

Problems in financial sector continue to haunt the investors

The slight rise in February was again followed by a sharp decline of financial markets. The principle markets that have suffered the biggest fall were China and India, while the smallest one was recorded in western Europe. The level of uncertainty among investors peaked in the middle of March easing off afterwards. Hence, in the beginning of April we could see one of the sharpest rises of recent times.

Yet again, the nervousness of financial markets was mostly caused by the problems of financial sector. The continuing plight of hedge funds as well as precipitous collapse of one of the leading US investment banks Bear Stearns in the middle of March characterize current situation in the most apt way.

World equity markets' performance (2008.03.31)*

Country/Region	Month	YTD
World	-5.86%	-16.72%
Western Europe	-2.75%	-16.40%
North America	-5.14%	-16.52%
Japan	-8.86%	-15.69%
Emerging Markets	-9.37%	-18.18%
Asia ex. Japan	-10.15%	-21.33%
CEEC ex. Russia	-2.12%	-14.33%
Russia	-5.96%	-18.35%
Latin America	-7.60%	-9.50%
GCC ex. S. Arabia	11.79%	4.64%

*Morgan Stanley indexes, in Euro

Source: MSCI Barra

The biggest losses were inflicted on the investors who have purchased sophisticated products too difficult to comprehend even for the creators of those instruments. The added leverage has caused gigantic damage even greater than the decline in equity markets. The melt down of the two hedge funds managed by Bear Stearns and ensuing share dive from \$60 to \$2 within a week is probably going to be a textbook example of the dangers of highly leveraged hedge funds.

Movers and shakers in March 2008



- In the most recent quarter **Brazilian and Japanese economies** have grown faster than anticipated
- The biggest European bank **HSBC Holdings Plc.** surprised the markets with exceptionally strong profits in 2007 H2
- **Argentina** sees a fast development of the economy in 2008

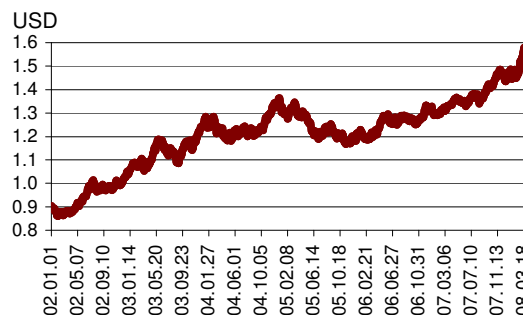


- **Implosion of Bear Stearns – a leading US investment bank**
- **Still falling real estate prices in US, UK, Ireland and Spain**
- **Record high inflation in euro-zone and Latin America**
- **Falling retail sales in euro countries**

Weakening dollar – where is the bottom?

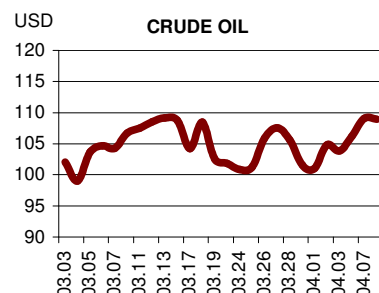
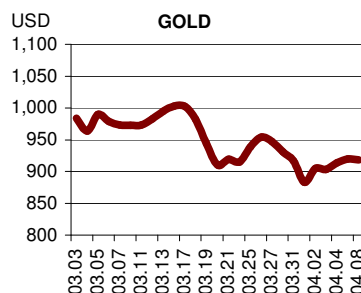
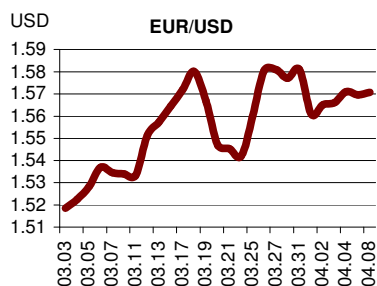
It is difficult to see any change in the depreciation trend of US dollar against the most important trade partners' currencies as weak dollar is inevitable due to weak economy and ultra-low interest rate. Despite hope for a change of the direction for a long time already it is unreasonable to expect this at the moment. Asian countries are more likely to accelerate the pace of appreciation of their currencies in order to ease inflationary pressures.

Dynamics of EUR/USD exchange rate since 2002



Source: Bloomberg

Similar signals have been given by the central banks of Gulf Cooperation Council. All this augurs ominously for the future of US dollar. Thus, no sharp recovery for the dollar insight, at least in the short-term.



