

Continuing rise of world stock markets

During May most world stock markets kept on rising although with slowing momentum. Best performers were emerging markets, namely Latin America and Russia. Underperformers were China and India where foreign investors were concerned about rising inflation.

World equity markets' performance (2008.05.30)*

| Country/Region | Month | YTD |
|-------------------|--------|---------|
| World | 1.35% | -9.54% |
| Western Europe | -0.47% | -12.34% |
| North America | 2.09% | -8.92% |
| Japan | 2.69% | -5.50% |
| Emerging Markets | 1.74% | -8.61% |
| Asia ex. Japan | -3.49% | -16.62% |
| CEEC ex. Russia | 4.31% | -9.15% |
| Russia | 15.90% | -1.23 |
| Latin America | 9.29% | 10.08% |
| GCC ex. S. Arabia | -0.40% | 11.85% |

*Morgan Stanley indexes, in Euro

Source: MSCI Barra

A rise of Russian index is explained by the surge of the gas and oil companies as the Russian new government unveiled plan to lower their tax burden. Behind the rise in Latin American markets were follow-up to Brazil's investment grade rating and also continued high price levels of commodities. US markets kept on rising despite of worsening outlook for local economy. Last few months can be characterized in a way that negative macro data has limited effect on stock prices as stocks have fallen so much that at these levels negative news are considered almost irrelevant. Markets got also little boost when the first quarter GDP growth was adjusted from 0.6% to 0.9%.

Taking profit from Russia

Russia market surprised by quite sharp rise in some stocks due to taxation changes and high oil price. This performance is accompanied by high risks as the flow of money into and out of

Movers and shakers in May 2008



- **Faster economic growth of south-eastern Asia in Q1**
- **Euro zone and USA economies grew by 0.7% and 0.9% accordingly in 2008 Q1**
- **Fannie Mae was allowed to guarantee larger mortgages**
- **Pro-Western bloc won in Serbia**
- **Slovakia revalued its crown by 15% vis-à-vis euro down to 30.126 SKK**

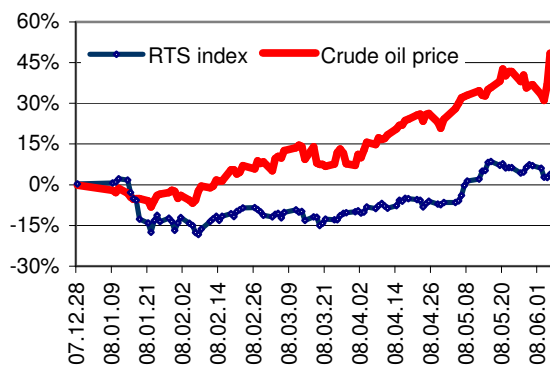


- **Swiss UBS lost \$ 10.9 bn in Q1, plans to fire 5,000 employees**
- **China experienced the most vicious earthquake in 58 years**
- **Sales on USA secondary housing market fell by 1.6% y-o-y in April**
- **Housing prices in UK slumped by 2.5% in May, the most since 1991**
- **German retail sales fell by 1.7% in April**

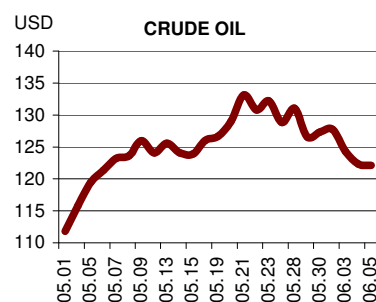
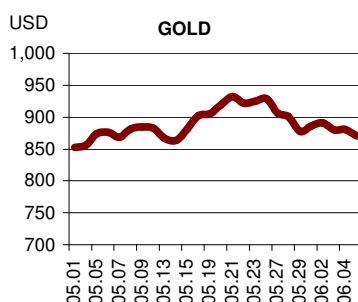
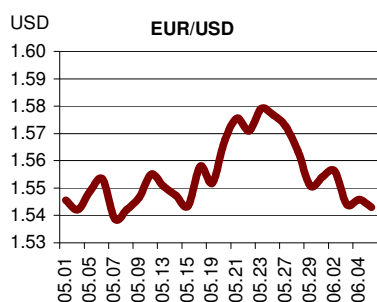
stocks is speculative and depends largely on oil prices. Although local oil and gas producers' valuation are attractive, the companies all too often put state and not shareholders interests first. On the other hand, the sectors linked to private consumption are quite expensive. Albeit growth potential is alluring, development relies on commodities sector's ability to generate cash.

