

Thursday, 11 December 2008

Dear Investors:

It is with disappointment we write to inform you that, as a result of the difficulties experienced by a number of our underlying holdings and their decision to suspend subscriptions and redemptions, the Directors of Scandium Absolute Return Fund have resolved to suspend all subscriptions and redemptions from the fund. The Board of Directors believe this course of action is in the best interests of all shareholders.

To date, the ongoing financial crisis has severely impacted asset values across equity and fixed income markets in which many of our underlying managers operate. This combined with an absence of liquidity in these markets and forced selling of assets in November by a number of large hedge funds undergoing liquidation has caused significant losses within our portfolio. In November we expect these factors to impact our performance in the region of -10% to -12% making the year to date return in the region of -21% to -23%.

As a result of this negative performance, our redemptions received to date and anticipated future redemptions, the fund may experience difficulties maintaining sufficient diversification across our target allocation of underlying managers. As we are forced to sell more liquid holdings to meet increasing redemptions the fund's portfolio may become increasingly concentrated across a smaller number of more illiquid holdings. The potential negative impact to performance has led the Directors to actively explore available options to protect the interests of all shareholders in the fund, including a possible winding down of the fund and all its assets.

It is our intention to provide an additional communication over the coming weeks to update investors on our progress towards reaching a decision on the most suitable way forward for the fund.



Casper Hallas

Scandium Asset Management A/S