LHV World Equities Fund

31-Mar-08

Monthly Return

-5.60%

NAV of Unit

EUR 8.7774

Fund Size

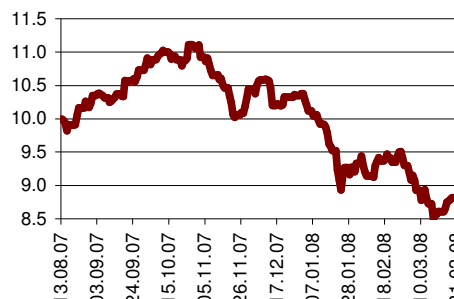
EUR 588,459

Investment Objective

The Fund's investments are diversified geographically among different world financial markets. The Fund invests in developed markets (e.g. contracting state of the European Economic Area, the United States of America and Japan), as well as in emerging markets (e.g. Asia, Latina-America and Eastern-Europe).

The Fund is for investors who want to invest globally without preferring any specific region. As the Fund is already globally diversified you can choose it as your only stock-based investment. The Fund is for long term investors.

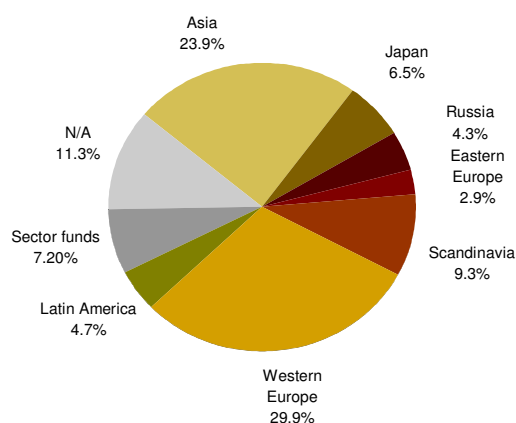
Performance History



Historical Returns

	1 month	3 months	6 months	12 months	YTD	Since Inception	Since Incep. p.a.
Fund	-5.60%	-15.41%	-19.27%	-	-15.42%	-12.23%	-

Geographical Breakdown



Top 10 Investments

Name	% of Assets
DJ Euro STOXX 50 EX	7.77%
JF Asia Diversified A (acc)	5.55%
DAX EX	5.05%
Pictet FDS - Clean Energy Fund	4.12%
HSBC GIF Thai Equity	4.06%
HSBC GIF Japanese Equity Fund	3.86%
JPM Germany Equity A (dist)	3.47%
Ishares Msci South Korea Index	3.43%
HSBC GIF Asia ex Japan Equity Smallc	3.20%
Pictet Water P Cap	3.09%
Value of TOP 10 Investments	44%
Total Number of Investments	30

Fund Manager's Comment

March on world stock markets could be divided into two parts – continued decline at the beginning of the month and significantly improved sentiment at the end of month. Main catalyst for change came from the deal to buy one of the leading US investment bank Bear Stearns. Considering market movements after the takeover it seems that lot of market participants saw this as a bottom of the current stock market cycle.

We are not so sure about the validity of this view about developed markets and so we are planning to use the continued rally to reduce exposure towards Western Europe. Latter still faces dealing with slower growth. Amongst the Asian investments in the fund noteworthy relatively strong performance was shown by Thailand and South Korea.



Andres Viisemann

Fund Details

Type: UCITS
 ISIN: EE3600092417
 Fund Manager: Andres Viisemann
 Depository: Hansabank (Swedbank)
 Registrar: LHV

Issue Fee 1.0%
 Management Fee 2.0%
 Redemption Fee 1.0%
 Established: 04/27/2007
 Launched: 08/13/2007

LHV Emerging Europe Alpha Fund

31-Mar-08

Monthly Return

-8.25%

NAV of Unit

EUR 6.9654

Fund Size

EUR 823,774

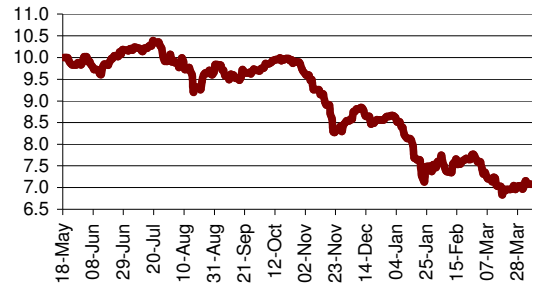
Investment Objective

The Fund aims to benefit from EU convergence trends and rising consumer spending in emerging Europe.

The Fund invests actively in listed final consumer oriented companies that gain from increasing household income and emergence of middle class in Eastern Europe, including Russia and Ukraine.

The Fund picks companies with profitable operations, strong brand identity, distribution reach and pricing power mostly from the following industries: retail, banks, finance, real estate, construction, and entertainment.