The LHV team has used the opportunity to lower exposure to Russian stocks. At the moment we remain bystanders in Russian market, but in case of a downtrend we can start buying again.

Dynamics of RTS index and crude oil price



Source: Bloomberg



LHV World Equities Fund

31-May-08

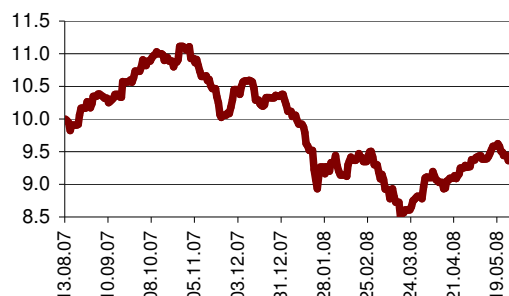
Monthly Return **2.70%**
 NAV of Unit **EUR 9.5203**
 Fund Size **EUR 683,359**

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.

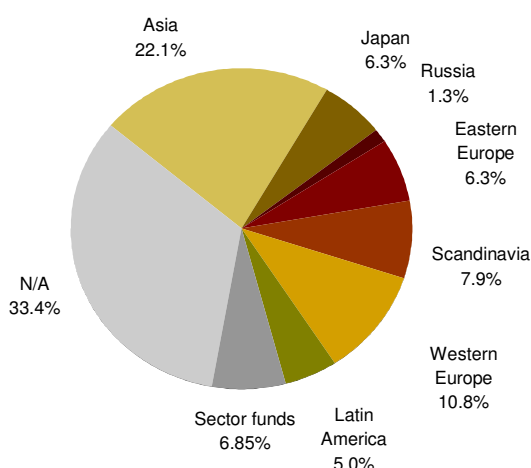
Performance History



Historical Returns

| | 1 month | 3 months | 6 months | 12 months | YTD | Since Inception | Since Incep. p.a. |
|------|---------|----------|----------|-----------|--------|-----------------|-------------------|
| Fund | 2.70% | 2.40% | -8.73% | - | -8.26% | -4.80% | - |

Geographical Breakdown



Top 10 Investments

| Name | % of Assets |
|-------------------------------------|-------------|
| JF Asia Diversified A (acc) | 5.14% |
| Pictet FDS - Clean Energy Fund | 3.97% |
| HSBC GIF Japanese Equity Fund | 3.78% |
| HSBC GIF Thai Equity | 3.49% |
| JPM Germany Equity A (dist) | 3.27% |
| Ishares Msci South Korea Index | 3.19% |
| HSBC GIF Asia ex Japan Equity Small | 3.01% |
| Fenno 28/03/10 | 3.00% |
| Pictet Water P Cap | 2.89% |
| HSBC GIF Euroland Equity A | 2.72% |
| Value of TOP 10 Investments | 34% |
| Total Number of Investments | 26 |

Fund Manager's Comment

The first half of the month can be characterized by continued rise in stock prices almost across the world. However, the second half saw reversal of the trend. European markets where we lowered our exposure in March ended month in negative territory (-1.2%). We believe that decline will continue throughout the summer and patience is needed for broader rally in stocks.

At the end of month we sold our Russian index exposure. Steep rally there can be explained by political changes and comments about lowering tax burden on oil companies. Rally was of course supported by continued high commodity prices.

