



CARNEGIE EAST EUROPEAN SUB FUND

QUARTERLY REPORT AS AT 30 JUNE 2010

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 40.46
 Size: USD 29.54 million
 Minimum investment: USD 1,000 or equivalent
 Management fee: 2.20% per annum
 Dealing: Daily
 Security Code (ISIN): LU0086737482



COMMENTARY

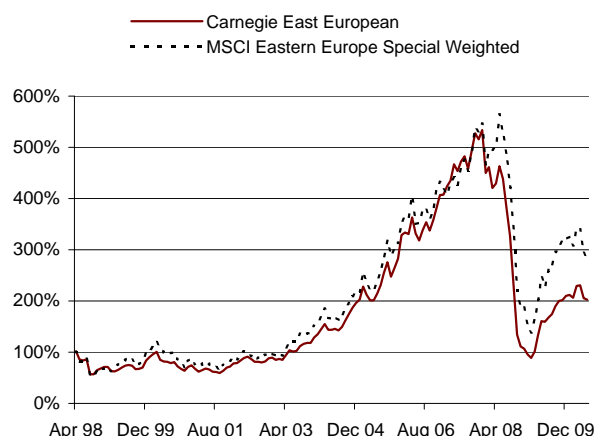
During the first six months of the year, the Sub-Fund's NAV/unit fell by 3.62%, while the benchmark fell by 13.42%. The outperformance can be attributed to the Sub-Fund's underweight in Hungarian and Polish equities. Also, stock picking has been good; with stocks like Globaltrans, Petropavlovsk and Magnit performing strongly.

During the period, the Sub-Fund sold Regal Petroleum, Efes Breweries Int, Danubius, BIM, Comstar, A&D Pharma, XXI Century, Black Earth Farming and East Capital Financial Fund.

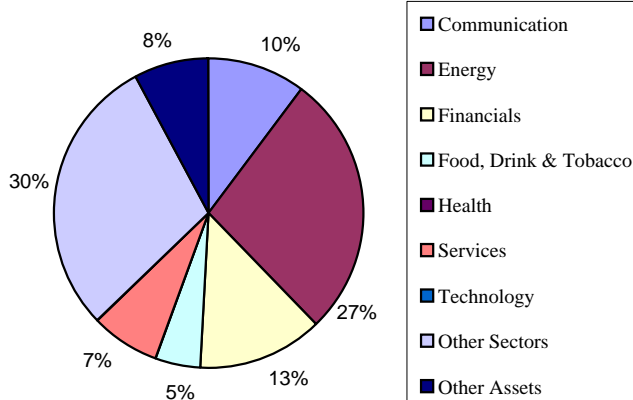
The Sub-Fund bought Anatolia Minerals, a Turkish focused gold producer; MOL, the Hungarian integrated oil company; and TSKB, a leading Turkish investment and development bank.

After very strong equity market performance over the last year or so, we don't have strong expectations for further significant upside in the short term. However, abundant liquidity in the global economy from unprecedented stimulus from Central Banks and governments around the globe will most likely underpin equity markets. Valuations are still attractive but are not sufficient to guarantee continued good market performance, unless investors gain more confidence in the overall economic environment in the West. Longer term, we are convinced that the region and the portfolio will do very well since the region will show superior growth, both on a company level and on the macro economic level, over the next 5 – 10 years.

INVESTMENT PERFORMANCE GRAPH



SECTOR ANALYSIS



PERFORMANCE

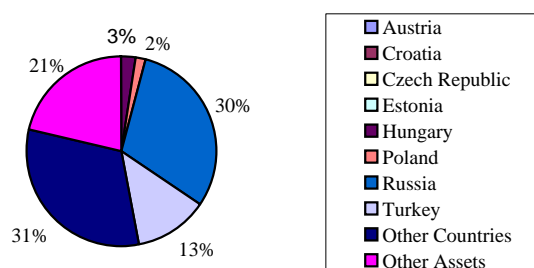
% Returns	East European	MSCI Europe Special
Last Quarter	-11.76%	-18.50%
Year to Date	-3.62%	-13.42%
1 Year	26.95%	21.92%
2 Years	-53.81%	-47.17%
3 Years	-57.17%	-39.87%
5 Years	-5.53%	17.06%
Since Launch	102.30%	177.93%

Risk Measures (Since Inception, month end prices)		
Standard Deviation	31.44%	-
Tracking Error	15.35%	-
Alpha	0.99%	-
Beta	0.78	1.00
Information Ratio	0.03	-

TOP TEN HOLDINGS

Petropavlovsk	9.61%
Gazprom ADR	7.93%
Dragon Oil	6.32%
Eurasian Natural Resources Corporation	4.83%
Magnit GDR	4.81%
Mobile Telesystems ADR	4.77%
Bank of Georgia GDR	4.32%
Globaltrans Investment GDR	4.31%
Anatolia Minerals Development	4.02%
LUKoil ADR	3.92%

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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