

LHV Emerging Europe Alpha Fund

31-Jan-08

Monthly Return

-13,91%

NAV of Unit

EUR 7,4597

Fund Size

EUR 876.152

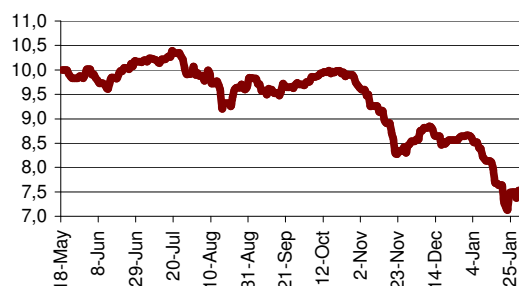
Investment Objective

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.

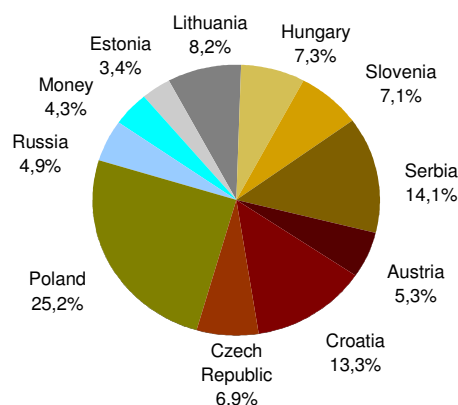
Performance History



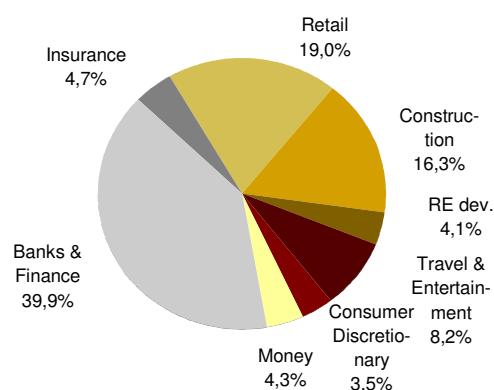
Historical Returns

	1 month	3 months	6 months	12 months	YTD	Since Inception	Since Incep. p.a.
Fund	-13,91%	-22,98%	-25,94%	-	-13,91%	-25,40%	-

Country Breakdown



Industry Breakdown



Top 10 Investments

Name	% of Assets
AIK Banka (YU)	6,92%
LPP SA (PL)	6,49%
IGH (HR)	6,46%
Komerčni Banka (CZ)	5,84%
Mercator (SI)	5,63%
Raiffeisen Intl Bank Holding (AT)	5,31%
Sberbank (RU)	4,92%
PKO Bank Polski (PL)	4,81%
Prekybos AB Apranga (LT)	4,41%
BRE Bank (PL)	4,30%
Value of TOP 10 Investments	55%
Total Number of Investments	25

Fund Manager's Comment

Affected by the USA risk mortgage crisis the beginning of 2008 was one of the worst start of world stock markets in history. Stock prices fell for a fourth straight week, putting the markets on track for its worst January ever.

LHV Emerging Europe Alpha Fund was also negatively influenced by the challenging situation in world stock markets. In order to explain the situation to investors this month's review will be more comprehensive and give the unit holders an opportunity to evaluate the Fund's positions.

Broader review of the situation and analysis of the top holdings of the Fund are on the next page.

Fund Details

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

Issue Fee 2%
 Management Fee 2.5%
 Redemption Fee 0%
 Established: 4/12/2007
 Launched: 5/18/2007

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Monthly review of LHV Emerging Europe Alpha Fund

31-Jan-08

In August 2007, the USA mortgage market crashed. The effects of the crash detrimentally affected European stock markets as liquidity dried up and investors started to shun risk. European banks were especially affected after two of the biggest US financial institutions – Citigroup and Merrill Lynch – reported gigantic losses stemming from sub-prime market in the middle of January. Depreciating shares of the mightiest world's banks plunged the whole market into a sharp correction. Nervous investors struck by the panic wound up their equity holdings on a broad scale ignoring fundamental valuation of the stocks.

This challenging environment in world equity markets has also caused correction of LHV Emerging Europe Alpha Fund. Still, in the longer term panic subsides and investors return to value investing, causing a rally in undervalued stocks driven down during the panic. The first tentative signs of that could have been spotted in the very last days of January. LHV Emerging Europe Alpha Fund is a long-term investment vehicle geared towards fast developing CEE companies, and interested in a long-term invested capital value appreciation. All companies in Fund's portfolio are known for rapid turnover growth, profitable operations, strong brands and wide distribution networks. Recent depreciation of those companies' stocks was not caused by the results of their activities, but rather by the general nervousness in the world equity markets. Hence we offer a concise briefing on Top 5 holdings in our portfolio, their financial results, future plans and forecasts. We leave it to our investors themselves to form independent opinion on future prospects of those companies and shape expectations on expected return on those investments.



