial instruments for hedging purposes. The subfund seeks to limit issuer-specific risk by diversifying its investments across 30-40 Danish companies in several sectors.

For a detailed description of subfund risk, please see "Risks affecting the Fund's subfunds".

Outlook

Global economic growth is expected to continue in 2018. Despite of this, market rates in Europe are expected to remain low in the year to come, as ECB has indicated that the its purchase programme will continue until September 2018 – and beyond that time if necessary. An interest rate hike cannot be ruled out in H2/2108.

Equities are expected to yield a moderately positive return in light of expected earnings growth. The price of Danish equities is, however, considered to be too high, and, consequently, periodic negative price fluctuations should be expected in 2018.

Against this background, performance in the subfund's two unit classes is expected to be moderately positive in 2018. Since the coming year may be a period of rapid change, significant return fluctuations must be expected in the subfunds' unit classes, and negative returns for the whole year cannot be ruled out.

Expectation uncertainties are described in the general section "Outlook for 2018" and the section "Risk factors and risk management" of the Annual Report.

Financial ratios and key figures

Danske Small Cap aktier Akk. KL

2017*

Sharpe ratio	-
Net profit for the year (DKK '000)	1,013
Net assets attributable to unitholders at year-end (DKK '000)	76,111
Rate of turnover	-
Tracking Error	-
Active Share	84.60

*) The subfund has been active since 7 December 2017.

Financial ratios and key figures

Danske Small Cap aktier Akk. KL A

2017*

Annual return, %	1.39
Net asset value per unit (DKK)	101.39
Total expense ratio	0.22
Net profit for the year (DKK '000)	896
Net assets attributable to unitholders at year-end (DKK '000)	67,566
Units at year-end ('000)	666

*) The unit class has been active since 7 December 2017.

Financial ratios and key figures

Danske Small Cap aktier Akk. KL W

2017*

Annual return, %	1.44
Net asset value per unit (DKK)	101.44
Total expense ratio	0.17
Net profit for the year (DKK '000)	117
Net assets attributable to unitholders at year-end (DKK '000)	8,545
Units at year-end ('000)	84

*) The unit class has been active since 7 December 2017.

Income statement (DKK '000)		2017*
Note Interest and dividends		
1	Interest expenses	1
	Total interest and dividends	1
Capital gains and losses		
2	Equity investments	1,169
3	Transaction costs	(1)
	Total capital gains and losses	1,168
	Total income	1,169
4	Administration costs	156
	Net profit for the year	1,013

*) The subfund has been active since 7 December 2017.

Balance sheet (DKK '000)

Note	ASSETS	2017
	Cash and cash equivalents	
	Deposits with depository	6,654
	Total cash and cash equivalents	6,654
5	Equity investments	
	Listed equities in Danish companies	58,016
	Listed equities in foreign companies	11,238
	Total equity investments	69,254
	Other assets	
	Receivables relating to trade settlement	341
	Total other assets	341
	Total assets	76,249
 LIABILITIES AND NET ASSETS ATTRIBUTABLE TO UNITHOLDERS		
	Net assets attributable to unitholders	76,111
	Other payables	
	Accounts payable	138
	Total other payables	138
	Total liabilities and net assets attributable to unitholders	76,249

6 *Financial instruments, %*

Notes to the Financial Statements (DKK '000)

References

The note regarding total audit fees is provided in "Important agreements" on page 19 of the Management Commentary.

The note regarding the total remuneration of the Board of Directors is provided in "Remuneration of the Board of Directors" on page 21 of the Management Commentary.

The note regarding accounting policies is provided on page 40 in "Notes to the Financial Statements of the Fund".

