

Newsletter

June 2007 Scandium Absolute Return Fund

June 2007	1.17 %¹
YTD	7.33 %¹

NAV class A 31.05.2007: 108,25
Estimated NAV class A 30.06.2007: **109,52¹**

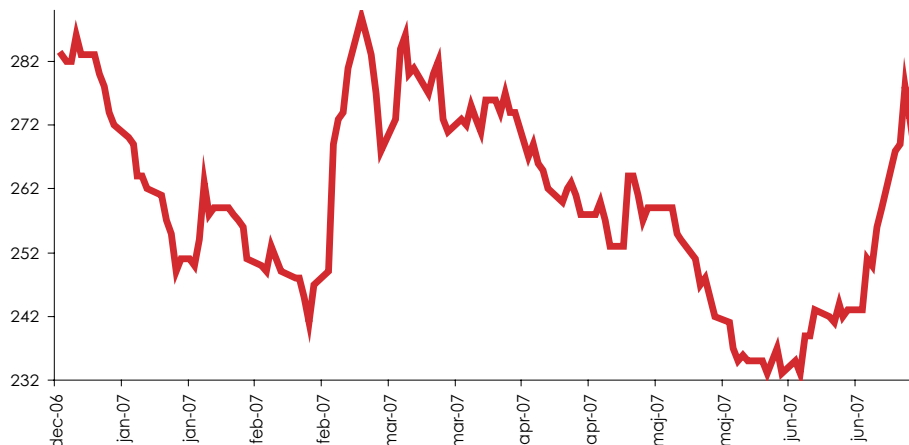
When the financial markets change, investors' behaviour changes too. Just now, as interest rates rise and credit spread is widening, investors loose money on bond investments. Volatile fixed income markets cause private and professional investors to look for protection. This general change of behaviour creates a market flow which impacts our underlying funds. Some of our funds benefit from the situation and others are posed with at challenge. Of our 17 funds 13 delivered positive results and 4 reported a loss.

In recent years, private equity funds have profited greatly from leveraged buyouts, because cheap, leveraged capital has been available. But as interest rates rise, this activity diminishes. With fewer deals, prices adjust to a more modest level. This benefits those of Scandium's managers who base their investments on fundamental long term value.

One of Scandium's managers invests in companies about to be bought ('merger arbitrage'). The fact that this particular fund lost 5.5 % in June was caused by three primary circumstances. One was increased costs of financing, which in turn can make buyouts difficult to execute. Secondly, the Algerian government unexpectedly passed a new

Global high yield bonds' credit spread

Widened credit spread increases the effect of rising interest rates.



tax regulation, which affected one particular buyout. And thirdly, the result of a shareholders vote did not turn out as expected. Our point is that the influence of isolated local events is just as significant as overall macroeconomic market conditions. This illustrates the core of our strategy. Returns are steady, because they are influenced by events that occur independently of one another.

No matter how markets behave, Scandium's challenge remains unchanged. We are talent scouts whose primary task is to find the right managers. The estimated result for June is 1.17% with a year-to-date result of 7.33%, just below global stocks at 8.50 % and significantly above EMU government bonds at -1.63%, but most importantly, independent of both.

Yours sincerely,
Casper Hallas and 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%	1.17%¹
Jul	0.87%	-0.63%	-0.46%	1.03%	-0.23%	
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%	7.33%¹

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

Key risk figures

Annualised return	9.8%
Standard dev. (annual)	4.0%
Max drawdown	-2.1%
Sharpe	1.69
Correlation MSCI WORLD	0.11
Correlation EMU Bonds	0.27
AUM (million EURO)	39.0
Strategy AUM (million EURO)	51.6

Benchmarks

	Apr	May	June	YTD
MSCI ²	3.56%	3.47%	-0.94%	8.50%
EMU Bonds ³	-0.89%	-1.21%	0.32%	-1.63%
Scandium	1.93%	1.26%	1.17%¹	7.33%¹

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