

June 2010

Alfred Berg USA

Market Review

In May, stocks suffered their first sizable loss and first correction (a pullback of 10% or more) since the bull market began in March 2009 and the volatility has only intensified since then. The MSCI USA Index lost 5.2% in June and hit a new low for the year. The MSCI USA has fallen more than 15% since its near-term peak on April 23 and is now down 6.7% for the year-to-date. About the only good thing to say about stocks lately is that they're still up more than 40% in this bull market.

Investor sentiment is gripped by the fear that the U.S. economy might be in for a significant slowdown or even a double-dip recession. Among the symptoms of economic softness that have spooked investors: weak job creation, a slump in housing sales in May, a drop in consumer confidence, and declining economic indicators in China, which has been a prime mover of the global economy in recent years.

The big issue is whether the stock market is being unduly pessimistic or not in pricing all the economic and other risks facing the market. Certainly, pessimism has been his overriding emotion in the past two months. Market strategists who are positive on the market point out that the second-quarter earnings of the S&P 500 Index companies are expected by Wall Street to rise about 27% from the year-ago period. Also, individual incomes are rising (which could stimulate consumer spending), corporate America is flush with cash, and the industrial recovery has been strong.

Currently, we think stocks have attractive valuations going for them. Our research shows that the S&P 500 Index stocks now have average price/earnings ratio of about 13.5 times 2010 estimates, compared with a historical average of around 16. And we would characterize stocks as downright cheap in relation to bonds. The S&P's earnings yield (earnings per share divided by the stock price) is currently more than 7%, while the bond market is yielding less than 3%. (Generally the two yields are about equal.) We continue to think that corporate earnings and the stock market will advance at double-digit annual rates over the next 12 to 24 months.

Not surprisingly in such a downer of a month, all ten sectors of the Russell 1000 Growth Index lost money. Two defensive sectors, utilities and consumer staples, turned in the best relative performance; their losses amounted to less than 3% each. The consumer-discretionary sector, reflecting investors' concerns about the outlook for job and economic growth, produced the biggest loss, more than 8.6%. For the year-to-date, the consumer-staples sector has been the best relative performer, with a negative 4% return. Energy has been the biggest loser, declining more than 14%.

Outlook

The philosophy and process of this fund remains disciplined and consistent. Our systematic fundamental screens focused on quality, valuation and momentum identify compelling opportunities and our research team then completes an exhaustive fundamental review focusing on the sustainable earnings growth potential of each company. The result is a portfolio that has very modest sector exposure, relative to the MSCI USA, but where individual stock selection will determine our success.

At this point, it is fair to say that financial markets have not performed exactly as we expected, with equities in negative territory on a year-to-date basis. We had expected risk assets to outperform defensive assets on the back of improving economic growth and corporate earnings. That scenario played out through the middle of April, but renewed credit problems and the market correction of the past two months have created a more uncertain environment.

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

June 2010

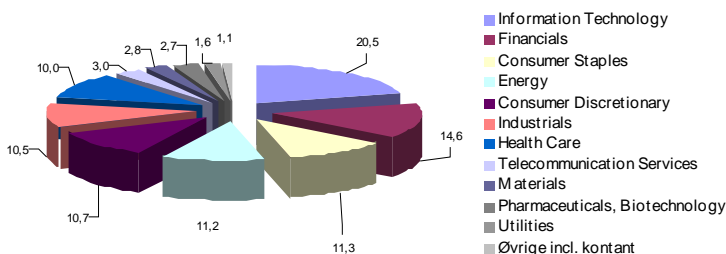
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Many observers continued to express concerns about the possibility of a double-dip recession that could derail the current bull market. True double-dip recessions are very rare, and would require a significant shock to demand levels, which we do not think will occur. What we do believe we have been witnessing is a pullback in growth momentum and a decline in risk appetites—events that are normal during economic recoveries.

PORTFOLIO COMPOSITION (30.06.2010)

Section breakdown

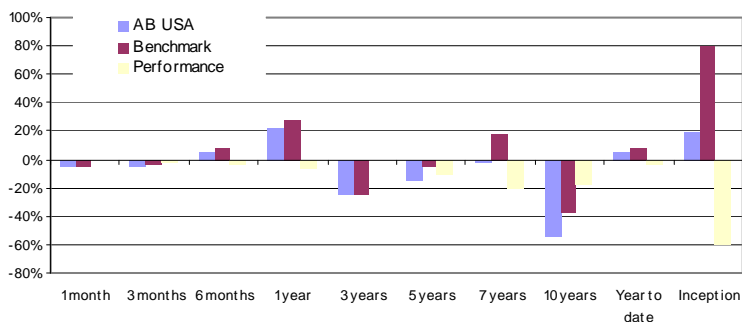


Ten largest holdings



PERFORMANCE IN DKK (30.06.2010)

Period	AB USA	Benchmark	Performance
1 month	-5,5%	-5,2%	-0,3%
3 months	-5,1%	-2,8%	-2,3%
6 months	5,4%	8,3%	-2,8%
1 year	21,7%	28,3%	-6,6%
3 years	-25,0%	-24,9%	-0,1%
5 years	-15,2%	-5,2%	-10,0%
7 years	-2,3%	18,4%	-20,7%
10 years	-54,7%	-37,5%	-17,1%
Year to date	5,4%	8,3%	-2,8%
Inception	19,6%	79,5%	-59,9%



RISK INDICATORS (30.06.210)

	Last 12M	Last 36M	Last 60M
Fund Volatility (%)	14,14	18,32	15,26
Benchmark Volatility (%)	13,22	18,11	15,23
Tracking Error (%)	2,77	3,44	3
Information Ratio	-2,37	-0,01	-0,73
Sharpe Ratio	1,45	-0,66	-0,41

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