	2017
1 Interest expenses	
Other interest expenses	(1)
Total interest expenses	(1)
2 Capital gains and losses, equity investments	
Listed equities in Danish companies	2,146
Listed equities in foreign companies	(977)
Total capital gains and losses, equity investments	1,169
3 Transaction costs	
Gross transaction costs	(19)
Direct transaction costs covered by issue and redemption income	18
Total transaction costs	(1)

	Subfund direct costs	Share of overhead costs	Total adm costs
4 Administration costs 2017			
Remuneration, Board of Directors etc	-	2	2
Audit fees	19	2	21
Marketing costs	26	-	26
Depositary fees	45	-	45
Other costs related to portfolio management	49	-	49
Fixed administration fee	15	-	15
Other costs	(2)	-	(2)
Total administration costs 2017	152	4	156
5 Equity investments			%
Sector breakdown			
Industrials			46.25
Consumer durables			26.12
Health care			9.68
Financials			7.82
Consumer discretionary			7.02
Commodities			2.61
Energy			0.50
			100.00

For a specification of the securities portfolio as at 31 December 2017, see the website bildanmark.dk. A portfolio statement can also be obtained from the Fund.

	2017
6 Financial instruments, %	
Listed financial instruments	90.66
Other financial instruments	8.71
Total	99.37
Other assets/Other payables	0.63
Total financial instruments, %	100.00

Income statement (DKK '000)	2017*
Note Unit class income statement items	
Share of profit from joint portfolio	922
Class-specific administration costs	26
Net profit of the unit class	896
Net assets attributable to unitholders	
Issues during the year	66,643
Issuance premiums and redemption discounts	27
Transferred from income statement	896
Total net assets attributable to unitholders	67,566
Outstanding units ('000)	
Issues during the year	666
Total outstanding units ('000)	666

*) The unit class has been active since 7 December 2017.

Income statement (DKK '000)	2017*
Note Unit class income statement items	
Share of profit from joint portfolio	117
Class-specific administration costs	-
Net profit of the unit class	117
Net assets attributable to unitholders	
Issues during the year	8,424
Issuance premiums and redemption discounts	4
Transferred from income statement	117
Total net assets attributable to unitholders	8,546
Outstanding units ('000)	
Issues during the year	84
Total outstanding units ('000)	84

*) The unit class has been active since 7 December 2017.

Accounting policies

General

The Financial Statements have been prepared in accordance with the accounting provisions of the Danish Investment Associations etc. Act and the Danish Financial Supervisory Authority's Executive Order on the presentation of financial reports by Danish UCITS.

Specific subfunds offer several unit classes. Any such subfund thus consists of a joint portfolio under which the unit classes' joint investments in securities and any derivative payments are made. To this should be added class-specific costs of the unit classes.

Overall financial statements for the entire subfund along with notes to the individual unit classes are prepared.

For income subfunds, the amounts to be distributed are calculated for the individual unit classes.

Financial ratios and key figures regarding return, net asset value per unit, costs and number of units are calculated for the individual unit classes. In the event that a unit class, on establishment, continues the subfund in question, the relevant financial ratios and key figures including historical data are shown for the class.

The accounting policies are unchanged from the preceding financial year.

Presentation of accounting figures

All accounting figures have been rounded to the nearest thousands in the subfund's functional currency. Totals in the Financial Statements have been calculated on the basis of the actual figures with totals, which is the mathematically most correct method. In some instances, recalculation of the totals will result in rounding-off differences because the underlying decimals do not appear in the Financial Statements.

Income statement

Interest

Interest income includes interest and cash deposits with the depositary. Interest expenses include other interest expenses.

Dividends

Dividends comprise dividends earned in the financial year.

Dividend tax

Non-refundable dividend tax withheld is deducted from the item "Tax".

Capital gains and losses

Realised and unrealised capital gains and losses are included in the income statement. Realised capital gains and losses are determined as the difference between the fair value at the time of sale and the fair value at the beginning of the year or at the time of acquisition if the asset was acquired in the financial year. Unrealised capital gains and losses are determined as the difference between the fair value at year-end and the fair value at the beginning of the year or at the time of acquisition if the asset was acquired in the financial year.

