

STANDARD & POOR'S



September 2011

CARNEGIE MEDICAL FUND

Sub-fund of Luxembourg domiciled FCP - Part 1

Fund owner: Banque Carnegie

Fund manager/adviser: Carnegie Asset Management

Named portfolio manager/adviser(s):

Team

Peer group: healthcare equities

Location: Stockholm

Launch date: December 1998

Fund size (June 2011): €317m

Contact group: +352 404 030 268 or

www.carnegieam.com

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

Investment style

	Value	Blend	Growth
Large-cap			
Mid-cap			
Small-cap			

Performance statistics

	Three years
Fund	1.5%
Standard & Poor's peer median	15.8%
Index**	20.1%
Fund rank	221/234
Volatility-adjusted ranking	222/234

** S&P Global 1200 Sec/Healthcare

Note: returns are cumulative

Risk characteristics

	Three years
Maximum monthly drawdown (%)	-12.9
Volatility	19.3
Correlation	1.0
Beta	1.0

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.

Performance Data Source - © 2011 Lipper inc. All rights reserved. All statistical data on this report has been run to 1 June 2011 on NAV to NAV basis, with gross income reinvested, in USD.

Standard & Poor's opinion (August 2011)

The team of three responsible for this product have now worked together as a unit since late 2008 when Angelica Fatouros took over as team leader and Ulf Arvidsson joined the group. Two of the three have healthcare industry backgrounds and all are dedicated to investing in this area of the market.

The team demonstrates a strong knowledge of companies in their universe and especially of new product pipelines, which, as drivers of future growth are key to the team's assessment of future revenues. The longstanding relationship with the Karolinska Institute remains in place, with this advisory board providing specialist knowledge on new developments. Despite this level of input, the team is not willing to make investments based on early-stage products.

Valuation work is also important particularly in the larger-cap pharma space, but here the fund has continuously been underweight relative to benchmark. Biotech has been the beneficiary, favoured for its growth potential, although this historically significant bias has been reduced over recent years as larger-cap names in this sector have become unattractive. At review, the fund was 8% overweight the sector.

Performance relative to peers and against the benchmark index has been variable under the team in its current form. Returns in late 2008 and into 2009 were weak, but we are pleased to see performance that is closer to peer-group median and benchmark over the past 18 months. The fund retains its S&P A rating.

Fund manager & team

Carnegie's three-person healthcare team, based in Stockholm and led by Angelica Fatouros, manages around €380m in a range of funds covering the full healthcare spectrum. The Karolinska Institute and the group's global and Nordic equity teams provide additional input.

Angelica Fatouros - MSc biochemical engineering (RIT Stockholm), PhD pharmaceutical sciences (RSP Denmark), joined Carnegie's sell-side healthcare team in 2001 to cover Nordic biotech stocks, having had a similar role at Enskilda. She has 12 years' industry experience, including R&D at Pharmacia and the Swedish Defence agency. She began managing large-cap pharma funds in 2006 and biotech funds in 2007.

Mikael Svensson - MSc business & economics (Stockholm School of Economics), joined Carnegie from university as an analyst in 2000. He became senior portfolio manager in 2003, and covers specialty pharma and generics.

Ulf Arvidsson - PhD medicine (Karolinska Institute), was a sell-side analyst at Nordea from 1997 to 2000. He went back into medicine in 2003 and joined AMF as an analyst in 2004.

Management style

The fund is managed bottom-up, focusing on large-/mid-cap growth stocks in pharma, biotechnology and medtech sectors worldwide. Small-cap exposure is limited to 25%, with internal funds used for diversified coverage of higher-risk areas.

Input is drawn from all team members, each having a sector specialism. Returns are usually generated from stock selection, with the key being a thorough understanding of new products that will drive earnings. In this area, the team benefits from good industry contacts and quarterly meetings with the Karolinska Institute, which provides scientific assessments of new products. Positions are traded based on valuation and newsflow.

Although benchmarked against the MSCI World Healthcare index, portfolio positioning is not formally constrained. Biotechnology exposure accounts for around one-third of the portfolio. Sector and geographical allocations tend to remain fairly stable, with 60-70% invested in the US.

Risk is controlled through diversification and the team's stock and market knowledge. The manager targets around 40 holdings, with most positions below 5%. Stock options are held, with the fund able to have 10% gearing above NAV.

