

JANUARY 2010

Alfred Berg Rusland

DKK

Market and Economy

Russian equities advanced in January, supported by the weakening US dollar, rising commodity prices, and improving macroeconomic fundamentals. The MSCI Russia (Gross, USD) index rose 2.39% in the month and was the only index among BRICs to close in positive territory. The MSCI Russia was also the fourth-best performer globally after Egypt, Morocco and Chile. In a rolling 12-month period the index gained 136.22%, and was third-best performer globally after MSCI Indonesia and Hungary. Notably, in January Russian market rose despite the 8% fall in crude oil prices, outperforming the MSCI Emerging Markets index which fell 5.56%. In late January the MSCI Russia index was still trading 51% below its pre-crisis level, while MSCI Emerging Markets index was trading 25% below the pre-crisis highs. Despite increased investor risk aversion, January happened to be another good month for Russia's fund flows. Over the course of the month EPFR data suggested that as money flew out of global money market funds, emerging market funds became the main beneficiaries, absorbing some US \$6 bn of inflows over the first three weeks of the year.

Overall, Russian equity funds benefited at the expense of the US, European, and notably China's equity funds. According to EPFR weekly data, in the last week of January Russian Equity Funds took in fresh money for the 11th week in a row. In terms of valuations, on a price-to-earnings basis, Russia was traditionally traded at around a 30% discount to the EM average. At the trough of the crisis, Russia's discount to the EM average widened to 70% in February of 2009. In late December that discount fell to 28% and has narrowed down further in late January to about 24%.

Improving macroeconomic fundamentals provided further support to Russian equity market rally: Russia's GDP contracted by 7.9% for the full year of 2009. The government also announced that it expect the economy to grow 3.1% in 2010, while we estimate the growth at 5.0%. Russia's PMI manufacturing data for January, also released on Feb 1, was encouraging. According to the data, in January manufacturing expanded for the first time since September 2009, with the country's PMI Index rising to 50.8 (from 48.8 in December) on new orders, with domestic market being the key driver. Industrial production data for December also showed a second month of gains, representing the first back-to-back monthly increases in over a year - another proof that the economic recovery is getting traction. According to the data released by the Federal statistics Service, output at factories, mines, and utility companies rose 2.7% versus the prior year. The improvement in demand for industrial goods has been reflected in orders for the pipe-maker TMK with production growth up by 22% in Q4 2009, and Rospadskaya increasing output of coal by 10% over the same period, with average prices rising in the period by 61% (y-o-y). According to Bloomberg, Russian Railways also saw cargo shipments to increase by 11% in December (y-o-y). Local consumption also showed signs of improvement in the month as retail sales were down 3.6% (y-o-y) versus the 6.4% decline in November (y-o-y). Disposable income jumped 7.6% in December after a 3.5% growth in November. Inflationary pressure in January has picked up a little, but remained limited. According to the Central Bank of Russia (CBR), the country's foreign exchange reserves rose to US \$437.1bn and the Central Bank net currency purchases reached US \$1.58 bn and EUR 462.5 mn in January, a significant increase over December. In our view, the increased CBR interventions can be attributed to the CBR efforts to curb the rouble's strengthening.

Portfolio Activity Review

The Alfred Berg Invest Russian (DKK) portfolio rose 6.04% in January. The performance was principally due to strong stock selection in Materials, Telecoms (Mobile Telesystems), Financials (Sberbank) and Energy (Tatneft). Overweighting Materials and underweighting Telecommunications Services sectors also added value.

Alfred Berg Rusland invests in depositary receipts of Russian shares. The sub-fund's goal is to create a long-term excess return relative to benchmark.

Much of the analytical work consists of assessing the macro factors influence on different sectors and industries in Russia because the Russian market is strongly influenced by its political and economic development. In parallel with macro-analysis, corporate analysis is carried out continuously with the aim to identify undervalued companies within each industry.

FUND FEATURES

| | |
|-----------|---------------------------|
| Inception | December 9 1997 |
| Benchmark | MSCI Russia 10/40 Net DKK |
| ISIN | DK0010237809 |

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Within Materials we increased position in Polyus Gold (strong production growth and KazakhGold's potential) and Norilsk Nickel, and fixed profits in Evraz Group and Polymetal, which reached our price targets. Within Telecoms we increased position in Mobile Telesystems principally due to robust cash flow generation, and the fact that as we believe the Comstar deal synergies are not fully priced in by the market yet). We also increased stake in Vimpel Communications as we like its aggressive cost cutting initiatives, and also believed that the Kyivstar merger story was not fully priced in. Within Oil & Gas sector we increased position in RosNeft, which increased its PRMS standard proven hydrocarbon reserves by 2.5% y-o-y in 2009 to 22.86 bn boe (although under the SEC classification its proven reserves are estimated at 15.15bn boe). We increased position in Globaltrans, as we expect Russia's overall rail volume in 2010 to grow at least in line with our real GDP growth forecast of 5%. We believe the railcar operator is set to continue gaining its market share from Russian Railways. Overall, we expect Globaltrans to be among the fastest-growing names in the sector, with forecasted earnings expansion in 2010 of about 11%.