Transaction costs

Total direct transaction costs consist of commission and foreign costs as stated in the trade confirmations as well as a spread, if agreed with the third party.

Transaction costs incurred in connection with the purchase and sale of financial instruments and relating to issuance and redemption are transferred to net assets attributable to unitholders.

Administration costs

Administration costs are recognised as incurred. They consist of costs directly related to a subfund and a share of the Fund's overhead costs. Overhead costs are mainly allocated to the subfunds relative to their average net asset values. Audit fees included in overhead costs are allocated relative to the number of subfunds.

Subfunds which have not existed throughout the entire financial year bear a proportionate share of overhead costs.

Distribution

In income subfunds the amounts to be distributed for the financial year are distributed after deduction of costs in accordance with Danish tax law. The amounts to be distributed consist largely of interest and dividend income as well as realised capital gains on securities etc and foreign exchange accounts less administration costs.

Profit for distribution of the respective subfunds includes adjustment of distributions due to issuance and redemption for the financial year, meaning that the dividend cover is the same before and after issuance/redemption.

Balance sheet

Equity investments are initially recognised at fair value on the transaction date and subsequently at fair value. Cash and cash equivalents are entered at nominal value.

Other assets

Other assets are measured at fair value and comprise current tax assets consisting of refundable dividend tax and interest tax withheld abroad and receivables relating to trade settlement, which comprise the proceeds from unsettled sales of financial instruments and issues before or on the balance sheet date if payment is not made until after the balance sheet date.

The proposed distribution for the financial year is included in the net assets attributable to unitholders.

Net income from issuance and redemption

Net income from issuance comprises a premium on the issue price less costs related to issuance. Net income from redemption comprises a redemption discount after set-off of costs related to redemption. Net income from issuance and redemption has been transferred to net assets attributable to unitholders at the end of the financial year.

Other payables

Other payables are measured at fair value and comprise accounts payable and payables relating to trade settlement, which include proceeds from unsettled purchases of financial instruments and redemptions before or on the balance sheet date if payment is not made until after the balance sheet date.

Foreign currency translation

Exchange rate differences between the exchange rate on the transaction date and the exchange rate on the settlement date are recognised in the income statement as "Capital gains and losses".

Transactions in foreign currency are translated at the exchange rates prevailing on the transaction date. Securities portfolios, cash and cash equivalents, other assets and other payables in foreign currency are translated at the exchange rates prevailing on the balance sheet date, determined as the exchange rates at 16:00 GMT. Any difference between the exchange rate on the balance sheet date and the exchange rate at the time the securities were acquired or the receivables arose is recognised in the income statement as "Capital gains and losses".

Financial ratios and key figures

Accounting figures and financial ratios are calculated in accordance with the Danish Executive Order on the presentation of financial reports by Danish UCITS and the guidelines issued by the Danish Investment Fund Association. The Annual Report contains the following financial ratios:

Return, %

This ratio shows the total return of a given subfund for the year. The return is the difference in net asset value per unit from the beginning to the end of the year adjusted for any distribution to the investors during the year.

Net asset value per unit

The net asset value per unit is calculated as the net asset value divided by the number of outstanding units at year-end.

Dividend per unit

Proposed distributions relative to outstanding units at year-end.

Total expense ratio

The total expense ratio is calculated as the subfund's administration costs for the year divided by the average net asset value; the average net asset value is calculated as the average daily net asset value during the year.

Sharpe ratio

The Sharpe ratio expresses a subfund's return relative to the risk assumed. The ratio is calculated as the historical return less risk-free interest divided by the standard deviation of the monthly return for the period. The Sharpe ratio is solely computed if the subfund's life is at least 36 months and for a maximum of 60 months.

Rate of turnover

The rate of turnover is determined as the average of all securities purchases and sales throughout the financial year, adjusted for issuance, redemption and distributions made, relative to the average net asset value; the average net asset value is calculated as the average daily net asset value during the year.

