



CARNEGIE EUROPEAN EQUITY SUB FUND

QUARTERLY REPORT AS AT 30 JUNE 2010

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 15.21
 Size: EUR 44.95 million
 Minimum investment: EUR 1,000 or equivalent
 Management fee: 1.60% per annum
 Dealing: Daily
 Security Code (ISIN): LU0093943974

COMMENTARY

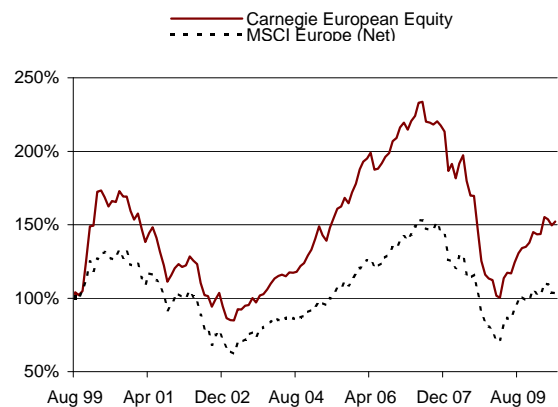
During the first six months of the year the Sub-Fund's NAV/unit rose by 4.90%; well ahead of the benchmark (the MSCI Europe Index), which fell by 2.45%. The strong outperformance was driven by a number of companies, led by: Novo Nordisk, Petropavlovsk, Turkiye Garanti Bankasi, Nestlé and Standard Chartered. Negative contributions, among others, came from: Nokia, Tullow Oil, Prudential, E.ON and DSV.

During the first quarter it was decided to initiate a position in Zurich Financial Services as well as Garanti Bank, a company which we have had exposure to previously. To raise funds for these positions, the holdings of Sampo, E.ON and Linde were reduced.

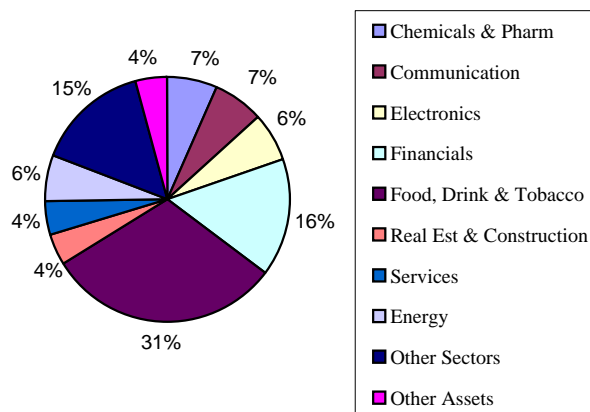
Furthermore, the remaining positions in E.ON and Novartis were sold, and the proceeds were reinvested in Nokia. Finally, it was decided to further increase the exposure towards BG Group.

During the second quarter we sold the position in Gazprom due to weak demand for gas and electricity in Europe. Furthermore, we sold the position in Nokia. Nokia was bought with the anticipation that it would grow significantly at the lower price points of the Smartphone market, as consumers switch from feature phones to Smartphones. Unfortunately, Nokia did not live up to our expectations, and is threatened by Apple in the high-end Smartphones segment and from Chinese producers in the low-end segment. The proceeds were used to create a new position in the Swiss based software company Temenos.

INVESTMENT PERFORMANCE GRAPH



SECTOR ANALYSIS



PERFORMANCE

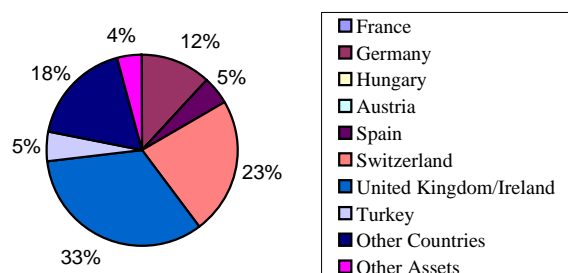
% Returns	European Equity	MSCI Europe (Net)
Last Quarter	-2.00%	-6.31%
Year to Date	4.90%	-2.45%
1 Year	30.11%	21.03%
2 Years	-15.41%	-11.00%
3 Years	-34.89%	-32.36%
5 Years	-1.81%	0.18%
Since Launch	52.10%	3.37%

Risk Measures (Since Inception, month end prices)		
Standard Deviation	18.68%	17.06%
Tracking Error	8.39%	-
Alpha	3.37%	-
Beta	0.98	1.00
Information Ratio	0.41	-

TOP TEN HOLDINGS

Nestlé	6.88%
British American Tobacco	6.63%
Swedish Match	5.07%
Ebro Puleva	4.95%
Petropavlovsk	4.91%
Vodafone Group	4.63%
Jeronimo Martins	4.55%
DSV	4.29%
Holcim	4.26%
Novo Nordisk B	4.13%

ASSET ALLOCATION



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★★★★
Morningstar Rating

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