

# Annual Review 2010 – Handelsbanken Fonder

Portfolio Manager: PETER BOLTE

## PERFORMANCE 2010



Price trend  
in 2010

## PERFORMANCE 5 YRS.



Ave. returns  
per year

## RISK



See final pages  
for definitions

## CUT-OFF TIME



Deadline for purchase/  
redemption at same day's price

## Balanced 50

### Management Report

#### Investment Focus

Handelsbanken Balanced 50 normally invests half of its capital in fixed income funds and half in equity funds. Deviations of up to 10 percentage points may occur. Accordingly, Balance 50 may have a maximum of 60% equity funds and a minimum of at least 40% equity funds. The fund has access to Handelsbanken's funds as well as a large number of funds managed by specially-selected fund management companies. The objective of the fund is to generate returns that outperform its benchmark over the long term.

We assess the fund's risk as a 3 on a five-grade scale, with 1 for the lowest risk and 5 for the highest.

#### Portfolio

Balanced 50 rose 7.9% in 2010\*. A stronger SEK weighed on returns in foreign holdings. The equity market was dominated by a high level of uncertainty about government finances in southern Europe, with sharp fluctuations in the market as a result. The Nordics and Russia posted the most strength, while Europe as a whole lagged. Despite significant fluctuations, market rates in general remained unchanged in 2010.

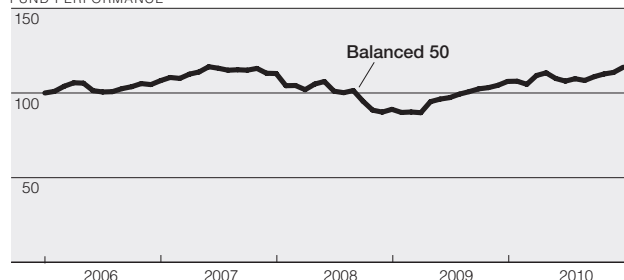
Overall, the fund was overweight in equity funds in 2010. At the regional level the fund was overweight in the Nordics, Asia and the emerging markets. This was financed by corresponding underweights in the more debt-ridden regions of Europe, North America and Japan.

In Europe we switched diversified European funds to a European small-cap fund to decrease exposure to banks in Europe. In North America we increased in small-cap funds by purchasing BlackRock US Small & Midcaps and sold holdings in the more diversified BlackRock US Flexible Equity. We increased exposure to the emerging markets mainly by purchasing holdings in Handelsbanken's Russia Fund and Brazil Fund. We were positioned for rising market rates in the fixed income portion of the fund during the autumn and we increased holdings in Handelsbanken Corporate Bond Fund.

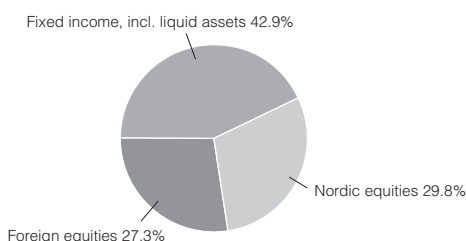
At year-end the fund was positioned for an upturn in the equity markets and rising market rates.

\*) Refer to fund statistics for comparable index and fund performance compared to category average at Morningstar.

#### FUND PERFORMANCE



#### Market exposure\*



\* The fund's investment breakdown within the markets as of December 31, 2010 relative to the fund's total assets on this date.

### Outlook

We expect the government financial problems in Europe to be managed, although this may periodically create uncertainty on the financial markets. The global economy continues to recover and macro data is surprisingly positive. Companies' earnings show strength, with increased investment and acquisition activity as a result. Based on this, conditions appear favourable for markets to edge higher in 2011. We also expect market rates to rise in 2011.

### Trading with derivatives

According to the fund rules, the fund may trade in derivatives to enhance the effectiveness of asset management. The fund may use derivatives to quickly and cost-effectively increase or decrease exposure to one or more markets or types of assets. The advantage with derivative instruments is that it is possible to change the fund's exposure in different types of assets or in different markets in a simple and controlled way with a limited number of transactions. The fund has not used this option in 2010.

### Loans in securities

According to fund rules, the fund is not allowed to lend securities.

