

Peer Group:

Emerging Markets EMEA

Fund Manager/Adviser:

Morten Springborg (since January 1999) / Team

Location:

Copenhagen

Launch Date:

April 1998

Fund Size (June 2009):

US\$28m

Group Contact No:

+352 40 40 30 268

Website:

www.carnegieam.com

S&P ID Number:

EM308177

Share class screened:

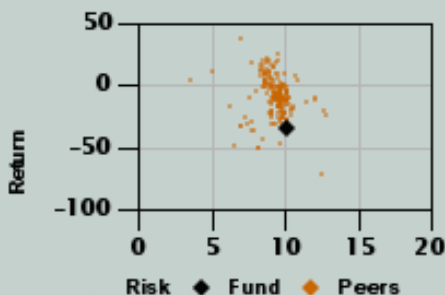
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INVESTMENT STYLE

	Value	Blend	Growth
Large-Cap			
Mid-Cap			
Small-Cap			

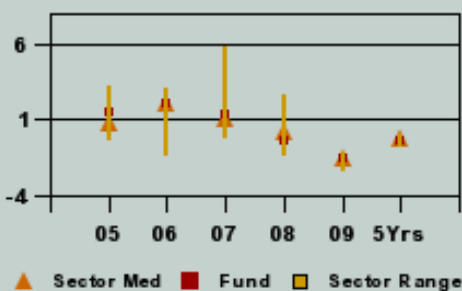
RISK RETURN (STD DEVIATION) OVER 5 YEARS



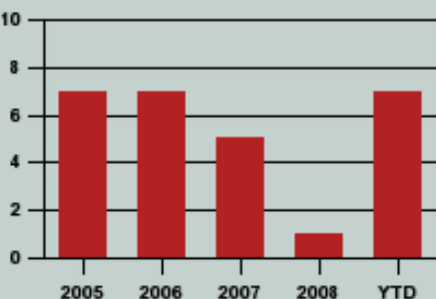
3 YEAR RISK CHARACTERISTICS

Maximum Drawdown (%)	High	-83.3
Volatility	High	39.3
Correlation	High	1.0
Beta	High	1.0

SHARPE RATIO VS PEER GROUP



CALENDAR YEAR DECILE RANKS



Decile ranking in discrete annual periods. 1st decile shown as rank 10, 2nd decile as rank 9, etc. to 10th decile as Rank 1.

Please see page 2 for required research analyst certification disclosure.

Further information on S&P's fund coverage can be found at

www.FundsInsights.com

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STANDARD & POOR'S OPINION (JUNE 2009)

Morten Springborg managed this fund in line with the thematic Carnegie house approach for 10 years, after taking it over in 1999. However, in the wake of severe underperformance during 2008, he decided to temporarily shift to a more tactical approach in 2009.

The thematic and highly concentrated approach led the fund to focus investments into the very areas of the market that bore the brunt of the severe market correction - Russia and commodities. As a result, Springborg has adopted a more opportunistic and valuation-focused approach to stock selection, to take advantages of the rapid price movements which appear to be ongoing. Although still very short term, results for 2009 to date have been encouraging. However, the fund still languishes in the bottom decile over five years.

Mattias Kolm, who contributed to the management of this fund, now heads the group's Swedish office. However, Springborg retains the support of Lars Wincentsen, with whom he has worked with for over 10 years, and that of the global team, whose funds remain S&P AAA rated.

While we fully appreciate the short-term considerations that have prompted the temporary change in style, we are nevertheless concerned. This is because we have no evidence of Springborg's success in tactical trading and because we do not know when he will revert to Carnegie's core process, for which we have a high regard.

We have enough confidence in the experience and stability of the supporting global team to allow the fund to retain a rating, although our concerns are such that it falls one band to an S&P A rating.

FACT FILE

Group: In May 2009, the parent company of Carnegie Asset Management, Carnegie Investment Bank AB, was acquired by Altor Fund III (65%) and Bure Equity AB (35%). The asset management arm is set to become a separate corporate entity, with negotiations ongoing regarding to the final ownership structure.

Team: This is one of several mandates run by Carnegie's Copenhagen-based global equity team. The key individuals on European long-only products are Springborg and Wincentsen.

Fund Manager: Lead manager Springborg has 14 years' experience and has focused on this fund since

1999. He is joined by Wincentsen specifically on emerging Europe, but also draws on the global managers.

Style: A concentrated, unconstrained portfolio of 25-35 stocks selected from among quality companies with strong cashflows. Idea generation is thematic.

Performance: Over the five years to 31/03/2009, the fund has returned -34.6%, compared with -7.3% for the sector median and -5.6% for the index, ranking 185/194.

FUND MANAGER & TEAM

Carnegie has a team of 10 experienced managers based in Copenhagen and one in Sweden. Nine are focused on global equities and two on fixed income. They all employ the same thematic concentrated approach, which was engineered by CIO Mikael Randel. A team of two is responsible for European equities with no differentiation between developed and emerging markets. Each member has specific regional and sector research responsibilities.

Morten Springborg - MSc economics (Copenhagen University), MA investment & corporate finance (Exeter University), joined Carnegie in 1999 as an experienced fund manager through his work at Alfred Berg and Danske Capital.

