

# Newsletter

## August 2007 Scandium Absolute Return Fund

August 2007	<b>-4.32 %</b>
YTD	<b>2.51 %</b>

NAV class A 31.07.2007: 109.33

Scandium Absolute Return Fund lost 4.3% in August, which will reduce the year to date result to +2.5%. The return for equities (MSCI World) and bonds (EUM Government bonds) were 5.2% and 0.8% respectively. Out of our 18 funds 8 recorded a positive return and 10 lost in value.

The unsatisfactory result for August can primarily be attributed to losses in our equity based funds, whereas our fixed income and credit based funds performed satisfactory. Our portfolio took most of its loss in the first week of August before the equity markets fell mid month (only to recover later in the month). Our portfolio has therefore had no correlation to the general equity markets during August.

We maintain a significant allocation to marketneutral equity based funds, since we do not wish to have exposure to the general development in the equity markets. These funds operate in different geographical areas and/or have no direct overlap in their positions.

Nevertheless, most of our marketneutral equity based funds recorded poor performance during the month. In particular did our quantitative based marketneutral fund suffer with a loss of 11%. Most of the funds in this space recorded

poor performance (from 5% – 30%) due to the massive liquidation of securities. The result has been a twist in the markets whereby securities of higher quality performed significantly worse than securities on poorer quality.

In general, the month of August was difficult for the hedgefund industry. We detected a significant correlation between funds and strategies that are not normally correlated.

We have had no direct exposure to sub-prime, leveraged loans or other highly leveraged structures and none of our funds has had to unwind positions in distress during August. Nevertheless, our portfolio did suffer indirectly from the massive unwinding of positions and the consequences thereof.

We continue our efforts to select individual hedgefunds which we believe are likely to perform well over time and which collectively in a portfolio will be able to withstand unrest in the financial markets.

## September

The development for our portfolio in September has been 'normal' and we continue to keep you updated on the performance as needed.

Yours sincerely,

Casper Hallas & Johan Brønnum-Schou

## Key risk figures

Annualised return	8.6%
Standard dev. (annual)	4.5%
Max drawdown	-4.5%
Sharpe	1.26
Correlation MSCI WORLD	0.12
Correlation EMU Bonds	0.18
AUM (million EURO)	45.04
Strategy AUM (million EURO)	57.21

## Benchmarks

	June	June	August	YTD
MSCI <sup>2</sup>	-0.94%	-3.04%	-0.01%	5.20%
EMU Bonds <sup>3</sup>	0.32%	1.38%	0.98%	0.71%
Scandium	1.24%	-0.24%	<b>-4.32%</b>	<b>2.51%</b>

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

## 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%
Aug	0.67%	0.27%	0.12%	0.07%	0.93%	<b>-4.32%</b>
Sep	0.37%	2.06%	0.50%	2.17%	-0.20%	
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%	<b>2.51%</b>

## Fund facts

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
ISIN	LU0272055186
Bloomberg	SCALINA LX