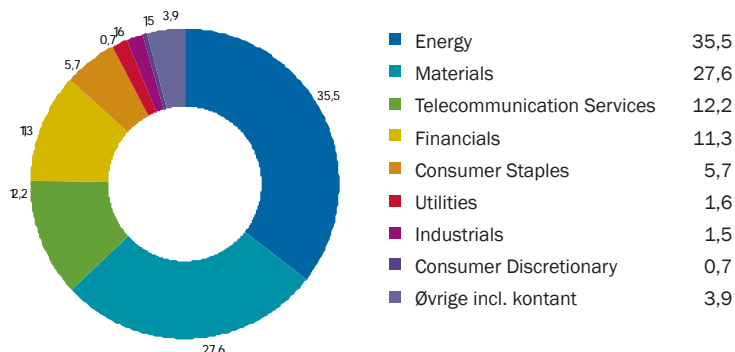
Outlook and Strategy

We believe Russia is a solid long term investment case, as the country has a healthy macroeconomic outlook, supported by rising infrastructure spending, strong long commodity prices, intact secular growth case, and corporate earnings. We will continue to focus on companies best placed to maintain revenue growth: those that possess good products or expertise, hold dominant positions in fast-growing markets, and belong to growing industries or have the financial means to invest for future growth. We also prefer companies with strong corporate governance and good risk controls. We see such companies in the materials sector, an area where demand from other emerging markets can be expected to remain strong over the medium term and longer. Telecommunications stocks are also favored for their high dividend yields and the new growth phase related to growing internet usage as broadband services increasingly shift to handheld devices. This year we expect Russian local demand to pick-up and anticipate growth in revenues of local consumer-oriented companies. Despite the impressive outperformance seen in 2H 2009 and in January of 2010, Russia remains one of the least expensive markets within Emerging Markets space. On a 12-month forward P/E basis, Russia's P/E is 9.0 vs. 12.7 for the EM average, and 13.1 for BRICs. Strong economic expansion in Asia, and particularly in China is another important factor providing long-term support to Russian growth. Asia's surging demand for energy and commodities will benefit export-oriented producers of metals, coal, oil and gas, and will translate in to higher and more stable commodity prices. Against this backdrop, we continue to focus on several commodity companies on the one hand, and a number of domestic consumer-oriented companies on the other. We have significant investments in coal, oil, and iron ore producers, as well as in companies involved in infrastructure development. We hold a diverse set of holdings in the consumer areas which proved to be a major long-term theme. We believe this year Russia is likely to sustain sub-

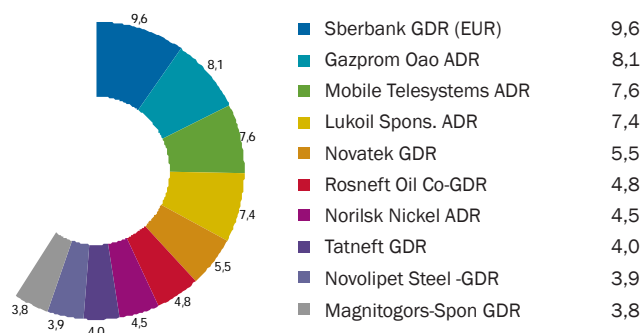
stantially higher growth rates than developed nations and most EM peers, especially in the wake of the recent financial crisis. As such, we expect Russian stocks to be supported by higher revenue and earnings growth. Although exports remain a significant factor, going forward, they are likely to represent a decreasing percentage of overall growth than in the past, while domestic demand will continue to expand at an increasing pace.

PORTFOLIO COMPOSITION (31.01.2010)

Sector breakdown

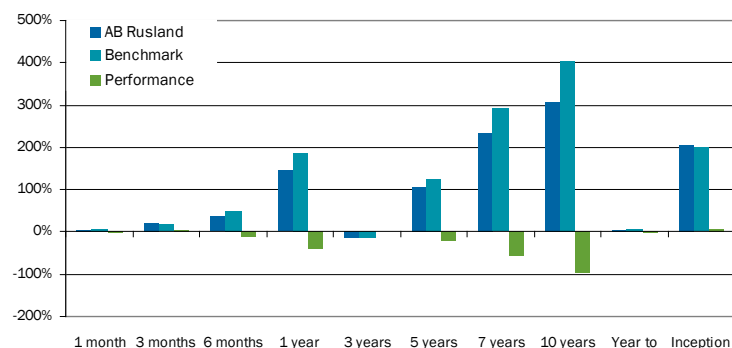


Ten largest holdings



PERFORMANCE IN DKK (31.01.2010)

| Period | AB Rusland | Benchmark | Performance |
|--------------|------------|-----------|-------------|
| 1 month | 6,0% | 6,5% | -0,5% |
| 3 months | 21,6% | 18,3% | 3,3% |
| 6 months | 37,8% | 49,1% | -11,3% |
| 1 year | 144,5% | 185,2% | -40,7% |
| 3 years | -14,1% | -16,0% | 1,9% |
| 5 years | 106,1% | 127,6% | -21,5% |
| 7 years | 236,2% | 292,7% | -56,4% |
| 10 years | 306,9% | 404,4% | -97,5% |
| Year to date | 6,0% | 6,5% | -0,5% |
| Inception | 206,7% | 198,5% | 8,2% |



RISK INDICATORS as of 31.01.2010

| | Last 12M | Last 36M | Last 60M |
|--------------------------|----------|----------|----------|
| Fund Volatility (%) | 29,90 | 39,45 | 34,60 |
| Benchmark Volatility (%) | 29,47 | 43,58 | 38,39 |
| Tracking Error (%) | 13,05 | 11,66 | 11,33 |
| Information Ratio | -3,12 | 0,06 | -0,20 |
| Sharpe Ratio | 4,78 | -0,21 | 0,36 |

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