

JANUARY 2010

## Alfred Berg USA

DKK

### Market Review

January started off strong, but reversed course mid-month as stocks experienced a significant sell-off. By month end, stocks were down roughly 6.5% from their highs in mid January as several headwinds fuelled an increase in risk aversion. Chief among them, in our view, are fears that Chinese tightening measures will slow the nascent global economic recovery. Given China's role as the engine of the worldwide economic rebound we are not surprised by extreme investor sensitivity to any potential deceleration there. Further fueling global risk aversion were fears of potential sovereign debt defaults, most notably in Greece and possibly in other peripheral European countries as well. Another chief culprit behind the downturn was President Obama's proposals for increasing regulation of the US banking industry. Along with the recent decline in equity prices, we have also seen some strengthening of the US dollar in recent weeks, as well as a fall in commodities prices.

The economic highlight near the end of the month was the announcement that fourth-quarter US gross domestic product (GDP) rose by 5.7%, with strength coming from inventories, consumer spending, increased trade and capital expenditures. As this data suggests, the broad US and global economies remain in recovery mode. There are some lingering areas of weakness, including employment and the US housing market.

The Federal Reserve met and, to no one's surprise, kept the Fed Funds target rate on hold. There was little change to the language that accompanied the Fed's decision, except for an acknowledgement that the economy has continued to improve. The Fed is in the process of preparing for a gradual exit from its current easy monetary policy, but we believe the central bank will need to see better evidence of improvements in housing, employment and bank lending before it starts tightening.

Fourth quarter earnings have been coming in at a rapid pace and the news has been extremely good. To date, 77% of companies have reported, with nearly half exceeding expectations and only 14% reporting disappointments. Notably, many companies are also reporting increases in revenues, meaning earnings improvements have not been based solely on cost-cutting measures. The strongest performers have been in the technology and consumer discretionary sectors, with the laggards being materials, consumer staples and financials. One negative aspect to the earnings landscape is that analysts are beginning to dial back expectations for future earnings after several quarters of upward revisions.

During January, health care was the only sector to post a gain, albeit a small one of 0.4%, and was followed by Industrials (-1.2%). In keeping with last year's performance, telecom lagged with a 8.3% loss; technology and materials, last year's winners, were January laggards, posting the 8th and 9th worst performance respectively. Technology has the largest weight in the MSCI USA Index and was, by far, the largest detractor from the market's absolute return.

### Portfolio Changes

Among our financials holdings, we closed our position in Travelers Corp. and replaced it with ACE, Ltd. based primarily on valuation. The two diversified property & casualty insurers are similar in scope, but ACE has significantly underperformed its peers and we think this will correct. The needs of the largest corporate insurance customers are global in reach. Often, these companies have risks that do not fit nicely into one country or one particular policy line. In order to service complex accounts, an insurance company must be able to match the unique and diversified risks with an equally diversified global network. ACE is one of the few companies which have the global footprint that large corporate insurance customers demand. Its network has created a barrier to entry for potential competitors. In addition, in contrast to many of its domestic insurance peers, ACE benefits from significant international growth opportunities.

Alfred Berg USA focuses on creating a long-term return based on investments in highly liquid shares. The best investment themes in the US investment universe are selected, and the companies are weighted accordingly in an overall portfolio.

The focus is on growth and quality companies where growth potential is above average relative to competitors. Our portfolio managers selected around 35-40 companies with a convincing performance, which represents the best investment ideas at the current moment.

### FUND FEATURES

Inception	15 December 1994
Benchmark	MSCI USA (DKK)
ISIN	DK0015861652

During the month, we increased our position in Illinois Tool Works and closed our position in Ametek Inc. ITW has a highly effective acquisition infrastructure. Executives at the corporate level comb the planet for relatively large “platform-creating” deals that are done on a very infrequent basis. Once in the fold, the units are further enhanced by smaller deals initiated by general managers who are well-attuned to the needs of their businesses.

As for Ametek, in its most recent earnings release, sales declined 17% on average. Acquisitions added a mere \$50 million to the top line and failed to offset the steep decline in organic sales. This is a problem because as a result of Ametek’s growth-through-acquisition strategy, about half of the assets on its balance sheet are intangibles and goodwill. In the event that the acquired businesses fail to perform in the future, financial results could be substantially hit by impairments.

Investors took a cautious stance over the second half of January and the market sold off, despite better than expected corporate earnings. By far the biggest contributor to the market’s decline was technology stocks, which fell more than 8% as a group. In this market environment, Alfred Berg USA fell along with the market during the month, and underperformed the index return on a relative basis. By design, stock selection will drive our results and this month was no exception. The leading detractors came from our holdings in the consumer staples, financials, industrials and materials sectors.

Among our consumer staples stocks, Kimberly-Clark again was a leading detractor from our relative results. The company reported earnings in-line with analyst’s expectations, and investors sold shares on the news. However, the company’s comments confirmed our belief that this leading player in the global health and hygiene category is well-positioned to withstand the current headwinds, especially given the strength of its market-leading, daily-use product portfolio and the solid cash flows generated by its globally diverse platform. Philip Morris International and Energizer holdings also contributed to our underperformance in the consumer staples sector.

