CARNEGIE EAST EUROPEAN FUND

Sub-fund of Luxembourg domiciled FCP - Part 1
Fund owner: Banque Carnegie
Fund manager: Carnegie Asset Management

Named portfolio manager(s):
Morten Springborg (since January 1999) / Team
Peer group: Emerging Markets EMEA

Location: Copenhagen
Launch date: April 1998
Fund size (May 2010): US$37m
Contact group: +352 40 40 30 268 or www.carnegieam.com

Further information on S&P's fund coverage can be found at www.FundsInsights.com

Report date July 2010

Investment style

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

Performance statistics

	Three years
Fund	-50.6%
Standard & Poor's peer median	-20.2%
Index**	-16.9%
Fund rank	272/275

Note: returns are cumulative

Three-year risk characteristics

Maximum drawdown (%)	-41.8
Volatility	13.0
Correlation	1.0
Beta	1.1

Calendar year decile ranks

Decile ranking in discrete annual periods. First decile shown as rank 10, second decile as rank nine, with tenth decile as rank one.

 All statistical data on this report has been run to 30/04/2010 on NAV to NAV basis, with gross income reinvested, in US Dollars.

Please see page three for required research analyst certification disclosure.

Standard & Poor's opinion (June 2010)

Morten Springborg has been a part of the team responsible for this fund since 1999. He has the support of Lars Wincentsen, (who manages the firm's developed European market funds) with whom he has worked for over 10 years. Following the change in ownership of Carnegie Asset Management to two long-term private equity firms, a positive agreement has been made on the percentage of profits allocated to staff bonuses and discussions are ongoing regarding equity participation.

Idea generation is guided by the global team's top-down approach, but not all global trends can be played in this geographically limited mandate, so that Springborg must draw on other sources of ideas and take more of a bottom-up approach. He has a bias towards companies with sustainable and increasing cashflows.

The portfolio is concentrated, allowing the manager to get to know all the companies well. Discipline is provided by a strict one-in one-out policy at stock level. The portfolio is built irrespective of the benchmark, and often shows an underweight to the Central European countries, which are key index constituents, in favour of Turkey and the Central Asian Republics.

Springborg's approach resulted in the fund bearing the brunt of the severe market correction in 2008 with many illiquid stocks hurting absolute and relative returns. As a result, the manager tried to take a more opportunistic and valuation-focused approach to stock selection. Returns appear to be on an improving trend and new ideas are once again more thematic and longer-term. The fund retains an S&P A rating.

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 Wincentsen responsible for developed markets and Springborg for emerging markets.

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.

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, however, invest in Turkey.

Idea generation is mostly 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 Eastern and South Eastern Europe, and Western European stocks with significant exposure to Eastern Europe. The team 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.

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STANDARD & POOR'S

STANDARD & POOR'S A FUND MANAGEMENT RATING

Portfolio & performance analysis (May 2010)

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, with a rapid drying of liquidity (Raspadskaya was one of the worst affected).

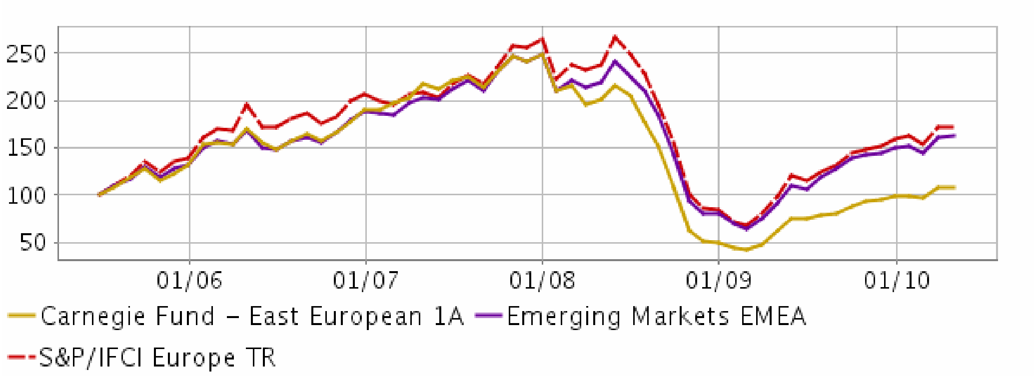
Returns bounced back strongly in 2009, driven mainly by a recovery in oil and energy stocks led by Dragon Oil together with a strong contribution from gold miner Petropavlovsk (formerly known as Peter Hambro) a position the manager has had to repeatedly trim with it approaching the 10% limit. Both the "feed the world" and "stable growth" themes also contributed positively.

The fund remains one of the most concentrated funds we cover in this peer group with 26 holdings. The manager has taken the opportunity, offered by increased market liquidity, to exit a number of smaller-cap stocks. However, some large active positions in less liquid stocks were still in evidence, such as Bank of Georgia, which has been held since the IPO.

Springborg continues to favour Turkey over Central European countries such as the Czech Republic and Hungary (both zero-weighted) and also Poland, which was very underweight given valuation premuims and the dominance of local pension funds.

Kazakhstan was another country outside the fund's benchmark in which the manager has found interesting stock ideas, holding KazMunaiGas, Halyk Savings Bank and moving out of and back into ENRC.