### Large purchases and sales

PURCHASED	SEKt	SOLD	SEKt
Handelsbanken		Handelsbanken	
Swedish Short Term Assets	368 989	Swedish Bonds Fund	143 000
Handelsbanken		Handelsbanken Nordic Fund	68 000
Swedish Bonds Fund	275 915	BGF US Flexible Equity Fund USD	65 148
Handelsbanken Nordic Aggressive	128 691	Handelsbanken	
Handelsbanken Nordic Fund	113 718	Swedish Short Term Assets	45 000
Handelsbanken		Handelsbanken America Fund	41 000
Nordic Small-caps Fund	84 048		

### Fund Statistics

	2010	2009	2008	2007	2006
Net asset value, SEK	129.55	122.98	107.34	135.07	131.71
Fund capital, SEKm	3 965	2 698	1 579	2 091	1 934
Ave. fund capital, SEKm	3 371	1 861	1 769	2 067	1 711
Number of units, 1000's	30 607	21 937	14 707	15 482	14 685
Total returns in % <sup>1)</sup>	+7.9	+18.3	-19.0	+3.9	+7.3
Index incl. dividends in %	+7.2	+14.8	-14.5	+4.8	+6.7
Performance compared to Morningstar's category mean in % <sup>2)</sup>	+3.4	+0.3	-1.3	+2.4	-0.9
Morningstar Rating™ (1-5) <sup>3)</sup>	3	3	3	4	
Average yearly return, 2 yrs. in %	+12.9	-2.1	-8.2	+5.6	+13.6
Comparison to index incl. dividends in %	+10.9	-0.9	-5.3	+5.7	+12.9
Average yearly return, 5 yrs. in % <sup>4)</sup>	+2.9	+5.1			
Comparison to index incl. dividends in % <sup>4)</sup>	+3.3	+5.6			
Declared dividends, SEKt	66 026	66 845	48 803	35 194	26 407
Dividends per unit, SEK	2.82	3.32	2.45	1.78	1.89
Dividend distribution date	10Feb18	09Feb19	08Feb21	07Feb21	06Feb21
Max. allowed mgmt. costs in % according to fund rules	1.60	1.60	1.60	1.60	1.60
Collected mgmt. costs in % of average fund capital <sup>5)</sup>	1.40	1.53 <sup>6)</sup>	1.60	1.60	1.60
Transaction costs, SEKt	94	62	21	22	0.0
Transaction costs in % of turnover	0.0	0.0	0.0	0.0	0.0
TKA in % of average fund capital	1.4	1.5	1.6	1.6	1.6
TER in % of average fund capital <sup>7)</sup>	1.4	1.5	1.6	1.6	1.6

# Annual Review 2010 – Handelsbanken Fonder

Balanced 50, cont.

	2010	2009	2008	2007	2006
Redemption fee, % <sup>8)</sup>	0.0	0.0	0.0	0.0	0.0
Costs for one-time subscription SEK 10t	140.49	160.81	140.93	162.72	161.70
of which incl. mgmt. costs	140.20	160.46	140.35	162.48	161.70
Costs for monthly savings SEK 100	9.18	10.48	9.75	10.39	10.37
of which incl. mgmt. costs	9.16	10.45	9.71	10.38	10.37
Turnover rate	0.2	0.3	0.6	0.4	0.4
Share of turnover conducted via closely-related securities companies in %	3	3	2	4	1

- 1) Calculated based on the underlying fund's official NAV rates.  
 2) Shows fund performance in SEK compared to the average for all funds in the same category according to Morningstar's category breakdown.  
 3) The fund's rating on December 2010 based on historical performance over 3 years compared to funds in the same Morningstar category.  
 4) The fund was launched on May 18, 2004.  
 5) No fees are added for management expenses in the underlying funds.  
 6) The management fee was changed from 1.60% to 1.40% as of September 14, 2009.  
 7) TER is calculated as synthetic TER taking into account the underlying funds' TER as of the full-year 2010.  
 8) For fund savings less than 31 days, 1% (up to March 2009).

Index: HMNI Swe All Government Dur Const 6Y (HMSD6) 17.5%, SHB NORDIX Port Nordic Net (NHNXPOR) 25%, HMNI Swe All Mortgage Dur Const 2.5Y (HMSMD25) 7.5%, OMRXTBILL 25%, MSCI All Country World Index Net 25%.  
 Up to October 30, 2009: HMSD5 Swe All Gov 5y 25%, MSCI World 25% (Securities listed in about 30 of the world's industrial countries), NHNXPOR SHB NORDIX 25% (Small-caps listed in the four Nordic countries: Sweden, Finland, Norway, and Denmark), HMSMD25 Swe All Mort 2.5y 15%, HMT27 Swe All Gov 1Y 10%  
 Up to December 31, 2007: 50% HMNI Sweden All Government, 25% MSCI World Index, 25% SHB Nordic Portfolio Index

Refer to the last page for definitions.