Among our financial holdings, shares of Goldman Sachs and Blackrock Inc. were the leading detractors from our monthly results. Goldman Sachs has been the focus of criticism over their pay practices. In addition, President Obama’s comments about restricting banker’s bonuses and former Fed Chairman Paul Volker’s talk of restricting proprietary trading at FDIC insured entities caused the stock to sell off. However, during January, Goldman delivered its richest quarterly profit in the investment bank’s 140-year history, driven in part because it restrained compensation amid the public outcry about excessive pay.

On a relative basis, the strongest contribution came from stock selection in the health care sector where WellPoint gained more than 9%. WellPoint’s unmatched regional scale provides the company with significant cost advantages and reliable free cash flows. With the threat of major health-care reform diminishing and underwriting results improving, we are enthusiastic about WellPoint’s long-run prospects.

### **Outlook**

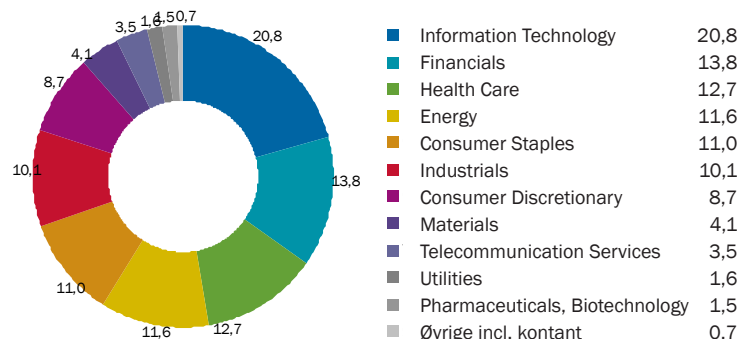
The philosophy and process of this fund remains disciplined and consistent. Our systematic fundamental screens focused on quality, valuation and momentum identify the best opportunities and our research team then completes an exhaustive fundamental review of each potential investment. The result is a portfolio of our highest conviction ideas from within the U.S. Investment Centre where individual stock selection will determine our success.

We maintain a positive long-term view for 2010, but we recognize that the issues that surfaced last month have the potential to cause stumbling blocks for the economy and the markets. From our perspective, some of the key risks for the economic recovery and the continued cyclical bull market include ongoing deleveraging and overly aggressive policy tightening and regulatory initiatives, and the events of last week fit into these categories. The debt concerns in Greece demonstrate that credit issues remain a threat. In China, recent tightening actions took the form of increases in bank reserve requirements, higher Treasury bill rates and instructions to banks to slow loan growth, all of which may act to put a damper on economic growth.

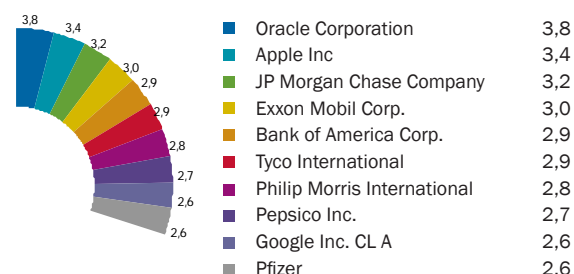
For stocks, we continue to believe that a backdrop of slow but positive growth and contained inflation should be conducive to further gains. As the events of last month show, however, the market remains fragile and will be subject to ongoing risks. In this sort of environment, security selection will remain critical.

## PORTFOLIO COMPOSITION (31.01.2010)

### Sector breakdown

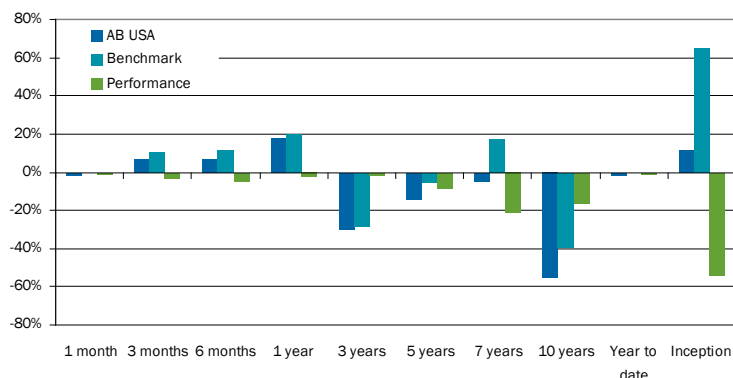


### Ten largest holdings



## PERFORMANCE IN DKK (31.01.2010)

Period	AB USA	Benchmark	Performance
1 month	-1,8%	-0,4%	-1,4%
3 months	7,0%	10,3%	-3,2%
6 months	6,5%	11,1%	-4,5%
1 year	17,6%	20,2%	-2,6%
3 years	-29,9%	-28,4%	-1,5%
5 years	-14,1%	-5,5%	-8,6%
7 years	-4,7%	16,8%	-21,6%
10 years	-55,7%	-39,3%	-16,4%
Year to date	-1,8%	-0,4%	-1,4%
Inception	11,4%	65,1%	-53,7%



## RISK INDICATORS as of 31.01.2010

	Last 12M	Last 36M	Last 60M
Fund Volatility (%)	16,51	17,36	14,85
Benchmark Volatility (%)	17,70	17,31	14,86
Tracking Error (%)	2,85	3,34	2,87
Information Ratio	-0,91	-0,19	-0,65
Sharpe Ratio	0,97	-0,84	-0,41

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