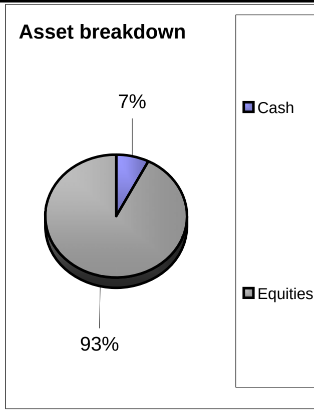
KUYLENSTIERNA & SKOG S.A.
ASSETMANAGEMENT

December 2009 | **NAV** **83.00** | **31/12/2009**

Monthly market comment

The prevailing sentiment is that although stock prices have made upward moves during the year, the outlook for the U.S economy i still bearish and its performance lagging. So far, the recovery in consumer spending has been slow and bank credit is still contractin even though short rates have been chopped to zero and mortgage yields are near record lows. Although, the US should be able tc emerge from the crisis especially now that the household sector savings rate is higher, the private debt burden lighter, the asset base has been cheapened by a weaker USD and the current account deficit is much smaller. The FED has been the most aggressive in terms of expanding its balance sheet and reflating the economy. The US economy has benefited from the weakening USD while the strong JPY and EUR have inflicted damage to both the Japanese and euro area economies. We still are in the middle of a cyclical bull market so buying on dips is still the right strategy.

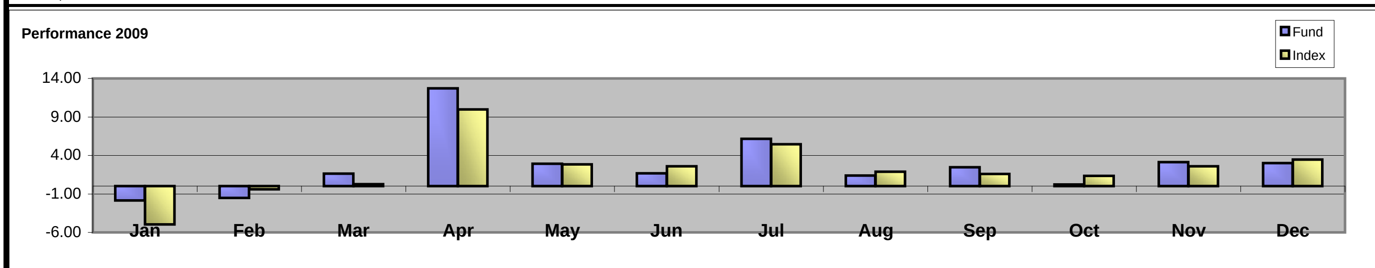
As for small peripheral euro area economies, the debt crisis will likely get worse before it gets better, especially if the euro continues to be strong. The financial markets are putting huge risk premiums on the public-sector debt issued by Greece and Ireland. It will become expensive for these countries to borrow from the debt market since their nominal growth is either stagnating or contracting. Is the damaging impact of the strengthening euro for these peripheral countries being ignored deliberately by ECB? There is a need for change in the central bank’s mindset forcing it to take on more action to reflate asset prices by weakening the EUR and stimulating growth. As long as policymakers delay any action, euro area stocks will likely fall relative to their US counter-parts under the weight of a strengthening euro and increasing financial instability in the peripheral countries. So far, the growth rebound in the US is stronger than in Europe.

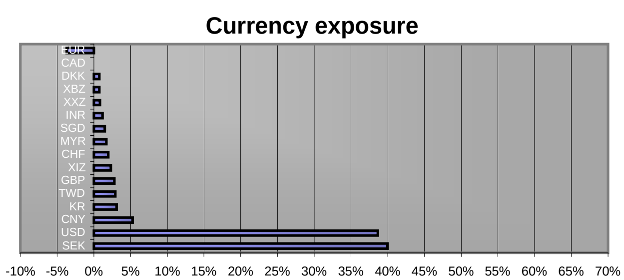


Monthly performance (%)

	Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Tot
Fund	2009	-1.84	-1.52	1.63	12.71	2.92	1.67	6.14	1.39	2.47	0.21	3.14	2.99	36.00
Index	2009	-4.98	-0.39	0.26	9.97	2.84	2.59	5.45	1.88	1.61	1.36	2.60	3.48	29.34

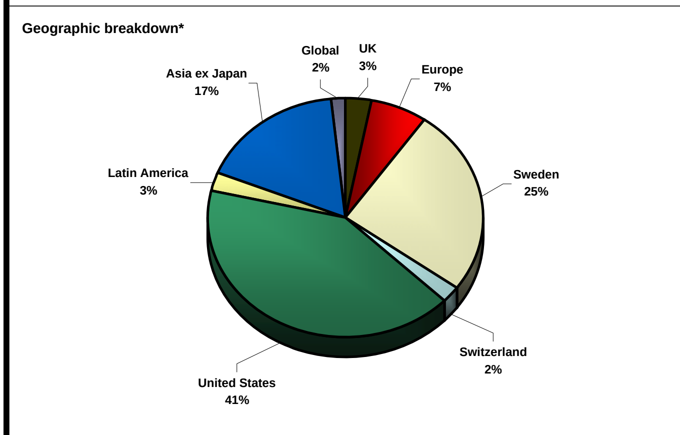
The comparison index consist of: 70% MSCI World Free Index and 30% MSCI Sweden Index

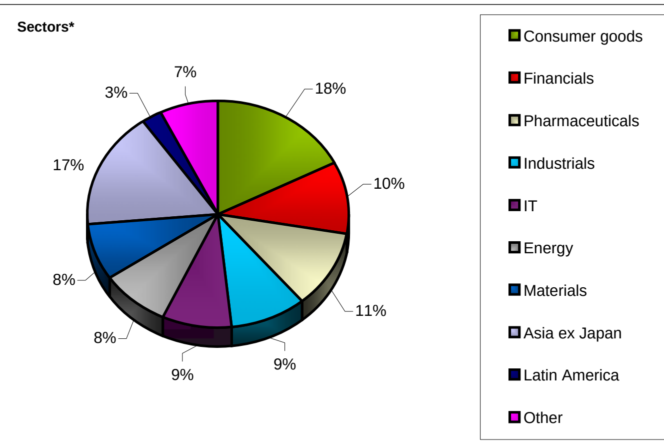




Five biggest holdings

Ishares Ftse/Xinhua China	4.94%
Ishares MSCI South Korea Ind Fd	3.09%
Ishares MSCI Taiwan Index Fund	2.95%
Ishares DJ US Index Fund	2.88%
Ishares S&P 500 Index	2.54%





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