Markets can still be characterized by high degree of uncertainty and because of that we are cautious when it comes to new investments.



Andres Viisemann

Fund Details

Type: UCITS
 ISIN: EE3600092417
 Fund Manager: Andres Viisemann
 Depositary: 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

30-May-08

Monthly Return

2.76%

NAV of Unit

EUR 7.3205

Fund Size

EUR 834,187

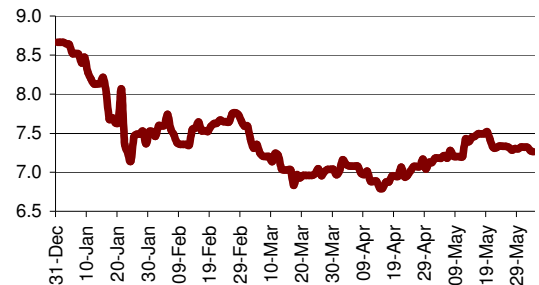
Investment Objective

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.

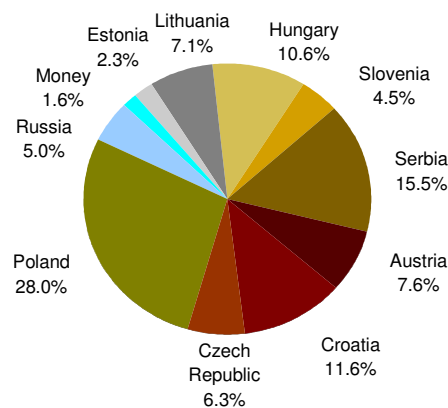
Performance History



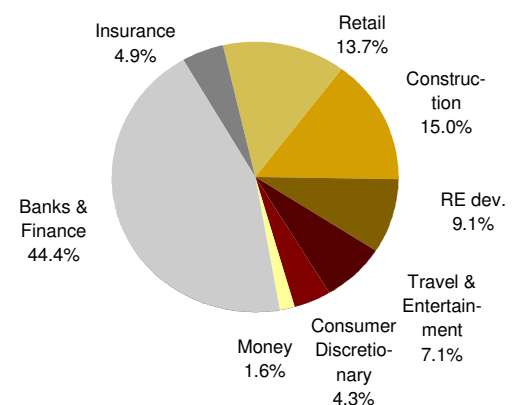
Historical Returns

| | 1 month | 3 months | 6 months | 12 months | YTD | Since Inception | Since Incep. p.a. |
|------|---------|----------|----------|-----------|---------|-----------------|-------------------|
| Fund | 2.76% | -4.36% | -14.27% | -25.93% | -15.51% | -26.80% | - |

Country Breakdown



Industry Breakdown



Top 10 Investments

| Name | % of Assets |
|-----------------------------------|-------------|
| PKO Bank Polski (PL) | 6.97% |
| AIK Banka (YU) | 6.51% |
| IGH (HR) | 5.77% |
| BRE Bank (PL) | 5.37% |
| Raiffeisen Intl Bank Holding (AT) | 5.20% |
| ECM Real Estate Investments (CZ) | 5.19% |
| Sberbank (RU) | 4.97% |
| LPP SA (PL) | 4.73% |
| Mostostal-Export SA (PL) | 4.28% |
| Zwack Unicum Rt. (HU) | 4.28% |
| Value of TOP 10 Investments | 53% |
| Total Number of Investments | 26 |

Fund Manager's Comment

May has brought a further recovery in CEE markets. Improving sentiment of local and foreign investors was coupled with a mildly surprising victory of the pro-EU block in Serbian election. After-election rally in Serbia has lifted the Fund unit by +3.22% in just one day (on May 12).