AIK Banka a.d. is a Serbia-based bank, which provides number of banking services such as payment operations, e-banking, credits (corporate and retail credits, as well as depository services)

and payment cards. AIK Banka a.d. has its branch offices located throughout the country, in Belgrade, Novi Sad, Zrenjanin, Subotica, Krusevac, Kraguljevac, Cacak, Pancevo, Sombor, Pirot and Vranje. It is headquartered in Nis, Serbia.

AIK Banka a.d. demonstrated strong revenue growth as net profit came in at RSD 1.052 mio for 3Q07, up 33,5% q/q and 63,5% y/y. With net lending surging 22,4% q/q and 94,0% y/y, AIK Banka has increased market share to an estimated 6,4% from 4,5% at the beginning of the year. Boosted by exceptional growth in volumes, net interest income increased 18,3% q/q and 64,7% y/y to RSD 1.421,3 mio. On the back of the strong 3Q07 performance and outstanding volume growth, it is expected net profit growth by 26,2% y/y to RSD 4.874 mio for 2007, 32,3% y/y to RSD 6.448 mio for 2008, and 17,5% y/y to RSD 7.579 mio for 2009.

On the back of improved distribution coverage, aggressive pricing in some segments, and outstanding flexibility, market share gains are expected to continue in both retail and corporate lending. Overall, market share is expected to rise from 4,5% in 2006 to 6,6% in 2007, 6,7% in 2008 and 6,8% in 2009.

Financial results (RSD bn)	2006 09	2007 09	Change y/y	2006	2007 E	Change y/y
Net interest income	2,127	3,620	70,2%	2,866	4,989	74,1%
Net fee and commission income	0,602	1,202	99,5%	0,832	1,432	72,0%
Net profit (loss)	1,617	2,840	75,6%	3,862	4,874	26,2%



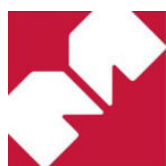
LPP S.A. is a company engaged in designing and distributing clothes. The projects are designed in the company's main office in Gdańsk where appropriate material and accessories are selected as well as particular packaging style and mode of transport. Production process takes place in the Far East and is under control of the LPP Shanghai office. The Company owns several clothing trademarks, such as Henderson, T-Line, Geffer and others, and holds distribution rights for Fruit of The Loom and Reserved products. At the end September 2007 LPP's retail sales network numbered 292 stores, whereof 171 Reserved and 121 CROPP. In 2007, LPP won the polish edition of Best of European Business competition, in category Growth Large Company.

Revenues from sales in Q307 reached PLN 324,0 mio, up by 59% y/y (PLN 203,3 mio in Q306) and for nine months of 2007 totaled PLN 887,5 mio and were up by 68% y/y. Net profit in Q307 came to PLN 32,5 mio, that is more than 8 times greater than a year ago. Year-to-date net profit totalled PLN 82,8 mio. The results in Q307 were mostly influenced by the successful autumn and winter collection, skillfully conducted process of replacing summer collection with the autumn one and the general good market condition. As in previous quarters of 2007, revenues of comparable

stores increased robustly (+35% in Reserved and +49 % in Cropp Town) in Q307. It is expected revenues from sale growth by 23,2% y/y to PLN 1.566,0 mio and net profit growth by 34,6% y/y to PLN 190,4 mio for 2008.

Key factors likely to influence results generated in the nearest future are: 1) dynamics of retail trade in Poland and CEE countries where LPP Group pursues business (Estonia, Latvia, the Czech Republic, Hungary, Lithuania, Ukraine, Russia, Romania), 2) development of sales network of Reserved and Cropp Town brands, 3) exchange rate of PLN against USD and EUR.

Financial results (PLN th.)	2006 09	2007 09	Change y/y	2006	2007 E	Change y/y
Net revenues from sales	528.020	887.514	68,1%	815.136	1.271.612	56,0%
Operating profit (loss)	-4.667	104.639	--	50.633	178.684	252,9%
Net profit (loss)	-4.645	82.787	--	40.147	141.440	252,3%



Mercator

Mercator d.d. is a Slovenian company, primarily involved in the wholesale and retail sale of consumer goods. It is the parent company for a group comprised of 13 companies. The Mercator Group's operations are divided in 2 sectors: Trade and Non-trade. The Trade activities include the wholesale and retail sale of consumer goods through shopping centers. In this sector are engaged the parent company and 6 subsidiaries incorporated in Macedonia, Bosnia and Herzegovina, Serbia and Croatia. The Non-trade activities include the food processing, such as the production of bread and pastry, fruit, vegetables, coffee and cocoa products; engineering and building, as well as hotel and restaurant operations.

