



CARNEGIE EAST EUROPEAN SUB FUND

QUARTERLY REPORT AS AT 31 DECEMBER 2009

Carnegie East European is a Sub Fund of the CARNEGIE FUND, an unincorporated open-ended collective investment fund registered in Luxembourg under Part 1 of the Law of December 20, 2002.

The investment objective of the Sub Fund is to achieve long-term capital growth from a diversified portfolio of investments which consists principally of quoted equities of Central and East Europe, including those of the former Soviet Union.



Investment Manager: Carnegie Asset Mgmt, Copenhagen
 Launch date: 1 April, 1998
 Base currency: USD
 Price: USD 41.98
 Size: USD 33.14 million
 Minimum investment: USD 1,000 or equivalent
 Management fee: 2.20% per annum
 Dealing: Daily
 Security Code (ISIN): LU0086737482

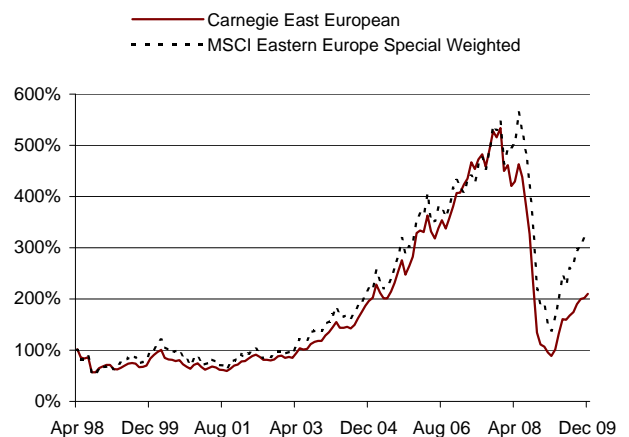
COMMENTARY

During 2009, the NAV/unit unit rose by 96.08%, compared to the Sub-Fund's benchmark which rose by 71.59%. The background to the outperformance was partly due to good stock picking, and partly thanks to large underweight positions in the more defensive markets of Poland, Czech Republic and Hungary.

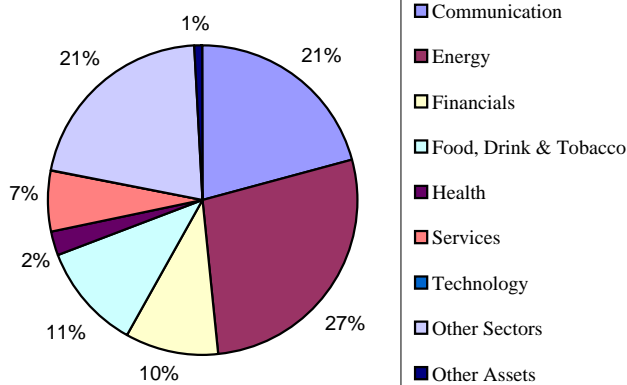
During the year, the Sub-Fund gradually increased exposure to more thematic stock investments, and reduced more opportunistic investments. This happened as equity markets re-priced and longer term visibility improved. Growth stocks, like Russian retailer Magnit, and the logistics companies Reysas and Global Trans, were added to the portfolio. The Sub-Fund also invested in the Kazak bank Halyk. Furthermore, a number of smaller and less liquid positions were sold in order to simplify the portfolio structure and to take advantage of the increase in market liquidity.

After the equity markets appreciated for most of the year, a strong rebound in economic activity is factored into stock prices. We have no strong conviction for the short-term outlook, which will be very much dictated by policy choices of Western governments and central banks. However, in the long-term we are quite optimistic with regards to a continued emerging market outperformance, and that the Eastern European region will benefit strongly from the rise of Asia, and other emerging markets. This said, we believe that the Sub-Fund has invested into some very attractive companies, which will benefit considerably in the coming years.

INVESTMENT PERFORMANCE GRAPH



SECTOR ANALYSIS



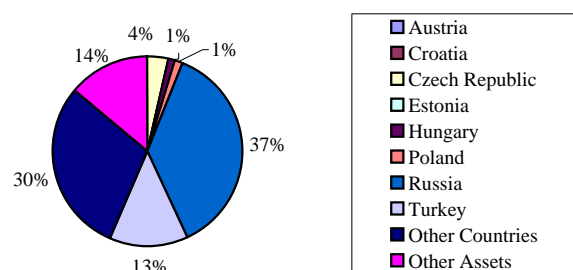
PERFORMANCE

% Returns	East European	MSCI E. Europe Special
Last Quarter	10.56%	8.67%
Year to Date	96.08%	71.59%
1 Year	96.08%	71.59%
2 Years	-60.69%	-41.18%
3 Years	-48.44%	-25.68%
5 Years	7.12%	45.07%
Since Launch	109.90%	221.02%
Risk Measures (Since Inception, month end prices)		
Standard Deviation	31.75%	-
Tracking Error	15.59%	-
Alpha	0.35%	-
Beta	0.78	1.00
Information Ratio	-0.03	-

TOP TEN HOLDINGS

Mobile Telesystems ADR	7.18%
Petropavlovsk	6.40%
Gazprom ADR	6.39%
Dragon Oil	5.73%
EOS Russia	4.56%
Sibirtelecom ADR	4.12%
North-West Telecom ADR	4.01%
Magnit GDR W/I	3.90%
Sinpas Gayrimenkul Yatirim	3.85%
Efes Breweries International GDR	3.80%

ASSET ALLOCATION



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Morningstar Rating

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