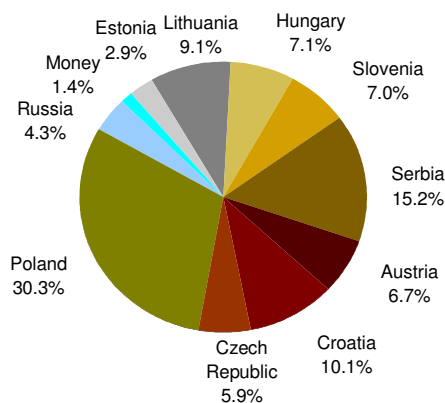
Performance History



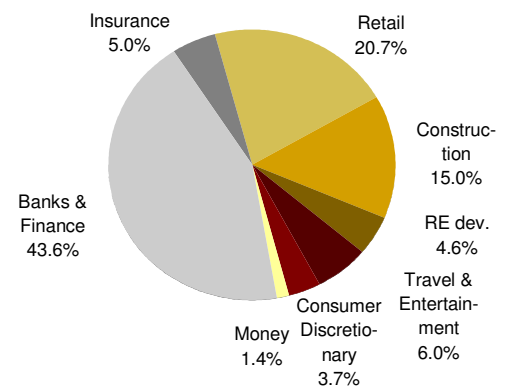
Historical Returns

	1 month	3 months	6 months	12 months	YTD	Since Inception	Since Incep. p.a.
Fund	-8.25%	-19.61%	-28.21%	-	-19.61%	-30.35%	-

Country Breakdown



Industry Breakdown



Top 10 Investments

Name	% of Assets
LPP SA (PL)	7.76%
PKO Bank Polski (PL)	7.14%
AIK Banka (YU)	6.38%
Mercator (SI)	5.48%
IGH (HR)	5.16%
Komerčni Banka (CZ)	4.78%
Raiffeisen Intl Bank Holding (AT)	4.72%
Prekybos AB Apranga (LT)	4.71%
BRE Bank (PL)	4.60%
Mostostal-Export SA (PL)	4.60%
Value of TOP 10 Investments	55%
Total Number of Investments	25

Fund Manager's Comment

CEE region has suffered doubly in March. Negative news from US were coupled with rising tensions in the Balkan region following the proclamation of Kosovo's independence. Serbia's, Croatia's and Slovenia's share prices have all been affected dramatically. On the other hand, Austrian and Polish markets have held virtually flat and the first signs of the recovery of those markets were detected.

During the month the exposure to rapidly slowing Estonian economy was reduced. A position in a Czech bank was partially swapped for a new investment in an Austrian bank with stellar results in CEE. Furthermore, bargain prices in Serbia were used to build up positions there. It is the opinion of Fund manager that the abnormally low prices of Serbian securities following the Kosovan events will eventually lead to exceptional appreciation of those positions.

Fund Details

Type: UCITS
 ISIN: EE3600090593
 Fund Manager: Romanas Bulatovas
 Depository: Hansabank (Swedbank)
 Registrar: LHV

Issue Fee: 2.0%
 Management Fee: 2.5%
 Redemption Fee: 0.0%
 Established: 04/12/2007
 Launched: 05/18/2007



LHV Persian Gulf Fund

31-Mar-08

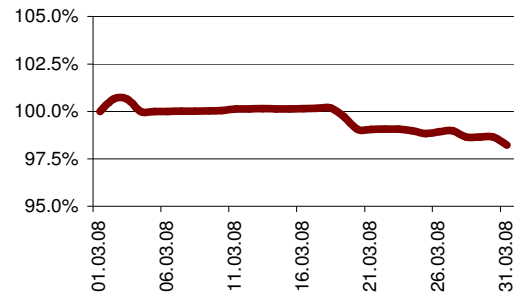
Monthly Return **-1.77%**
 NAV of A unit **EUR 9.8226**
 NAV of B unit **EEK 98.2264**
 Fund Size **EUR 4,257,490**

Investment Objective

LHV Persian Gulf Fund invests in listed equities in the GCC (*Gulf Cooperation Council*) region: mostly Qatar, Kuwait, United Arab Emirates, Bahrain and Oman.

As growth and opportunity is seen outside the energy sector, the majority of the Fund's assets are invested in banking, insurance, infrastructure, communication, construction, power and water sectors.