## Key figures for risk follow-up \*

<b>Total Risk (%)</b>	7.5	<b>Tracking error (%)</b>	1.4
<b>Total risk in index (%)</b>	6.6	<b>Active return</b>	2.0
<b>Index</b>	HMNI Swe All Government Dur Const 6Y (HMSD6) 17.5%, SHB NORDIX Port Nordic Net (NHNXPOR) 25%, HMNI Swe All Mortgage Dur Const 2.5Y (HMSMD25) 7.5%, OMRXTBILL 25%, MSCI All Country World Index Net 25%	<b>Information ratio</b>	1.5
		<b>Sharpe ratio</b>	1.7
		<b>Sharpe ratio in index</b>	1.6

\*) Risk statistics are based on historical monthly returns over two years. Refer to the last page for definitions.

## Income Statement, SEKt

	2010	2009
<b>INCOME AND CHANGES IN VALUE</b>		
Changes in value for equity-related financial instruments	245 752	289 427
Changes in value for fixed income-related financial instruments	- 8 286	- 14 269
Dividends	19 097	25 653
Interest income	20 059	26 877
Currency exchange profits and losses, net	- 852	- 2 369
Other income *)	36 118	19 655
<b>Total income and changes in value</b>	<b>311 888</b>	<b>344 974</b>
<b>EXPENSES</b>		
Interest expenses	1	4
Management Company expenses	47 192	28 429
Other transaction expenses	-	10
<b>Total expenses</b>	<b>47 193</b>	<b>28 443</b>
<b>Net income</b>	<b>264 695</b>	<b>316 531</b>

\*) Refers to discounts, management expenses for underlying funds.

## Balance Sheet, SEKt

	31 Dec. 2010	% of fund value	31 Dec. 2009	% of fund value
<b>ASSETS</b>				
Financial instruments with positive market value <i>Note 2)</i>	3 875 009	97.7	2 554 001	94.7
Bank and other liquid assets	90 765	2.3	144 348	5.4
Other short-term receivables	1 043	0.0	970	0.0
<b>Total assets</b>	<b>3 966 817</b>	<b>100.0</b>	<b>2 699 319</b>	<b>100.1</b>
<b>LIABILITIES</b>				
Other short-term liabilities	1 510	0.0	1 423	0.1
<b>Total liabilities</b>	<b>1 510</b>	<b>0.0</b>	<b>1 423</b>	<b>0.1</b>
<b>Fund capital</b> <i>Note 1)</i>	<b>3 965 307</b>	<b>100.0</b>	<b>2 697 896</b>	<b>100.0</b>

Note 1) for Balance Sheet

## Changes in fund capital, SEKt

	2010	2009
Fund capital at beginning of year	2 697 896	1 578 690
Units issued	1 623 140	1 077 032
Units redeemed	- 553 783	- 225 575
Profit according to Income Statement	264 695	316 531
Dividends to unit holders	- 66 641	- 48 782
<b>Fund capital at year-end</b>	<b>3 965 307</b>	<b>2 697 896</b>