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FUND MANAGEMENT RATING

Portfolio & performance analysis (June 2011)

The past year has again seen a reduction in the overweight to biotech that has been a feature of this fund. The sub-sector remains overweight relative to the index but this has now fallen to +8%. The underweight to pharma has also been reduced, although much of this has been due to purchases of generics names (such as Watson Pharmaceutical and Hospira) rather than large-cap pharma. The fund retains some exposure to large-cap pharma names, selecting those where pipelines and valuations are the most attractive. Limited extra exposure to some of these names is provided by call options.

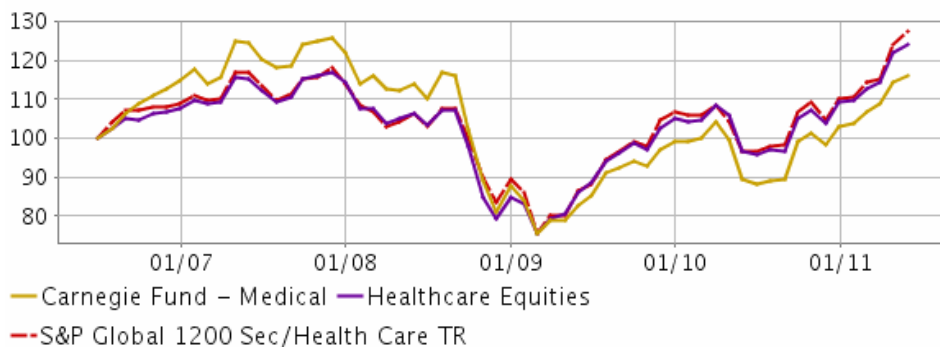
The fund has fallen into the third quartile of the S&P healthcare peer group over five years and sits in the bottom quartile over three years following a period of disappointing relative performance in 2008 and especially 2009. The overweight to smaller-caps/biotech and underweight large-cap pharma has generally detracted over this period, although it did contribute to the success seen in 2010.

2009 performance was negatively affected by the overweight to biotech, although stock selection in healthcare equipment and supplies, and providers and services was also negative. Strong selection in pharmaceuticals was driven by Teva, Novartis and Abbot Labs together with the underweights to J&J, Glaxo, Sanofi-aventis and Merck.

Looking at 2010 as a whole, biotech outperformed pharma and this helped fund performance. Returns were in line with peers but ahead of benchmark. Stock selection in biotech was very strong, with the exposure to healthcare equipment and supplies also being beneficial. Selection in pharma detracted. At the stock level, the major positives were Medivir, Fresenius and Alexion Pharmaceuticals.

Year-to-date 2011 has seen some weakness against peers and the benchmark. Versus the latter, selection in biotech was the main detractor with Active Biotech being a significant negative along with the zero-weighting to Biogen Idec.

Cumulative performance



Calendar year performance

	2007		2008		2009		2010		YTD June 2011	
	%	Rank	%	Rank	%	Rank	%	Rank	%	Rank
Fund	6.2	101/209	-27.9	142/233	12.9	236/251	3.8	144/290	12.6	186/306
Index**	4.5		-21.2		19.2		3.0		16.0	
Median	6.0		-26.8		23.5		3.8		13.2	

** S&P Global 1200 Sec/Healthcare
Fund benchmark: MSCI World Healthcare index
Share class screened: LU0090908194 (Ord)

Portfolio characteristics (June 2011)

No. of holdings	41
% in top 10	47.9
Turnover ratio (%)	0.42

Top 10 holdings

	%
Roche *	7.9
Novartis *	7.4
Pfizer *	5.2
Carnegie Global Healthcare fund *	5.0
Bayer *	4.2
Gilead Sciences *	4.1
Fresenius *	4.0
United Health	3.8
Celgene *	3.3
Novo Nordisk	3.0

* In top 10 holdings a year ago

Sector allocation

	%
Biotechnology	15.9
Healthcare equipment & supplies	16.2
Healthcare providers & services	14.7
Healthcare technology	0.0
Life sciences tools & services	2.6
Pharmaceuticals	48.0
Cash	2.6

Risk return (standard deviation) over five years



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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

Absolute return fund ratings

Specialist 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.

Ucits III flexible beta fund ratings

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

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.