Lars Wincentsen - diploma in business administration (Copenhagen Business School), worked as a portfolio manager at Danske Capital for eight years, before joining Carnegie in 1998.

PORTFOLIO CHARACTERISTICS

No. of holdings	25
Turnover ratio (%)	N/A
% in top 10	56

TOP 10 HOLDINGS (01/06/09)

	%
Gazprom	8.2
Dragon Oil	7.4
Peter Hambro Mining	7.3
Mobile Telesystems	7.0
Baltic Property Trust Optima	5.7
Raspadskaya	4.9
Uralkali	4.6
EOS Russia	4.4
KazMunaiGas Exploration Production	3.9
Turkiye Garanti Bankasi	3.1

* In top 10 holdings a year ago

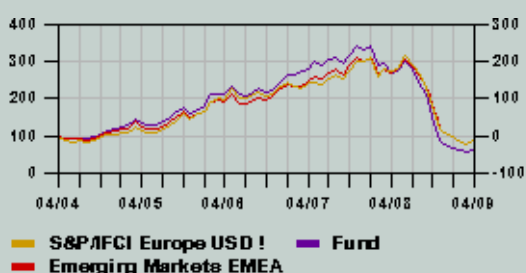
ALLOCATION BREAKDOWN (01/06/09)

	Fund %
Poland	1.8
Hungary	1.8
Turkey	13.7
Central Asian Republics (Kazakhstan)	4.5
Czech Republic	3.5
Other (Ukraine, Romania, Sweden, Denmark and UK)	10.9
Russia	63.8

PERFORMANCE STATISTICS

	3 Years	5 Years
Fund	-69.3%	-34.6%
Standard & Poor's Peer Median Index**	-52.2%	-7.3%
Fund Rank	234/238	185/194
Standard Deviation	39.3	-
Relative Standard Deviation	1.1	-
Volatility Adjusted Ranking	222/238	-

CUMULATIVE PERFORMANCE



CARNEGIE EAST EUROPEAN FUND

Peer Group: Emerging Markets EMEA



MANAGEMENT STYLE

- This is an unconstrained portfolio managed in a thematic fashion and within an absolute return mindset. The MSCI Eastern Europe Special Weighted, with Russia capped at 50% and no Turkey exposure, is used only for performance measurement and has no effect on portfolio construction. The fund can nevertheless invest in Turkey.

- Idea generation is largely top-down and tends to focus on global trends, which are then adapted to each mandate managed by the team. Opportunistic investments may be based more on valuations when market conditions allow.

- The investable universe includes East and South East Europe, and also Western European stocks with significant exposure to

East Europe. The team mainly focuses on companies with stable and growing free cashflow.

- A portfolio of 25-35 names is preferred, with new stocks entering the portfolio on a one-in, one-out basis. The focus is on the long term and themes tend to be played out over several years.

- Risk controls are largely self imposed and target a broad diversification across and within themes. Up to 10% of the portfolio can be invested in fairly illiquid or even unlisted names.

- Annual turnover tends to average 20%. Currencies are not hedged.

PORTFOLIO REVIEW

With a fall in the number of holdings to 25 (from 30 last year) and an increase in the top 10 concentration to 56% (from 50%), this fund remained one of the most concentrated funds we cover in this peer group.

Viewing Russia as a safe haven, Springborg increased exposure to that country during the first half of 2008, taking it to a peak of 7% overweight. Following a couple of domestic crises (government action against Mechel, war with Georgia), coupled with the severe market correction in Q4 2008, the manager

changed the composition of the exposure. He sold out of less liquid and local stocks (Urasia Drilling), shifting to more stable companies with cheap valuations (eg, MTS).

Exposure to Turkish banks was maintained in early 2008, in the belief that they were isolated from the credit crisis in the west. However, exposure was cut as the year progressed and this did not prove to be the case; at the time of review, Springborg held only Turkiye Garanti Bankasi.

PERFORMANCE ANALYSIS (MAY 2009)

A period of extreme underperformance in 2008 has seen the fund's long-term track record badly hurt, leaving it ranked bottom decile of the S&P EMEA universe over three and five years. Historically, as with all Carnegie funds, alpha has been generated by strong thematics and stock selection, although through the severe market correction in 2008, these proved extremely detrimental to returns.

The fund's heavy weighting to Turkish banks, one of the key drivers of returns in 2007, detracted significantly from performance as

they proved far less immune to financial contagion with Western banks than expected. The overweight to Russia, exposure to small-caps and a number of energy and commodity-related stocks also hurt returns, as aggressive political actions caused a severe and indiscriminate market sell-off and a rapid drying of liquidity (Raspadskaya was one of the worst affected).

Returns have bounced back strongly in 2009 to March, driven mainly by a recovery in oil and energy stocks.

DISCRETE PERFORMANCE (CALENDAR YEARS)

	2005		2006		2007		2008		YTD 31/03/2009	
	%	Rank	%	Rank	%	Rank	%	Rank	%	Rank
Fund	44.3	84/207	44.0	88/239	31.1	141/249	-80.0	256/260	-5.3	95/264
Index**	52.2		47.6		28.8		-68.5		-3.9	
Median	41.5		41.2		31.7		-68.0		-7.3	

** S&P/IFCI Europe USD !

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