Note 2) for Balance Sheet

## Fund holdings in financial instruments

	Number	Market value in SEKt	% of fund value
<b>LISTED FINANCIAL INSTRUMENTS *</b>			
<b>EXCHANGE-TRADED FUNDS (ETF)</b>			
<b>SWEDEN AND THE NORDICS</b>			
Xact Nordic 30	1 778 699	114 533	2.9
		<b>114 533</b>	<b>2.9</b>
<b>EUROPE</b>			
iShares MSCI Europe	92 700	14 620	0.4
		<b>14 620</b>	<b>0.4</b>
<b>USA</b>			
iShares S&P 500 Index Fund	65 800	5 549	0.1
		<b>5 549</b>	<b>0.1</b>
<b>REST OF THE WORLD</b>			
iShares MSCI Emerging Markets	72 000	22 096	0.6
		<b>22 096</b>	<b>0.6</b>
<b>Total exchange-traded funds</b>		<b>156 798</b>	<b>4.0</b>
<b>Total listed financial instruments</b>		<b>156 798</b>	<b>4.0</b>
<b>OTHER FINANCIAL INSTRUMENTS</b>			
<b>FUND UNITS</b>			
<b>EQUITY FUNDS</b>			
<b>SWEDEN AND THE NORDICS</b>			
Handelsbanken Nordic Fund	512 657	306 717	7.7
Handelsbanken Nordic Aggressive	4 416 862	422 605	10.7
Handelsbanken Nordic Selective	226 786	36 830	0.9
Handelsbanken Nordic Small-caps Fund	482 671	205 517	5.2
Handelsbanken Sweden Fund	88 465	94 783	2.4
		<b>1 066 452</b>	<b>26.9</b>
<b>EUROPE</b>			
Handelsbanken Europe Fund	454 256	108 358	2.7
JPM Europe Strategic Dividend A	38 684	43 849	1.1
UBS Equity Sicav Small Caps Europe	28 319	48 102	1.2
UBS Euro Stoxx 50	275	347	0.0
		<b>200 656</b>	<b>5.0</b>
<b>USA</b>			
BGF US Flexible Equity Fund USD	10 085	1 069	0.0
BGF US Small & Mid Cap Opport Fund	81 387	69 357	1.7
Handelsbanken America Fund	634 878	198 184	5.0
JPM US Strategic Value	763 276	71 942	1.8
UBS Equity Sicav USA Growth B	921 716	92 639	2.3
		<b>433 191</b>	<b>10.8</b>
<b>ASIA</b>			
Handelsbanken Asia Fund	347 763	110 258	2.8
Handelsbanken Japan Fund	1 507 071	68 617	1.7
		<b>178 875</b>	<b>4.5</b>

# Annual Review 2010 – Handelsbanken Fonder

Balanced 50, cont.

	Number	Market value in SEKt	% of fund value
<i>REST OF THE WORLD</i>			
BGF Latin American Fund USD	153	104	0.0
Handelsbanken Brazil Fund	220 000	20 726	0.5
Handelsbanken Latin America Fund	141 739	44 281	1.1
Handelsbanken Russia Fund	597 369	47 515	1.2
Handelsbanken Emerging Markets Fund	537 228	111 980	2.8
		<b>224 606</b>	<b>5.7</b>
<b>Total equity funds</b>		<b>2 103 780</b>	<b>52.9</b>
<i>FIXED INCOME FUNDS</i>			
Handelsbanken Mega Sweden Index A Reinvested	239 846	374 875	9.5
Handelsbanken Corporate Bond Fund Inst Div	713 024	71 901	1.8
Handelsbanken Funds Swedish Short Term Assets	7 415 753	735 939	18.6
Handelsbanken Funds Swedish Bonds	4 394 501	431 716	10.9
<b>Total fixed income funds</b>		<b>1 614 431</b>	<b>40.8</b>
<b>Total fund units</b>		<b>3 718 211</b>	<b>93.7</b>
<b>Total other financial instruments</b>		<b>3 718 211</b>	<b>93.7</b>
<b>Total holdings financial instruments</b>		<b>3 875 009</b>	<b>97.7</b>
<b>Net, other assets and liabilities</b>		<b>90 298</b>	<b>2.3</b>
<b>Total fund capital</b>		<b>3 965 307</b>	<b>100.0</b>

The figures in the column under the heading % of fund value are rounded to the nearest tenth of a percent.  
 \* Listed financial instruments refer to financial instruments admitted for trading in a regulated market  
 or an equivalent market outside the EEA.

## Compilation, issuers \*

Issuer	% of fund capital	Issuer	% of fund capital
HB Fonder (HBF America A1, HBF Asia A1, HBF Europe A1, HBF Japan A1, HBF Sw Short term Assts A1, HBF Latin A1, HBF Sw Bond A1, HBF NordAggr A1, HBF Nordic A1, HBF Nord Small-caps A1, HBF Sweden A1, HBF Emerging Mkts A1)	71.6%	HB Fonder Finland (HBFF NordenSel, HBFF CorpBonds B1, HBFF Mega SwInd)	12.2%
		HB Fonder Luxemburg (HBFL BrazilSEK, HBFL Russia)	1.7%

\*) The table provides the combined units of fund capital per issuer in percent, where the fund has holdings in more than one type of securities issued by the same issuer. Underlying securities are shown within parentheses.