The strongest performance was demonstrated by Fund's Russian holdings which appreciated by astonishing 11.66% during the month. Already strong in April, Hungarian and Croatian markets have contributed nicely again – +6.13% and +6.72%. Austria, which was the best-performing stock exchange in April, has suffered a correction of -4.46%. However, the worst performance was again recorded in Baltic states (-7.61%).

During the month the Fund has returned to OTP position in Hungary. After several years of painful reforms through the budget austerity measures and rate hikes, inflation problem finally seems under control, so a strong rally of Hungarian stocks is awaited.

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-May-08

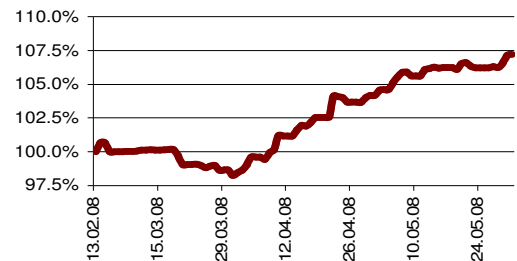
Monthly Return 2.91%
NAV of A unit EUR 10.7193
NAV of B unit EEK 107.1928
Fund Size EUR 5,221,954

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.

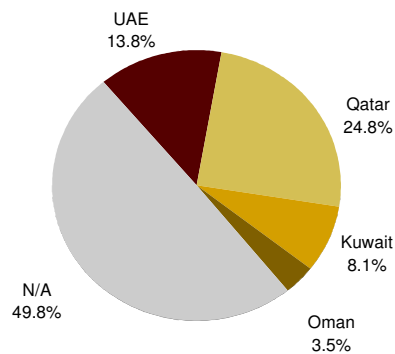
Performance History



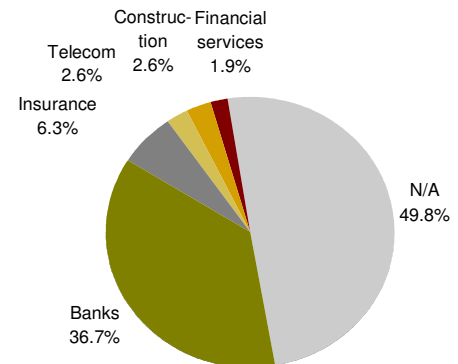
Historical Returns

| | 1 month | 3 months | 6 months | 12 months | YTD | Since Inception | Since Incep. p.a. |
|------|---------|----------|----------|-----------|-------|-----------------|-------------------|
| Fund | 2.91% | - | - | - | 7.19% | 7.19% | - |

Country Breakdown



Industry Breakdown



Top 10 Investments

| Name | % of Assets |
|---------------------------------|-------------|
| Qatar Islamic Bank (QA) | 6.42% |
| First Gulf Bank (AE) | 6.35% |
| Qatar National Bank (QA) | 6.01% |
| Qatar Insurance Company (QA) | 5.99% |
| Commercial Bank of Qatar (QA) | 5.86% |
| National Bank of Abu Dhabi (AE) | 3.54% |
| Burgan Bank (KW) | 3.39% |
| Commercial Bank of Kuwait (KW) | 2.80% |
| Bank Dhofar (OM) | 2.69% |
| Aldar Properties (AE) | 2.60% |
| Value of TOP 10 Investments | 45.6% |
| Total Number of Investments | 12 |

Fund Manager's Comment

May was less volatile as reporting season has ended and slower summer is ahead. The best performing markets were Qatar (+5%), Oman (+2.7%) and Bahrain (+1.6%), worst performing – Kuwait (-2.9%) and Saudi Arabia.

During the month we increased stakes in UAE markets and diversified portfolio outside financial sector as we entered construction and brokerage sectors. We are expecting stronger performance from Qatar and Abu Dhabi during the second half of 2008 and we are positioned accordingly.

Qatar banking sector was positively affected by comments from Fitch Ratings as ratings for some banks were reaffirmed and raised based on liquidity, stability and strong financial position.



Oliver Ait

Fund Details

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

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