Tracking Error

Tracking Error is a metric indicating the difference in returns between the subfund and its benchmark. This financial ratio is calculated for a period of the past three years, but only if the subfund's life is at least 36 months.

Active Share

Active Share is the percentage of the portfolio that is different from the benchmark index at a particular date, in this case the balance sheet date.

Financial ratios and key figures	2017	2016	2015	2014	2013
Annual return, %					
Danske Small Cap aktier KL	-	-	-	-	-
Danske Small Cap aktier KL A ¹⁾	9.70	2.64	64.28	6.64	68.16
Danske Small Cap aktier KL W ¹⁾	(4.68)	-	-	-	-
Danske Small Cap aktier Akk. KL ²⁾	-	-	-	-	-
Danske Small Cap aktier Akk. KL A ²⁾	1.39	-	-	-	-
Danske Small Cap aktier Akk. KL W ²⁾	1.44	-	-	-	-
Net asset value per unit					
Danske Small Cap aktier KL	-	-	-	-	-
Danske Small Cap aktier KL A ¹⁾	301.89	330.62	361.34	237.05	222.29
Danske Small Cap aktier KL W ¹⁾	302.73	-	-	-	-
Danske Small Cap aktier Akk. KL ²⁾	-	-	-	-	-
Danske Small Cap aktier Akk. KL A ²⁾	101.39	-	-	-	-
Danske Small Cap aktier Akk. KL W ²⁾	101.44	-	-	-	-
Dividend per unit (DKK)					
Danske Small Cap aktier KL	-	-	-	-	-
Danske Small Cap aktier KL A ¹⁾	49.30	58.90	36.50	22.00	0.00
Danske Small Cap aktier KL W ¹⁾	50.30	-	-	-	-
Danske Small Cap aktier Akk. KL ²⁾	-	-	-	-	-
Danske Small Cap aktier Akk. KL A ²⁾	-	-	-	-	-
Danske Small Cap aktier Akk. KL W ²⁾	-	-	-	-	-
Total expense ratio					
Danske Small Cap aktier KL	-	-	-	-	-
Danske Small Cap aktier KL A ¹⁾	1.93	2.06	2.00	2.04	2.31
Danske Small Cap aktier KL W ¹⁾	0.46	-	-	-	-
Danske Small Cap aktier Akk. KL ²⁾	-	-	-	-	-
Danske Small Cap aktier Akk. KL A ²⁾	0.22	-	-	-	-
Danske Small Cap aktier Akk. KL W ²⁾	0.17	-	-	-	-
Sharpe ratio					
Danske Small Cap aktier KL	1.35	1.67	1.37	1.08	0.40
Danske Small Cap aktier KL A ¹⁾	-	-	-	-	-
Danske Small Cap aktier KL W ¹⁾	-	-	-	-	-
Danske Small Cap aktier Akk. KL ²⁾	-	-	-	-	-
Danske Small Cap aktier Akk. KL A ²⁾	-	-	-	-	-
Danske Small Cap aktier Akk. KL W ²⁾	-	-	-	-	-
Net profit (loss) for the year (DKK '000)					
Danske Small Cap aktier KL	49,904	16,101	190,195	12,971	81,435
Danske Small Cap aktier KL A ¹⁾	52,786	16,101	190,195	12,971	81,435
Danske Small Cap aktier KL W ¹⁾	(2,882)	-	-	-	-
Danske Small Cap aktier Akk. KL ²⁾	1,013	-	-	-	-
Danske Small Cap aktier Akk. KL A ²⁾	896	-	-	-	-
Danske Small Cap aktier Akk. KL W ²⁾	117	-	-	-	-
Net assets attributable to unitholders at year-end (DKK '000)					
Danske Small Cap aktier KL	-	-	-	-	-
Danske Small Cap aktier KL A ¹⁾	476,742	562,281	518,778	297,565	243,559
Danske Small Cap aktier KL W ¹⁾	34,903	-	-	-	-
Danske Small Cap aktier Akk. KL ²⁾	76,111	-	-	-	-
Danske Small Cap aktier Akk. KL A ²⁾	67,566	-	-	-	-
Danske Small Cap aktier Akk. KL W ²⁾	8,545	-	-	-	-