## Definitions

### Fund statistics

**Share of turnover conducted via closely-related securities companies** – In terms of value, the share of fund purchases and sales of securities mediated by Handelsbanken. Calculated, on the one hand, as the ratio between the total of those purchases and sales executed by Handelsbanken and, on the other hand, as the total of all purchases and sales during the year. Expressed in percent. Shown only for the full year.

**Net asset value (NAV)** – Net asset value expressed in SEK as the rate prevailing on the balance sheet date for the respective year.

**Number of units** – Number of outstanding units on the last banking day for the respective year. Reported in thousandths of units.

**Dividend distribution date** – Date on which the distribution was separated from fund capital (ex-dividend date). Cash settlement is normally made the same day.

**Duration** – The duration of a fund is a measure of how sensitive the fund is to changes in interest rates. Simply stated, it is the weighted average of the residual maturity in the fund's investments. Measured in years or months.

**Fund capital** – The fund's net asset value on the closing date for the respective year. Reported in SEKm.

**Average fund capital** – Calculated as the mean value of the fund's net asset value during the year (or that portion of the year during which the fund existed). The fund's net asset value is calculated on a daily basis. Reported in SEKm.

**Average yearly return, 2 and 5 years, respectively** – The fund's average effective annual yield during the last 2 or 5 years, respectively. Not calculated for funds in existence for less than 2 or 5 years, respectively.

**Index** – The index used by the fund as its benchmark. The Selective Funds as well as Click Sweden 90, AstraZeneca Allemansfond, Guarantee Fund Plus and New Energy do not use a benchmark, as the indices available do not provide a fair comparison with fund management returns and, therefore, are not

relevant. Additional information is provided for all of Handelsbanken's funds on the Internet, e.g., monthly fund manager comments, largest holdings in the funds, market breakdown and fund performance over various periods. The web address is: [www.handelsbanken.se/fonder](http://www.handelsbanken.se/fonder) and is accessible to anyone, even if you are not connected to Handelsbanken's Internet bank. This web site allows you to compare your fund investments in Handelsbanken Fonder with the funds of competitors.

**Index incl. dividends** – Performance of the fund's benchmark during the respective year. Performance is expressed in percent and is converted to SEK in those cases where the index is published in another currency. The table shows the index including dividends.

**Redemption fee** – Fee charged or may be charged for the redemption of units. Calculated as a percentage of the amount redeemed.

**Subscription fee** – Fee charged or may be charged for subscription. Calculated as a percentage of the amount subscribed. This fee is not charged for savings within the premium pension savings system or for insurance savings.

**Costs for one-time subscription SEK 10 000** – Total costs charged to a unit holder who had SEK 10 000 invested in the fund at the beginning of the year and retained the investment throughout the year. Calculated for the full year only.

**Costs for monthly savings SEK 100** – Total costs charged to a unit holder who had SEK 100 invested on the first banking day of each month during the year and retained the investment throughout the year. Calculated for the full year only.

**Max. allowed mgmt. costs in % according to fund rules** – Maximum management fee allowed to be charged according to the fund rules. Expressed in percentage of the average fund capital per year. The cost is calculated on a daily basis. For SBC funds, a portion of the fee from these funds represents the contribution of the saver to the operations of the respective housing savings organisation.

*Fund statistics are reported in table form for H1 2010 and for the full year 2006 - 2009 to the extent available.*

**Morningstar Rating™ (1-5)** – The independent rating institution Morningstar rank orders funds within different fund categories. Within a category, each fund's return and risk is compared with other similar funds in Europe. The highest rating is 5 and the allocation of the rating levels are weighted relative to the total number of funds included in the category. The Fund Statistics table shows the fund's rating based on the historical performance of the unit price over the past three years.

**Turnover rate** – The fund's turnover rate calculated, on the one hand, as the ratio between the lowest total amount for purchased or sold securities during the year and, on the other hand, as the average fund capital during the same period. With regard to equity funds, fixed income securities with a residual maturity of a maximum of one year at the time of acquisition are excluded from purchased or sold securities. Reported as the number turned over per year. Calculated on a rolling 12-month basis.

**Synthetic TER (Total Expense Ratio)** – Total management fees as well as any additional fees, excluding transaction costs and dividend tax charged to the fund during the year. The underlying funds' TER ratio, after deducting for discounts received, is taken into account. Expressed in percentage of the fund's average fund capital. Calculated on a rolling 12-month basis.

