



CARNEGIE EUROPEAN EQUITY SUB FUND

QUARTERLY REPORT AS AT 31 DECEMBER 2009

Carnegie European Equity 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 whose issuers have their principal activities in the European countries, including those outside the Euro zone.



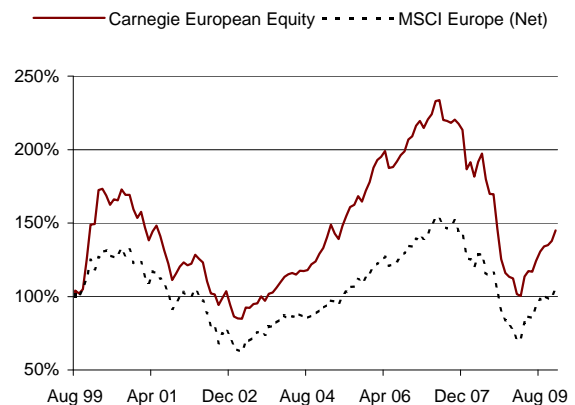
Investment Manager: Carnegie Asset Mgmt, Copenhagen
 Launch date: 2 August, 1999
 Base currency: EUR
 Price: EUR 14.50
 Size: EUR 122.96 million
 Minimum investment: EUR 1,000 or equivalent
 Management fee: 1.60% per annum
 Dealing: Daily
 Security Code (ISIN): LU0093943974

COMMENTARY

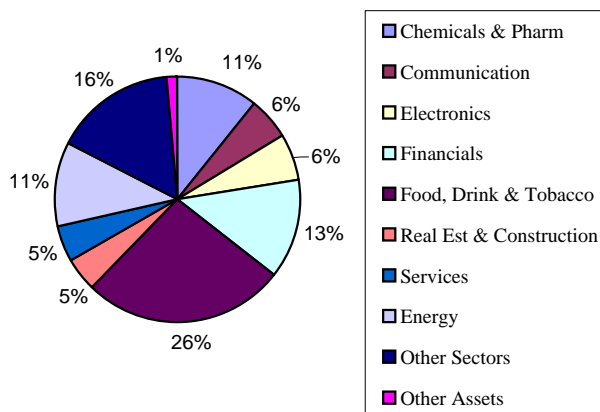
During 2009, the Sub-Fund's NAV/unit rose by 28.0%, while the benchmark, the MSCI Europe Index, rose by 31.6%. 2009 relative returns for the European strategy were not satisfactory. Having said this, there were some stock-picking highlights during the year as exposure to Petropavlovsk, Gazprom and Grupo Ferrovial all contributed positively. However, this was not enough to counter the negative contribution from exposures such as Unicredit, Buzzi and Électricité de France, which were all sold during the year. The main reason for the underperformance was due to the Sub-Fund's underweight in the banking sector; and the high exposure to stable growth companies, which we believe will do better in the long run.

During the first quarter we made the following major changes: Telefonica was sold due to our concern for the economic climate in Spain; and was replaced by Vodafone. Furthermore, we bought SAP, the world's largest provider of business software; financed by selling Buzzi Unicem and Rio Tinto. The last remaining banking stock, Unicredit, was sold; and instead we increased the weighting in Sampo. During the second quarter it was decided to slightly increase the risk profile of the portfolio. We chose to increase the proportion of companies which take advantage of the economic recovery. We initiated new positions in BG and Tullow Oil, two unique growth companies within the energy sector; and the Nordic transport and logistics company DSV. During the third quarter we decided to reduce the exposure to Diageo, and increase the weighting in transport and logistics company DSV. Furthermore, we decided to reduce the exposure to Fred Olsen Energy and Sampo, as well as to sell the entire position in Synthes. The proceeds were used to initiate new positions in Jeronimo Martins of Portugal; Prudential and Standard Chartered from the UK. During the fourth quarter we sold the positions in Fred Olsen Energy and Ferrovial, despite good performance in 2009. Furthermore, the exposure to Gazprom and E.ON were reduced. The proceeds were used to add exposure towards two new exciting companies in the portfolio, namely Eurasian Natural Resources Corporation (ENRC) and Ebro Puleva.

INVESTMENT PERFORMANCE GRAPH



SECTOR ANALYSIS



PERFORMANCE

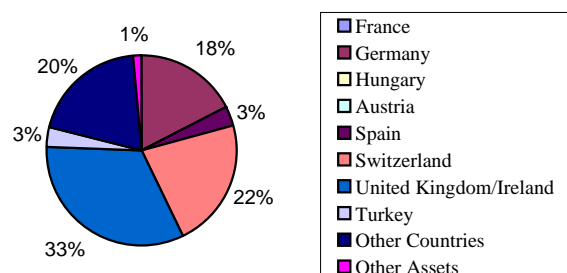
% Returns	European Equity	MSCI Europe (Net)
Last Quarter	8.13%	5.18%
Year to Date	27.98%	31.60%
1 Year	27.98%	31.60%
2 Years	-32.05%	-25.84%
3 Years	-32.96%	-23.84%
5 Years	9.10%	14.86%
Since Launch	45.00%	5.97%

Risk Measures (Since Inception, month end prices)	European Equity	MSCI Europe (Net)
Standard Deviation	18.93%	17.22%
Tracking Error	8.53%	-
Alpha	2.83%	-
Beta	0.98	1.00
Information Ratio	0.34	-

TOP TEN HOLDINGS

BA Tobacco	6.29%
Nestlé	6.10%
Roche Holding Genusscheine	4.85%
DSV	4.79%
Swedish Match	4.55%
Holcim	4.54%
Petropavlovsk	4.44%
Linde	4.44%
Syngenta	4.28%
Allianz	4.15%

ASSET ALLOCATION



Notes : This report is for information only. This document is not to be used or considered as an offer to sell or solicitation of an offer to buy any securities. Carnegie Fund Management Company S.A. does not accept responsibility for any loss arising from the use hereof. Past performance is not necessarily a guide to future performance.

★★★★
Morningstar Rating

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