Newsletter

September 2007 Scandium Absolute Return Fund

| September 2007 | -3.08 % | |
|----------------|---------|--|
| YTD | -0.60 % | |

NAV class A 31.08.2007: 104.65

The result for September was a loss of (est.) 3.08%, which is highly unsatisfactory.

Out of Scandium's 18 managers, 10 were in positive territory and 8 recorded a loss. Our entire portfolio, with exception of just one manager, showed relatively normal behaviour, a sign that the markets have stabilized. September's loss came primarily as a consequence of a 21.6% loss from this particular manager.

Below you will find an explanation of why this manager lost 21.6%. For those that merely wish to know if they can expect Scandium once again to produce stabile positive returns, we have the following comments:

August was an extreme month for the hedgefund industry and Scandium was no exception. The sub prime melt down and the following liquidity crisis affected the whole industry. Nevertheless, September's loss was attributable to the isolated incident of one particular fund in our portfolio. Although equally unfortunate, the losses are independent of each other.

While analysing what happened in August it is apparent that several of the managers/strategies in our portfolio had more correlation than

we had anticipated and this influenced the overall stability of the portfolio. Since then our efforts have been to analyze and re-assess correlations between the funds and to re-balance the portfolio.

The previous week we also spent visiting and interviewing several of our managers as well as potential new managers in order better to understand the dynamics of the portfolio and how we can prevent a break down in correlations going forward.

During the previous 6 years we have avoided significant losses on individual managers, as opposed to September. However individual manager risk will always be present and the compensation to our investors has been a pick up in yield of approx. 4-5 % above the risk free rate of return. Individual manager risk is one of the reasons that about 50 % of all hedgefund investors choose fund of hedgefunds as a means of diversification.

Nevertheless, explaining these circumstances is important, but by the end of the day it is the result that counts. We hope that two month of bad performance will not overshadow almost 6 years of well documented track record.

Explanation to manager loss:

On the 19th of September one of our portfolio managers resigned after disagreements with top management of his management firm. Our exposure to this particular fund was close to 10% of NAV and like other investors we wanted to redeem. Unfortunately, so did approx. 50% of the investors in the fund. When this became official, the market sold aggressively of all the securities held by the fund in anticipation of the

liquidation of the portfolio. Due to the illiquid nature of the securities the price of these securities is/was depressed significantly. To protect existing investors and to avoid further selling pressure on the securities, the Board of the fund put forward a restructuring proposal that will ensure a suitable timeframe for unwinding the securities. We have voted in favour of the restructuring proposal.

Yours sincerely,

Casper Hallas & Johan Brønnum-Schou

Monthly returns net of all fees

Returns until Oct. 06 created by the clone-fund Scandium Fund Ltd.

| Yr/Mth | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|--------|--------|--------|--------|--------|--------|--------|
| Jan | -1.22% | 0.79% | 1.32% | -1.06% | 1.98% | 0.84% |
| Feb | -0.78% | 0.53% | 2.08% | 1.20% | 0.70% | 0.89% |
| Mar | -0.26% | -1.13% | -0.54% | 0.50% | 1.14% | 1.02% |
| Apr | 0.36% | -0.99% | 0.15% | -0.31% | 1.57% | 1.93% |
| May | 1.28% | 4.15% | 0.03% | 2.98% | 0.09% | 1.26% |
| Jun | 1.34% | -1.09% | -0.46% | 1.71% | -0.30% | 1.24% |
| Jul | 0.87% | -0.63% | -0.46% | 1.03% | -0.23% | -0.24% |
| Дug | 0.67% | 0.27% | 0.12% | 0.07% | 0.93% | -4.28% |
| Sep | 0.37% | 2.06% | 0.50% | 2.17% | -0.20% | -3.08% |
| Oct | -0.87% | 0.27% | 2.61% | -0.05% | 0.82% | |
| Nov | -0.02% | 0.32% | 3.96% | 2.03% | 0.85% | |
| Dec | 2.67% | 3.18% | 0.84% | 1.49% | 1.18% | |
| Return | 7.02% | 7.86% | 10.51% | 12.32% | 8.83% | -0.60% |

Key risk figures

| Annualised return | 7.9% |
|-----------------------------|-------|
| Standard dev. (annual) | 4.7% |
| Max drawdown | -7.5% |
| Sharpe | 1.05 |
| Correlation MSCI WORLD | 0.08 |
| Correlation EMU Bonds | 0.19 |
| AUM (million EURO) | 45.98 |
| Strategy AUM (million EURO) | 57.75 |

Benchmarks

| | | Jul | Aug | Sep | YTD |
|--|------------------------|--------|--------|--------|--------|
| | MSCI ² | -3.04% | -0.01% | 3.03% | 8.38% |
| | EMU Bonds ³ | 1.38% | 0.98% | 0.03% | 0.74% |
| | Scandium | -0.24% | -4.28% | -3.08% | -0.60% |

¹Numbers in bold are estimates ²MSCI World (loc.cur.) ³Bonds EMU countries

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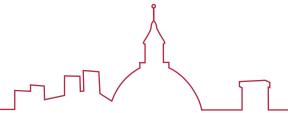
SCALINA LX

Fund facts

ISIN

Bloomberg

| Subscribe/redeem | Monthly/monthly(60 days notice) |
|------------------|---------------------------------|
| Manager fee | 1.5 % |
| Performance fee | 15 % of return above 5 % |
| High water mark | Yes |
| | |
| Administrator | Carnegie Fund Management S.A. |
| Custodian | Nordea Bank S.A. |
| Auditor | Deloitte |



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