

May 2010

Alfred Berg Rusland

Market and Economy

In May Russian equity market declined mainly due to the situation in Europe with some additional negative effect from abnormal fluctuation on US equity market. Local Russian news was mostly positive.

According to Rosstat, Russian industrial production was up by 10,4% (y-o-y) in April 2010. It was an improvement compared to 5,7% in March and 1,9% in February. According to the Ministry of Economy, the Russian GDP gained 3.5% (y-o-y) in January-April 2010. Unemployment in Russia in April 2010 was 8.2%, down from 8.6% in March 2010. At the same time inflation is still low. YTD inflation as of the end of May 2010 was 3,9% (6,8% for the same period in 2009). This allows authorities to continue monetary support of Russian economy. At the end of May 2010 the Bank of Russia cut refinancing rate by another 0,25% to 7,75%.

Oil&Gas sector demonstrated the smallest decline due to a sector's low beta. Consequently this sector is considered to be relatively stable during market turmoil. Additional support for the industry appeared in the end of May, when the Ministry of Finance announced its plans to change oil industry taxation system.

Chemicals declined significantly due to a poor performance of Silvinit, Uralkali and Acron, which represent more than 80% of the sector index. Possible potash export duty introduction influenced negatively Silvinit and Uralkali. Decline in Acron's profit for the first quarter 2010 (2,4 times) led to a significant drop in the company price.

Portfolio Activity

The Alfred Berg Invest Rusland (DKK) portfolio declined by 4,5% in May in absolute terms. The underperformance was mainly due to underweight in Energy and overweight in Materials. Within Materials sector overweight in MMK had the largest negative impact on the fund performance. MMK company value decreased due to a decline of steel prices. Energy sector demonstrated relatively good performance due to a low beta and possible tax reform. In the end of May the Ministry of Finance announced its plans to change oil industry taxation system.

Outlook and Strategy

Sharp economic turnaround of Russian economy might translate into over 70% EPS growth in 2010 and drive stocks prices. Russia has a long term exposure to growth in China/Asia. Asian economies need energy and raw materials for growth. Russia looks good as resources provider as it has 1/4 of World gas reserves, 1/5 of World coal reserves and significant reserves of oil/metals. Demand from Asian countries might help metal producers, oil&gas companies and coal producers to improve their operating results. At the same time local demand is likely to pick up, following a decline of interest rates and income growth. This might have a positive effect on consumer staples and consumer discretionary industries. Moreover, Russian equity market remains one of the cheapest among emerging markets on multiples.

Main risk for Russia is external. European countries budget deficits/debts problems might affect negatively the World economy. In pessimistic case it is possible to see negative impact on Russian economy as well. Although there are reasons to assume that World economy will continue to recover. In the first quarter 2010 China GDP was up 11,9%(y-o-y) and USA GDP gained 3,2%(y-o-y).

We will aim to use current market volatility in order to improve the fund portfolio growth potential. When market players are nervous they usually react irrational and this creates opportunities to increase exposure to attractive investment ideas at a reasonable price.

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.

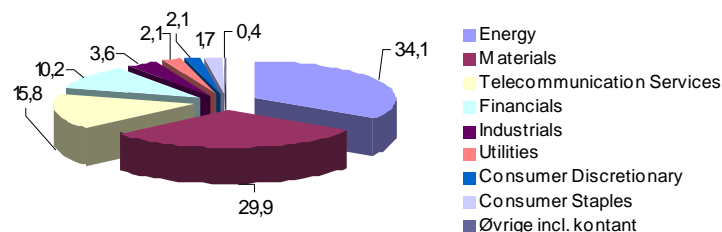
Much of the analytical work consists of assessing the macro factors influence on different sectors and industries in Russia because the Russian market is strongly influenced by its political and economic development. In parallel with macro-analysis, corporate analysis is carried out continuously with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

FUND FEATURES

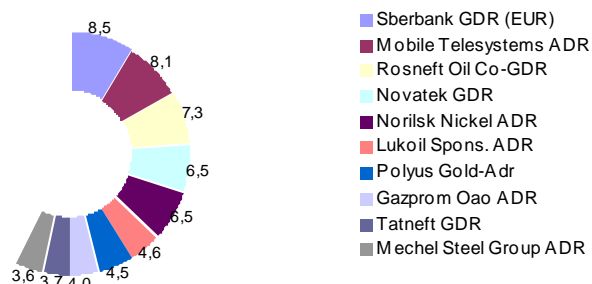
Inception:	December 9 1997
Benchmark:	MSCI RUSSIA 10/40 (DKK)
ISIN:	DK0010237809

PORTFOLIO COMPOSITION (31.05.2010)

Section breakdown

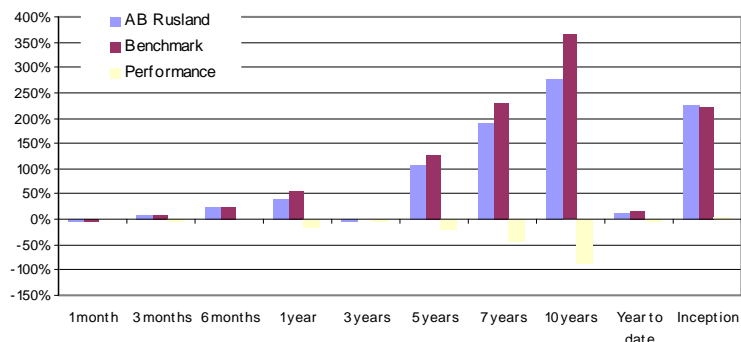


Ten largest holdings



PERFORMANCE IN DKK (31.05.2010)

Period	AB Rusland	Benchmark	Performance
1 month	-4,5%	-3,8%	-0,7%
3 months	6,8%	9,3%	-2,6%
6 months	24,1%	22,5%	1,6%
1 year	41,8%	56,0%	-14,2%
3 years	-2,7%	-0,6%	-2,1%
5 years	106,5%	125,2%	-18,7%
7 years	189,4%	231,2%	-41,8%
10 years	275,6%	363,1%	-87,5%
Year to date	13,3%	15,2%	-1,9%
Inception	227,6%	222,8%	4,8%



RISK INDICATORS (31.05.210)

	Last 12M	Last 36M	Last 60M
Fund Volatility (%)	21,52	39,77	34,45
Benchmark Volatility (%)	19,5	43,88	38,38
Tracking Error (%)	13,03	11,63	11,34
Information Ratio	-1,09	-0,06	-0,18
Sharpe Ratio	1,88	-0,1	0,36

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