	2017	2016	2015	2014	2013
Units at year-end ('000)					
Danske Small Cap aktier KL	-	-	-	-	-
Danske Small Cap aktier KL A ¹⁾	1,579	1,701	1,435	1,256	1,095
Danske Small Cap aktier KL W ¹⁾	115	-	-	-	-
Danske Small Cap aktier Akk. KL ¹⁾	-	-	-	-	-
Danske Small Cap aktier Akk. KL A ²⁾	666	-	-	-	-
Danske Small Cap aktier Akk. KL W ²⁾	84	-	-	-	-
Rate of turnover					
Danske Small Cap aktier KL	0.47	0.43	0.33	0.29	0.41
Danske Small Cap aktier KL A ¹⁾	-	-	-	-	-
Danske Small Cap aktier KL W ¹⁾	-	-	-	-	-
Danske Small Cap aktier Akk. KL ²⁾	-	-	-	-	-
Danske Small Cap aktier Akk. KL A ²⁾	-	-	-	-	-
Danske Small Cap aktier Akk. KL W ²⁾	-	-	-	-	-
Tracking Error					
Danske Small Cap aktier KL	7.54	7.46	7.79	6.25	6.14
Danske Small Cap aktier KL A ¹⁾	-	-	-	-	-
Danske Small Cap aktier KL W ¹⁾	-	-	-	-	-
Danske Small Cap aktier Akk. KL ²⁾	-	-	-	-	-
Danske Small Cap aktier Akk. KL A ²⁾	-	-	-	-	-
Danske Small Cap aktier Akk. KL W ²⁾	-	-	-	-	-
Active Share					
Danske Small Cap aktier KL	84.60	74.80	68.83	-	-
Danske Small Cap aktier KL A ¹⁾	-	-	-	-	-
Danske Small Cap aktier KL W ¹⁾	-	-	-	-	-
Danske Small Cap aktier Akk. KL ²⁾	84.60	-	-	-	-
Danske Small Cap aktier Akk. KL A ²⁾	-	-	-	-	-
Danske Small Cap aktier Akk. KL W ²⁾	-	-	-	-	-

1) The subfund has been active since 25 August 2017.

2) The subfund has been active since 7 December 2017.

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Investeringsforeningen BIL Danmark
Danske Small Cap aktier KL

