



## CARNEGIE MEDICAL SUB FUND

QUARTERLY REPORT AS AT 31 DECEMBER 2009

Carnegie Medical 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 through global investment in equities of companies operating in the pharmaceutical, biotechnology and medical technology sectors. The Sub Fund will focus particularly on large-cap companies which will account for at least 75% of the Sub Fund's value and also on small-cap companies which may represent up to 25% of the Sub Fund's value.



Investment Manager:	Angelica Fatouros
	Carnegie Investment Bank, Stockholm
Launch date:	15 December, 1998
Base currency:	EUR
Price:	EUR 38.25
Size:	EUR 307.17 million
Minimum investment:	EUR 1,000 or equivalent
Management fee:	1.70% per annum
Dealing:	Daily
Security Code (ISIN):	LU0090908194

### COMMENTARY

The 2009 return of the Sub-Fund was 9.35%, compared to the benchmark, the MSCI World Healthcare Index, which returned 13.91%. The Sub-Fund's tilt towards biotechnology, and the underweight in large cap pharma, proved very unfavourable this year. However, stock picking in the pharmaceutical sector helped performance (Teva, Abbott and Novartis). Positive contributions also came also from the Carnegie Global Healthcare Fund, and from biotech companies Genentech (acquired by Roche) and Medivir (good clinical progress in Hepatitis C). Healthcare Equipment and Tools also contributed favourably, with Insulet (solid company fundamentals), Mettler-Toledo (turnaround in major markets), Alcon (acquired by Novartis) and Stryker (turn-around in the orthopaedics market).

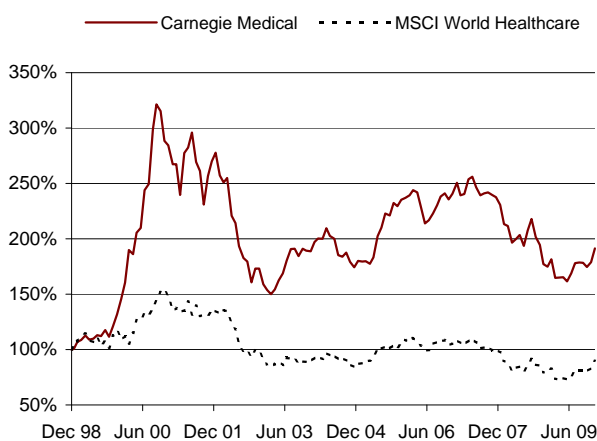
Genzyme had major manufacturing problems during the year and underperformed substantially. In contrast, Gilead executed well but was not rewarded by the stock market (valuation multiple contraction despite earnings upgrades). However, it remains one of the core holdings in the Sub-Fund on excellent fundamentals. Negative contributions also came from non-holdings in the Healthcare Providers and Services sector (Medco, WellPoint and Express Scripts), which rallied as Obama's healthcare reform looked less onerous than feared.

New positions acquired during the year were: instrument/lab providers Life Technologies and Mettler-Toledo on attractive valuations and diversified growth outlooks; and Intercell, an Austrian biotech company with an impressive vaccines pipeline. Furthermore, Pfizer was bought on attractive valuation (the stock came down after the bid on Wyeth); the position in Merck was increased to a slight overweight after the merger with Schering-Plough; and dialysis provider DaVita was added, as we believe the long-term fundamentals are attractive in this space.

Contract manufacturer Lonza was fortunately sold ahead of a disastrous Q3 report and the proceeds were placed in contract research company Covance, which has a more diversified customer base. The Sub-fund Biotech Bridge was closed in October.

Divestments during the year were: Genentech (acquired by Roche), Wyeth (acquired by Pfizer), Schering-Plough (acquired by Merck), Gerresheimer (growth impacted by the recession) and Allergan (premium valuation despite exposure to economic slowdown and risk of competition to Botox franchise). AstraZeneca was divested after a good run during the first six months. Furthermore, Humana, Johnson & Johnson, Smith & Nephew, Cepheid and Covidien were used as a source of funds. Finally, Vnus Medical Technologies was removed as a result of being acquired by Covidien.

### INVESTMENT PERFORMANCE GRAPH



### PERFORMANCE

% Returns	Medical	MSCI W. Healthcare
Last Quarter	7.29%	10.11%
Year to Date	9.35%	13.91%
1 Year	9.35%	13.91%
2 Years	-17.10%	-8.14%
3 Years	-20.58%	-15.22%
5 Years	6.19%	2.73%
Since Launch	91.25%	-10.54%

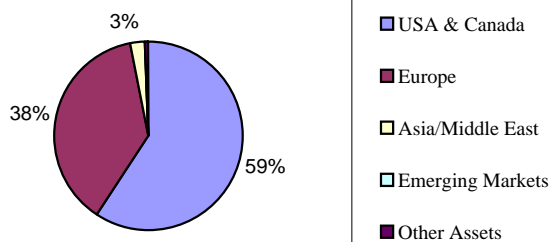
#### Risk Measures (Since Inception, month end prices)

Standard Deviation	20.09%	14.01%
Tracking Error	16.38%	-
Alpha	5.89%	-
Beta	0.85	1.00
Information Ratio	0.39	-

### TOP TEN HOLDINGS

Roche Holding Genusscheine	8.08%
Novartis	7.39%
Carnegie Global Healthcare	5.08%
Celgene	4.93%
Gilead Sciences	4.70%
Baxter International	4.32%
Bayer	4.16%
Abbott Laboratories	4.02%
Becton Dickinson	3.23%
Pfizer	2.86%

### 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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