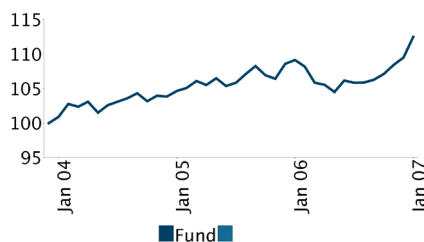


Mortgage Arbitrage

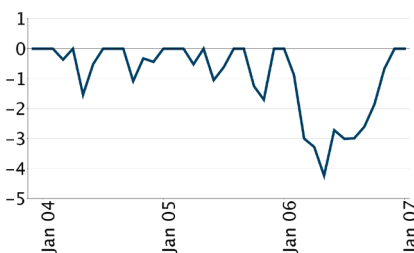
Key figures

NAV as of 31-01-2007	1,125.07
Return year to date	2.72
Total assets mill. DKK	989.59

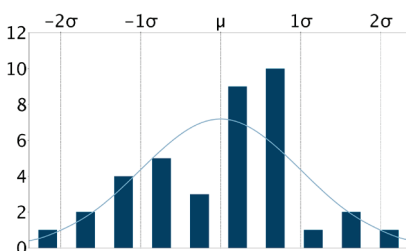
Hist perform. at 31-01-2007



Drawdown



Return distribution



Fund report

The beginning of the year was characterised by a general OAS performance in most mortgage bond segments. There were several factors underlying this trend, one being the very low new issuance activity of mortgage bonds, and another speculation about the implications of the coming mortgage credit legislation allowing the issue of covered bonds.

The coming legislation on covered bonds has led to speculative purchases of small mortgage bond series where borrowers buying these bonds with a view to early redemption would quickly impact the price

Figures published by Danmarks Statistik (the Danish office of statistics) reveal that foreign investors at the end of 2006 held a historically high share (approx. 22%) of Danish callable mortgage bonds. As for the 30-year 5% capped floating-rate bonds, foreign investors continued their investment in this segment in the fourth quarter, too, and at the end of 2006 their share accounted for 27.2%. The yield curve saw no big moves in January. 10-year yields rose approx. 0.15 of a percentage point during the month and volatility, again, was low.

As a result of the general OAS performance, particularly that of the 4% segment, January provided the highest monthly return so far. The gearing level of the Fund was very high at the beginning of the year, but following January's high returns, gearing was reduced at the end of the month. It should be noted that this should not be seen as a negative stance towards Danish mortgage bonds, but rather as the result of general portfolio management.

Return

	DHMA	Euro Corp. Bond In	Bank deposit, DKK	EFFAS Denmark > 1	MSCI World	OMXC20
Avg. return monthly	0.31	0.32	0.21	0.31	1.06	3.54
Return since inception	12.51	12.83	8.13	12.30	48.59	270.01

Risk

	DHMA	Euro Corp. Bond In	Bank deposit, DKK	EFFAS Denmark > 1	MSCI World	OMXC20
Standard deviation	3.59	2.36	0.16	2.70	7.78	55.92
Downside deviation	2.09	1.36	0.00	1.66	4.83	9.19
Minimum return	-2.14	-1.05	0.00	-1.61	-5.32	-6.00
Maximum return	2.72	1.54	0.32	1.96	6.36	99.05
Worst drawdown	-4.24	-2.81	0.00	-3.05	-6.30	-6.99
Positive months	25	25	38	25	26	26
Avg pos. monthly return	0.92	0.71	0.21	0.74	2.20	7.30
Negative months	13	13	0	13	12	12
Avg. neg. monthly return	-0.85	-0.43	-	-0.52	-1.37	-2.17

Trailing returns as of 31-01-2007

	Year to date	1 mdr	3 mdr	6 mdr	12 mdr	24 mdr	36 mdr	Start
Fund	2.72	2.72	5.01	6.26	3.07	7.48	11.50	12.51

Mortgage Arbitrage

Investment manager

Danske Capital, a division of Danske Bank A/S, is one of the leading asset managers in the Nordic region, managing more than DKK 50.4 billion in assets for over 600 institutional clients.

Our team of experienced investment professionals has on average 13 years of experience managing fixed income portfolios totalling DKK 40.1 billion. Undoubtedly, Danske Capital is the largest manager of Danish fixed income portfolios and the leading Danish mortgage bond manager.

The experience we gained from the management of traditional fixed income products has been the catalyst for the launching of Danske Hedge Mortgage Arbitrage Fund.

Basic information

Isin	KYG2655P1019
Dividends	No
Launch	30 December 2003
Base currency	DKK
Website	www.danskehedge.com
Benchmark	None
Valuation Day	Every Monday
Subscription Day	Every Tuesday
Redemption Day	Subscription Day, with 30 days notice
Fund Company	Danske Leverage Fund
Fund Domicile	Cayman Island
Administrator & Custodian	Dexia
Auditors	Deloitte
Investment Univers	Danish Bonds, Mortgage Bonds
Strategy	Market Neutral
Risk Free rate	DKK Repo
Investment manager	Danske Capital
Return target	Risk free rate + 4%
Investment objectives	Absolute return; High risk adjusted return; Low correlation.

Contact Details

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About the fund

The objective of the Fund is to generate high absolute returns primarily through an investment programme utilising conventional and alternative investment and trading strategies including short selling, the use of derivatives for hedging and speculative purposes and the use of leverage.

The strategy of the Fund is to be market neutral. Thus, the return should not depend on whether interest rates rise or fall. The main component of the return should therefore depend solely on the trend in the pricing of mortgage credit bonds relative to government bonds (or the pricing between mortgage credit bonds). By being market neutral it is also ensured that the Fund to a very large extent will be uncorrelated with other asset classes (equities, ordinary nominal bonds, mortgage credit bonds, etc.). For these reasons, the Fund may not be directly compared with other asset classes.

The Fund's major value creation will be through investments in Danish mortgage bonds. This will include exploiting the yield spread between government and mortgage credit bonds - but also exploiting opportunities among mortgage credit bonds and between mortgage credit bonds and the swap market. Furthermore differences in the spread in volatility between the government and mortgage credit bond markets will be a source of value.

Various gearing and borrowing techniques to leverage the investment portfolio may be used, including the use of instruments such as credit facilities, repurchase agreements and derivatives.