Portfolio statement at 31.12.2017

Equity	Price 31.12.2017	Market value (DKK '000) 31.12.2017	Price 31.12.2016	Market value (DKK '000) 31.12.2016
Equity investments				
DKK 100.00 at 31.12.2017 (100.00 at 31.12.2016)				
ALK-ABELLO A/S	740.00	4,706	920.00	23,288
ALM. BRAND A/S	81.00	22,984	54.00	26,370
AP MOLLER-MAERSK A/S-B			11,270.00	46,320
BANG & OLUFSEN A/S	149.50	50,980	80.00	5,609
BANKNORDIK P/F	106.00	11,684	135.50	16,952
BAVARIAN NORDIC A/S			249.00	46,936
CARLSBERG AS-B	745.00	1,969	609.50	1,829
CEMAT A/S			0.32	263
D/S NORDEN	116.50	36,550	110.50	26,520
DFDS A/S			322.60	20,045
FLSMIDTH & CO A/S	361.30	6,367	293.00	5,860
G4S PLC	22.02	19,031	20.31	13,967
GENMAB A/S	1,029.00	7,253	1,173.00	4,692
GN STORE NORD A/S	200.50	907	146.30	751
H LUNDBECK A/S	315.00	1,260		
H+H INTERNATIONAL A/S-B	145.00	11,667	75.50	17,993
HARBOES BRYGGERI AS-B	92.50	7,500	139.00	20,850
HOJGAARD HLDG-B SHARES	172.00	7,886	224.00	17,383
IC GROUP A/S	145.50	22,034	148.00	13,485
JYSKE BANK-REG	353.20	1,556	336.70	7,744
MATAS A/S	78.50	11,182		
MONBERG & THORSEN A/S-B SHS	169.00	5,518	230.00	7,102
NILFISK HOLDING A/S	363.00	33,836		
NKT A/S	283.30	25,072	498.90	40,411
NNIT A/S	171.50	16,915		
NORTH MEDIA AS	35.20	8,587	13.20	4,073
PANDORA A/S	675.50	26,848		
PARKEN SPORT & ENTERTAINMENT	69.00	1,824		
PER AARSLEFF HOLDING A/S			176.00	27,896
RIAS A/S- B SHARES	447.00	872	423.00	2,206
ROCKWOOL INTL A/S-B SHS			1,246.00	24,172
ROYAL UNIBREW			272.60	14,374
SANTA FE GROUP A/S	44.50	12,422	56.00	17,742
SAS AB	16.20	42,148		
SCANDINAVIAN TOBACCO GROUP A	120.00	24,078		
SOLAR A/S-B SHS	408.00	23,743	361.00	18,736
SYDBANK A/S	249.90	521	219.20	8,191
TDC A/S			36.26	21,756
TK DEVELOPMENT	7.10	9,041	9.45	9,530
TORM PLC	53.50	2,937	63.50	9,313
VESTAS WIND SYSTEMS A/S			459.00	42,687
ZEALAND PHARMA A/S	85.00	17,869		
Total equity investments		477,745		565,044

Investeringsforeningen BIL Danmark
Danske Small Cap aktier KL

Portfolio statement at 31.12.2017

Equity	Price 31.12.2017	Market value (DKK '000) 31.12.2017	Price	Market value (DKK '000)
Equity investments				
DKK 100.00 at 31.12.2017				
ALK-ABELLO A/S	740.00	585		
ALM. BRAND A/S	81.00	3,285		
BANG & OLUFSEN A/S	149.50	7,475		
BANKNORDIK P/F	106.00	1,778		
CARLSBERG AS-B	745.00	266		
D/S NORDEN	116.50	5,546		
FLSMIDTH & CO A/S	361.30	859		
G4S PLC	22.02	2,718		
GENMAB A/S	1,029.00	979		
GN STORE NORD A/S	200.50	122		
H+H INTERNATIONAL A/S-B	145.00	1,785		
HARBOES BRYGGERI AS-B	92.50	1,012		
HOJGAARD HLDG-B SHARES	172.00	1,064		
IC GROUP A/S	145.50	3,138		
JYSKE BANK-REG	353.20	210		
MATAS A/S	78.50	1,647		
MONBERG & THORSEN A/S-B SHS	169.00	745		
NILFISK HOLDING A/S	363.00	5,126		
NKT A/S	283.30	3,785		
NNIT A/S	171.50	2,419		
NORTH MEDIA AS	35.20	1,159		
PANDORA A/S	675.50	3,853		
PARKEN SPORT & ENTERTAINMENT	69.00	246		
RIAS A/S- B SHARES	447.00	118		
SANTA FE GROUP A/S	44.50	1,878		
SAS AB	16.20	6,399		
SCANDINAVIAN TOBACCO GROUP A	120.00	3,522		
SOLAR A/S-B SHS	408.00	3,389		
SYDBANK A/S	249.90	70		
TK DEVELOPMENT	7.10	1,220		
TORM PLC	53.50	342		
ZEALAND PHARMA A/S	85.00	2,513		
Total equity investments		69,254		