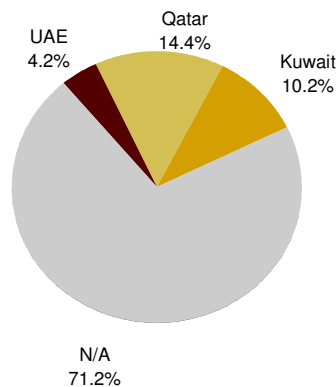
Performance History



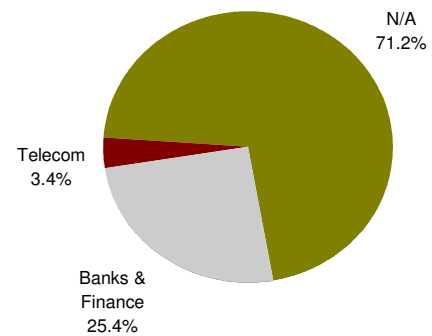
Historical Returns

	1 month	3 months	6 months	12 months	YTD	Since Inception	Since Incep. p.a.
Fund	-1.77%	-	-	-	-1.77%	-1.77%	-

Country Breakdown



Industry Breakdown



Top 10 Investments

Name	% of Assets
Qatar National Bank P-Cert	5.87%
Qatar Islamic Bank (QA)	5.21%
First Gulf Bank (AE)	4.16%
Commercial Bank of Kuwait (KW)	3.48%
Burgan Bank (KW)	3.40%
Nat Mobile Telecom (KW)	3.35%
Commercial Bank of Qatar (QA)	3.19%
Value of TOP 10 Investments	28.8%
Total Number of Investments	7

Fund Manager's Comment

GCC stock markets saw profit taking in March after strong run during previous months and after companies released their detailed full year results. Most indexes ended the month in negative territory. Strongest markets were Kuwait and Oman, weakest Dubai and Qatar.

We made our first investments during the month, starting with Qatar and Kuwait stock markets and mostly focusing on financial sector. Banking sector in Qatar is most attractive in the region considering its growth potential and valuation. In the end of the month we also entered Abu Dhabi market.

Also speculations about currency revaluations in Qatar and UAE became more real as US lowered its interest rates aggressively.



Oliver Ait

Fund Details

Type: UCITS
 ISIN: EE3600095287 (EUR)
 Registrar: LHV
 ISIN: EE3600095295 (EEK)
 Registrar: EVK
 Fund Manager: Oliver Ait
 Depositary: Hansabank (Swedbank)

Issue Fee 2.0%
 Management Fee 1.75%
 Redemption Fee 1.0%
 Success fee 15% over 10% hurdle
 Established: 01/10/2008
 Launched: 02/13/2008



LHV – Your guide to financial world

LHV, founded in 1999, is a financial brokerage company, offering professional services of financial intermediation, personal advising and wealth management. Access to over 70 market centers worldwide accompanied with investment strategy and support makes us the first choice for beginners and educated investors. Although our main channel of communication and service is the internet, we are always ready to meet you in person, discuss your needs and how we could help you finding the best investment goals. The company is represented in Estonia, Latvia and Lithuania.

Investing in LHV funds

LHV Emerging Europe Alpha Fund is publicly offered in Estonia, Latvia and Lithuania.

LHV World Equities Fund and LHV Persian Gulf Fund are publicly offered in Estonia.

Investor can invest in LHV funds through:

- A-units (denominated in euros, register maintained by LHV) or;
 - B-units (denominated in EEK, register maintained by Estonian Central Securities Depository (ECSD)).
- B-units are available only for LHV Persian Gulf Fund.

In order to buy **A-units** investor needs an investment account with LHV.

- Go to investment portal www.lhv.ee
- Log in with your personal user data
- Select "Funds" -> "LHV World Equities Fund", "LHV Emerging Europe Alpha Fund" or "LHV Persian Gulf Fund"
- From right-hand menu click on "BUY"
- Enter invested amount and confirm the trade

In order to buy **B-units** investor needs a securities account with ECSD.

Investment can be made in the form of a regular payment.

Requisites for LHV Persian Gulf Fund:

- Beneficiary's name: **EVK** (ECSD in Estonian)
- Beneficiary's account: **30100952963** (ECSD's account in Bank of Estonia)
- Amount: amount in Estonian kroons
- Details: LHV Persian Gulf Fund B purchase
- Reference number: investor's securities account number with ECSD

TALLINN

City Plaza, 18th floor
Tartu rd 2, 10145 Tallinn, Estonia
tel: +372 6 800 400
fax: +372 6 800 402
www.lhv.ee
info@lhv.ee

RIGA

BC "Duntes biroji", 6th floor
Duntes ielā 6, 1013 Rīga, Latvia
tel: +371 6 750 2100
fax: +371 6 750 2102
www.lhv.lv
info@lhv.lv

VILNIUS

BC „Vertas“, 12th floor
Gynėjų 16, 01109 Vilnius, Lithuania
tel: +370 5 204 7 204
fax: +370 5 204 7 207
www.lhv.lt
info@lhv.lt