Economic conditions in the first nine months of 2007 had a positive effect on Mercator's performance in all markets of the company's operations as high economic growth fueled consumption, particularly in non-alimentary segments. Among the aspects that adversely influenced company operations were high growth of interest rates, increased level of competition, and inflation-related cost pressures. In the last quarter, high prices of agricultural products in world markets led to increased inflationary pressure and raising prices by the suppliers.

In the period from January to September 2007, Mercator Group generated EUR 1.750 mio of net revenues from sales, which is 19,3% more than in the corresponding period of 2006. Net profit of the Group in the first nine months of 2007 amounted to EUR 36,1 mio. In 2008, Mercator Group is planning net revenues from sales in the amount of EUR 2,6 bn, which is 9,5% more than the estimated figure for 2007. Of this sum, almost EUR 870 mio, or one third, will be generated in four foreign markets. Comparable profit before taxes in 2008 is planned to grow by 9,3%, and the net profit is planned at EUR 40,6 mio.

Financial results (EUR th.)	2006 09	2007 09	Change y/y	2006	2007 E	Change y/y
Net revenues from sales	1.466.145	1.749.704	19,3%	2.064.583	2.398.994	16,2%
Operating profit (loss)	45.750	58.783	28,5%	50.776	81.611	60,7%
Net profit (loss)	21.343	36.121	69,2%	30.149	42.829	42,1%



Institut Građevinarstva Hrvatske d.d. is a Croatia-based company. It specializes in research and development activities related to the field of civil engineering by providing inspection, certification and project consultancy services. The institute performs its activities in Croatia and abroad through 9 departments and 3 regional units. The Company has participated in a number of construction projects worldwide. It is headquartered in Zagreb, Croatia.

IGH generated HRK 490,1 mio of total income in the period from January to September 2007, which is 23,4% more than in the corresponding period of 2006. Net profit of the Company in the first nine months of 2007 amounted to HRK 36,3 mio. During the corresponding period, the company generated 97% of its sales income from activities in Croatia and the rest 3% from abroad. The results of latter years shows the company is dynamic to be able to respond to the growing needs in engineering and varied field.

Together with the Russian Engineering Academy, IGH recently established a construction consultancy company in

Russia. Each company will invest EUR 20 mio, but IGH will have 51% stake. Since, there is no such company in Russia; IGH is hoping to benefit from planned infrastructural boom. According to IGH's CEO the JV plans in 3- 5 years period reach annual sales of USD 200 mio, vs. 2007E IGH's sales of USD 125 mio.

Financial results (HRK th.)	2006 09	2007 09	Change y/y	2006	2007 E	Change y/y
Total income	397.239	490.099	23,4%	595.889	712.798	19,6%
Total expenses	365.555	446.774	22,2%	548.441	663.128	20,9%
Net profit (loss)	24.134	36.337	50,6%	37.548	41.513	10,6%



KB

Komerční banka a.s. is the Czech Republic-based company providing commercial banking and other financial services. The Company offers services for clients in retail, corporate and investment banking. The corporate and investment banking section provides payment services, trade finance, leasing, factoring, loans, asset management, capital market services, financial advisory and other services. Through the retail banking section the Bank offers deposit products, loans and payment services. Its clients are also offered insurance services, supplementary pension plans, building savings, leases and unit trust investment services. The Company is a part of the Société Générale Group, which operates in financial services. It is headquartered in Prague, the Czech Republic.

During the first nine months of 2007 consolidated net banking income of KB Group reached CZK 21.783 mio, up 13% y/y. Net interest income of the Group amounted CZK 13.703 mio, showing 15,5% growth y/y. Net fees and commissions rose by 6,6% to CZK 6.856 mio. Komerční banka Group's net profit in the first nine months of 2007 amounted to CZK 8.142 mio, rising by 19,4% y/y.

Komerční banka expects to increase its total number of clients and further expand its distribution network. Direct banking channels allowing 24/7 access will be developed further. While in the end of September having 382 branches, the Bank intends to have 400 of them in 2008. Also in 2008, the new call centre in Zlín will start its operations.

Financial results (CZK mio)	2006 09	2007 09	Change y/y	2006	2007 E	Change y/y
Net interest income	11.866	13.703	15,5%	16.155	18.575	15,0%
Net fee and commission income	6.430	6.856	6,6%	8.769	9.514	8,5%
Net profit (loss)	6.818	8.142	19,4%	9.120	10.700	17,3%