Cumulative performance



Discrete performance (calendar years)

	2006		2007		2008		2009		YTD 30/04/2010	
	%	Rank	%	Rank	%	Rank	%	Rank	%	Rank
Fund	44.0	80/238	31.1	155/267	-79.9	312/313	96.1	113/344	9.8	102/347
Index**	47.6		28.8		-68.5		90.7		8.6	
Median	41.9		31.9		-67.6		87.1		8.0	

** S&P/IFCI Europe USD !
Fund benchmark: MSCI Eastern Europe Special Weighted

Share class information

	Initial charge	Exit charge	Annual charge	Expense ratio	Lump sum	Savings plan	ISIN
Ord	5.00%	0%	2.20%	2.25%	US$1,000	-	LU0086737482

Registered for sale: Finland, Germany, Iceland, Luxembourg, Netherlands, Sweden, United Kingdom

Portfolio characteristics (1 May 2010)

No. of holdings	26
Turnover ratio (%)	N/A
% in top 10	59

Top 10 holdings

	%
Petropavlovsk	8.7
Mobile Telesystems *	7.8
Dragon Oil *	6.5
Gazprom *	6.3
Eurasian Natural Resources Corporation	5.9
EOS Russia	5.8
Lukoil	4.9
Sibirtelecom ADR	4.7
Magnit GDR	4.5
Bank of Georgia	4.2

** In top 10 holdings a year ago*

Country allocation

	%
Central Asian Republics	11.3
Other EMEA	18.2
Poland	1.7
Russia	58.4
Turkey	10.4

Sector allocation

	%
Consumer staples	4.2
Energy	25.7
Financials	14.2
Healthcare	0.9
Industrials	7.5
Materials	22.0
Telecomunications	18.4
Cash	7.1

STANDARD & POOR'S

Symbols and definitions

Long-only fund ratings
AAA The fund demonstrates the highest standards of quality in its sector based on its investment process and management's consistency of performance as compared to funds with similar objectives.
AA The fund demonstrates very high standards of quality in its sector based on its investment process and management's consistency of performance as compared to funds with similar objectives.
A The fund demonstrates high standards of quality in its sector based on its investment process and management's consistency of performance as compared to funds with similar objectives.

Fund-of-hedge-funds ratings
AAA The fund demonstrates the highest standards of quality based on its investment process, risk awareness and consistency of performance relative to its own objectives.
AA The fund demonstrates very high standards of quality based on its investment process, risk awareness and consistency of performance relative to its own objectives.
A The fund demonstrates high standards of quality based on its investment process, risk awareness and consistency of performance relative to its own objectives.

Absolute return fund ratings
AAA The fund demonstrates the highest standards of quality based on its investment process, risk awareness and consistency of performance relative to its own objectives.
AA The fund demonstrates very high standards of quality based on its investment process, risk awareness and consistency of performance relative to its own objectives.
A The fund demonstrates high standards of quality based on its investment process, risk awareness and consistency of performance relative to its own objectives.

Specialist fund ratings
AAA The fund demonstrates the highest standards of quality based on its investment process and management's consistency of performance relative to its own objectives.
AA The fund demonstrates very high standards of quality based on its investment process and management's consistency of performance relative to its own objectives.
A The fund demonstrates high standards of quality based on its investment process and management's consistency of performance relative to its own objectives.

All fund ratings
Not Rated (NR) Funds designated as Not Rated currently do not meet the requisite performance standards and/or the minimum qualitative criteria to achieve a fund rating.
Under Review (UR) Ratings are placed Under Review when significant management changes occur at the fund manager or fund management team level and Standard & Poor's Fund Services has not had the opportunity yet to evaluate their impact on the qualitative appraisal.
(New) Signifies where a major event has occurred for which there is no fund-specific track record available. This includes: funds recently launched, the implementation of a new investment process or mandate and may include structural changes within a fund team.
Tenure Review (TR) The fund manager/team involved in the management of the fund does not currently have the minimum 12 months relevant investment management experience required to be eligible to be considered for a rating.
Long-term fund management rating The fund has been rated in the A/AA/AAA fund rating band for five consecutive years or more, and continues to hold a rating.

Bond fund volatility ratings
The bond fund volatility rating is our current opinion of a fund's sensitivity to changing market conditions. Volatility ratings evaluate the fund's sensitivity to interest rate movement, credit risk, investment diversification or concentration, liquidity, leverage and other factors. For V1-V4 categories, risk is considered relative to a portfolio composed of government securities and denominated in the base currency of the fund.
V1 Bond funds that possess low sensitivity to changing market conditions. These funds possess an aggregate level of risk that is less than or equal to that of a portfolio comprising government securities maturing within one to three years, and denominated in the base currency of the fund. These funds possess an aggregate level of risk that is less than or equal to that of a portfolio comprising the highest quality fixed income instruments with an average maturity of 12 months or less. Within this category, certain funds are designated with a plus sign (+), indicating extremely low sensitivity to changing market conditions.
V2 Bond funds that possess low to moderate sensitivity to changing market conditions. These funds possess an aggregate level of risk that is less than or equal to that of a portfolio comprising government securities maturing within three to seven years, and denominated in the base currency of the fund.
V3 Bond funds that possess moderate sensitivity to changing market conditions. These funds possess an aggregate level of risk that is less than or equal to that of a portfolio comprising government securities maturing within seven to 10 years, and denominated in the base currency of the fund.
V4 Bond funds that possess moderate to high sensitivity to changing market conditions. These funds possess an aggregate level of risk that is less than or equal to that of a portfolio comprising government securities maturing beyond 10 years and denominated in the base currency of the fund.
V5 Bond funds that possess high sensitivity to changing market conditions. These funds may be exposed to a variety of significant risks including high concentration risks, high leverage, and investments in complex structured and/or less liquid securities.
V6 Bond funds that possess the highest sensitivity to changing market conditions. These funds include those with highly speculative investment strategies with multiple forms of significant risks, with little or no diversification benefits.

Absolute return fund N ratings
The N rating is Standard & Poor's indication of a fund's potential capital stability in normal markets. It is a qualitative rating but is based on annualised weekly downside deviation. N1 is the most stable and N9 the least.