**TER (Total Expense Ratio)** – Total management fees as well as any additional fees, excluding transaction costs and dividend tax charged to the fund during the year. Expressed in percentage of the fund's average fund capital. Calculated on a rolling 12-month basis.

**TKA (Total Cost Ratio)** – Total management fees, transaction fees, interest expenses, other expenses and dividend tax charged to the fund during the year. Expressed in percentage of the fund's average fund capital.

**Total returns** – Reports how the value of a unit has changed during the respective year. If the fund has paid dividends during the year or contributed to SBC, the change in value has been calculated as though the dividend was added back on the distribution date. Annual return is measured in percent from the date of the previous year's closing date to the closing date for the respective year. Returns for the semi-annual review are reported for the first half of the current year.

**Transaction costs** – Expenses for brokerage fees that have been charged to the fund during the year. Expressed as SEK 1000's, in percentage of the value of the securities turned over and to which the transaction fees pertain. As of 2001, transaction fees are included in the acquisition and sales values. Calculated on a rolling 12-month basis. Brokerage fees and other variable expenses for derivatives are reported separately in the Income Statement under the heading Other transaction expenses.

**Dividends per unit** – Dividends per unit that were distributed to unit holders during the respective year.

**Collected management costs in % of average fund capital** – Actual management fees collected in percentage of the average fund capital. Expenses for custodian institution, auditors and supervision are included in the management fee. Expenses are calculated daily and on a rolling 12-month basis.

**Performance compared to Morningstar's category mean** – Calculation according to the independent rating institution Morningstar. Shows fund performance compared to the average for all funds in the same category. Based on the reported unit price and may result in a measurement period that differs from the Annual Report, which uses the rate prevailing in the annual accounts. Reported in percentage points.

### Key figures for risk follow-up

*In order to obtain relevant comparisons, dividends have been reinvested in the funds and their respective benchmarks. All key figures have also been calculated on the basis of the annual effective yields. The values for the past two years have been used for the majority of the funds. A risk forecast has been made for more recent funds, with the fund's holdings as of December 31, 2010 as the basis. Handelsbanken Fonder AB uses MSCI Barra's BarraOne risk model for the calculation of the risk forecast. Barra's risk model is a fundamental multiple-factor model for the equity model that uses style and industry factors, while the fixed income model uses the yield curve and credit spreads as factors.*

**Total risk/Total risk in index** is stated as the standard deviation for variations in the monthly yields of the fund/index. The higher the number, the higher the risk.

**Tracking error** measures the standard deviation of the difference in yield between the fund and its benchmark (the variation in the relative yields). The historical tracking error indicates how much the fund's yield has deviated from its benchmark.

**Active return** states the annual over- or under effective return attained by the fund in comparison to its benchmark.

**Sharpe ratio/Sharpe ratio in index** is a measure of the fund/index's return, taking into account the risk of the fund. A high return attained at a lower risk is better than an equivalent return attained at a high risk. Calculated, on the one hand, as the ratio between the return, less the risk-free interest (interest on government securities) and, on the other hand, as the total risk of the fund. The Sharpe ratio is most relevant to compare the yields of different markets, while taking risk into account.

**Information ratio** is a measure of the active returns attained by the fund by deviating from its benchmark. It is the ratio between the active returns and the tracking error. A negative information ratio means that the fund has underperformed its benchmark.

**Index** shows which index or indices have been used to calculate Active return and the Information ratio.

### Abbreviations

A number of abbreviations are used for certain securities in the table of contents:

<b>ADR</b>	American Depository Receipt	<b>GDR</b>	Global Depository Receipt
<b>ADS</b>	American Depository Share	<b>KV</b>	Convertible
<b>BTA</b>	Paid subscription shares	<b>NVDR</b>	Non-voting Depository Receipt
<b>ETF</b>	Exchange-Traded Fund	<b>Pref</b>	Preference share
<b>f/r</b>	Foreign Registered	<b>SDB</b>	Swedish Deposit Certificate
<b>FRN</b>	Floating Rate Note	<b>TO</b>	Warrants

### Additional information

You will find additional information about our funds on our website at: [www.handelsbanken.se/fonder](http://www.handelsbanken.se/fonder). The website includes complete information brochures with fund rules, simplified prospectus and current share price performance. For further information about funds at Handelsbanken Fonder as well as to purchase or sell fund units, please contact your local Handelsbanken branch office or [www.handelsbanken.se/fonder](http://www.handelsbanken.se/fonder).