Newsletter

July 2007 Scandium Absolute Return Fund

July 2007	0.01 % ¹
YTD	7.41 %¹

Estimated NAV class A 31.07.2007: **109.60**¹ NAV class A 30.06.2007: 109.59

The subprime crisis in the US credit markets is causing tough times for most investors. At times like this Scandium adds protection to an investors overall portfolio by avoiding losses, even though July's result is just a moderate plus. Scandium created an estimated 0.01% this month. Of our 18 portfolio funds 15 delivered a positive result.

As results started ticking in from our underlying funds, it appeared that Scandium would deliver quite an attractive return this month. However, one of our funds damaged the overall return. This particular fund invests in stressed corporate bonds and it was down 5.5% in July. What affected this fund's negative result? And why do we invest in this fund?

The manager buys corporate bonds significantly below fair value. These bonds often yield approximately 8-10 percentage points more than traditional government bonds. The manager does not invest in structured products such as CDO's, CLO's. Nor does he use geared investments. We did expect this manager's strategy to be less sensitive to the development. However, the subprime crisis has caused increased selling activity in the credit markets which in turn has

When markets are falling

This chart shows the ten worst months in the stock and fixed income markets since Scandium's inception. We have delivered positive returns in most - but not all - of these months protecting our investors against losses.

Month	Global stocks*	Scandium
sep 02	-11.0 %	0.4 %
jul 02	-8.4 %	0.9 %
jun 02	-7.7 %	1.3 %
dec 02	- 6.4 %	2.7 %
apr 02	- 4.5 %	0.4 %
may 06	- 4.3 %	0.1 %
jan 03	- 3.6 %	0.8 %
jul 07	- 3.0 %	0.0 %
apr 05	- 2.9 %	- 0.3 %
jul 04	- 2.9 %	- 0.5 %
	*MSCI World Index	(local currency)

damaged credit bonds. This is the primary cause of the negative result. We have gradually reduced our share in this particular fund during recent months. We did this because credit spreads were tightening and we believed they would begin to widen again. And they did. However, this month's result shows us that we did not reduce our share in this fund quite enough.

After July's modest result, our portfolio has created 7.41% year-to-date. Scandium's objective is to create 7 – 13% every year and our year-to-date result is in line with expectations.

Yours sincerely, Casper Hallas and Johan Brønnum-Schou

Month	Bonds* *	Scandium
jul 03	- 1.4 %	- 0.6 %
oct 03	- 1.4 %	0.3 %
mar 06	- 1.4 %	1.1 %
may 07	- 1.2 %	1.3 %
dec 06	- 1.2 %	1.2 %
oct 05	- 1.2 %	- 0.1 %
mar 02	- 1.2 %	- 0.3 %
apr 04	- 1.0 %	0.2 %
apr 07	- 0.9 %	1.9 %
jan 06	- 0.9 %	2.0 %
	**Government bond	ds 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%	0.01%1
Aug	0.67%	0.27%	0.12%	0.07%	0.93%	
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%	7.41 %¹

Key risk figures

Annualised return	9.7%
Standard dev. (annual)	4.0%
Max drawdown	-2.1%
Sharpe	1.66
Correlation MSCI WORLD	0.12
Correlation EMU Bonds	0.25
AUM (million EURO)	43.41
Strategy AUM (million EURO)	55.98

Benchmarks

	May	June	July	YTD
MSCI ²	3.47%	-0.94%	-3.04%	5.20%
EMU Bonds ³	-1.21%	0.32%	1.38%	-0.27%
Scandium	1.26%	1.24%	0.01%1	7.41%¹

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

Fund facts

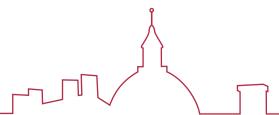
Monthly/monthly(60 days notice)
1.5 %
15 % of return above 5 %
Yes
Carnegie Fund Management S.A.
Nordea Bank S.A.

 Custodian
 Nordea Bank S.A.

 Auditor
 Deloitte

 ISIN
 LU0272055186

 Bloomberg
 SCALINA LX



Scandium Asset Management Toldbodgade 51 C, 1st floor DK-1253 Copenhagen K
Tef: 35 55 55 00 Fax: 35 55 55 05 Info@scandiumam.com www.scandiumam.com

