

LHV World Equities Fund

Annual Report 2008
(translation of the Estonian original)

LHV World Equities Fund**Annual report** 01.01.2008 – 31.12.2008

Fund name	LHV World Equities Fund
Fund type	Common fund (UCITS)
Fund Manager	Andres Viisemann
Main activity	Investment of fund assets, EMTAK 64301
Legal address	Tartu mnt. 2, Tallinn 10145
Phone	(372) 6800 400
Fax	(372) 6800 402
Fund Management company	AS LHV Varahaldus
Commercial Register no. of Fund Management Company	10572453
Manager of Fund Management Company	Mihkel Oja
Auditor	AS PricewaterhouseCoopers

The annual report comprises the Fund's management report, financial statements and the independent auditor's report.

Table of contents

MANAGEMENT REPORT	4
FINANCIAL STATEMENTS	5
Fund Management Company's Management Board's confirmation of the financial statements	5
Balance sheet	6
Statement of income and expenses	7
Statement of movements in assets	8
Statement of the Fund's investments as of 31.12.2008	9
Statement of the Fund's investments as of 31.12.2007	12
Structure of investments according to the investment policy	15
Notes to the financial statements	16
Note 1 Accounting policies and valuation methods used in preparing the financial statements	16
Note 2 Impacts of economic crisis	17
Note 3 Statement of commissions	18
Note 4 Statement of comparison of the Fund's net assets' value	18
Note 5 Derivatives	19
Note 6 Dividends to be received	19
Note 7 Other receivable	19
Note 8 Related parties	19
Note 9 Correction in initial fees	19
INDEPENDENT AUDITOR'S REPORT	20
SIGNATURES OF THE MANAGEMENT BOARD OF THE FUND MANAGEMENT COMPANY TO THE 2008 ANNUAL REPORT	21

MANAGEMENT REPORT

LHV World Equities Fund is a public open-ended common investment fund founded by AS LHV Varahaldus on 27 April 2007 and registered with the Financial Supervisory Authority on 2 August 2007. The Fund is in compliance with the EU Council directive 85/611/EEC and the legislation of the Republic of Estonia regarding UCITSs.

The objective of the fund's activities is long-term maximum growth of the investments made by its investors by diversifying the fund's assets geographically across 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, Latin America and Eastern Europe). The fund invests up to 100% of its assets in equities or in investment funds that invest into equities around the world.

The global economy was hit by a crisis in 2008 and all main stock markets fell significantly. During the first half of the year the fund reduced its exposure towards Western-Europe, especially at the expense of financial sector. The fund saw better investment opportunities in Asia and Japan and therefore increased its exposure towards these regions in the second half of the year. Although falling Asian equities made up a significant proportion of the fund's assets throughout the year, the fund managed to avoid the fall in NAV so some extent by keeping high level of liquidity. As of year end the fund had 27% of its assets in cash waiting for better market sentiment.

At the year-end, the Fund's volume totalled EEK 6 531 793 (EUR 417 458).

The difference of NAV presented in this report (see Note 4) from the initially disclosed NAV is mainly related to consideration of additional information received by the time of preparation of this report.

Comparison of Fund's return with MSCI indices of different regions*

	NAV 31.12.2007	NAV 31.12.2008	Change during the period
MSCI North America Index	99,0350	63,2880	-36,10%
MSCI World Index	110,9660	67,6000	-39,08%
LHV World Equities Fund	10,3780	5,9907	-42,28%
MSCI Europe Index	127,4300	69,4290	-45,525
MSCI EM Latin America Index	489,7850	243,2340	-50,34%
MSCI EM Asia Index	276,7170	133,1670	-51,71%
MSCI Emerging Markets Index	334,6140	160,2190	-52,12%

* in euros, according to the official daily price

Source: www.mscibarra.com

FINANCIAL STATEMENTS**Fund Management Company's Management Board's confirmation of the financial statements**

The Management Board of the Fund Management Company confirms the correctness and completeness of LHV World Equities Fund 2008 financial statements as presented on pages 5 – 16.

- the principles, accounting methods and valuation bases used in preparing the financial statements are in compliance with the requirements applicable to investment funds in the Accounting Act, the Investment Funds Act and corresponding regulations of the Ministry of Finance, based on the generally accepted accounting principles and good practice;
- the financial statements present a true and fair view of the financial position and the results of operations of the UCITS fund;
- LHV World Equities Fund is a going concern.

Management Board of the Fund Management Company:

Mihkel Oja / signed /
Member of the Management Board

Rait Kondor / signed /
Member of the Management Board

Kerli Lõhmus / signed /
Member of the Management Board

Tallinn, 24 April 2009

Balance sheet*(in thousand Estonian kroons)*

Assets	Note	31.12.2008	31.12.2007
Securities		4 679 046	9 713 820
Equities		553 241	1 193 580
Bonds		285 047	0
Fund units		3 890 117	8 500 527
Derivatives	5	-49 359	19 713
Deposits		1 747 430	2 251 922
Cash and cash equivalents		1 747 430	2 204 637
Term deposits		0	47 285
Other assets		119 227	148 770
Dividends to be received	6	115 917	148 770
Other receivables	7	3 310	0
Total assets		6 545 703	12 114 512

Liabilities and net assets

Liabilities		13 910	738 264
Liabilities to unit holders		0	699 674
Liabilities to Fund Management Company	8	11 849	35 246
Liabilities to Depositary		2 061	3 344
Fund's net assets value (NAV)	4	6 531 793	11 376 248
Total liabilities and net assets		6 545 703	12 114 512

The notes on pages 16 to 19 are an integral part of these financial statements.

Statement of income and expenses*(in Estonian kroons)*

	Note	01.01.2008 - 31.12.2008	02.08.2007 - 31.12.2007
Net gain (loss) from investments		-4 529 556	52 404
From equities		-504 419	-105 025
From bonds		3 779	0
From fund units		-4 053 206	52 379
From derivatives		-8 343	65 885
From deposits		32 613	39 165
Other income		0	4 660
Income from foreign exchange		0	4 660
Total net gain		-4 529 556	57 064
Operating expenses		210 773	82 906
Management fees	8	180 317	69 467
Depositary fees		19 286	8 707
Transaction fees	3	10 930	4 729
Other operating expenses		240	3
Other expenses		76 922	0
Foreign exchange loss		76 922	0
Total expenses		287 695	82 906
Net result of the Fund		-4 817 250	-25 842

The notes on pages 16 to 19 are an integral part of these financial statements.

Statement of movements in assets*(in Estonian kroons)*

	Note	2008	2007
1. Net assets at the beginning of the period		11 376 248	-
2. Money received from subscription of A-units		2 353 276	12 989 650
Money received from subscription of B-units		11 198	-
3. Money paid upon redemption of A-units		-2 391 679	-1 587 560
4. Net result of the Fund		-4 817 250	-25 842
5. Net assets of the Fund at the end of the period	4	6 531 793	11 376 248
6. Number of outstanding A-units at the end of the period		69619,435	69 911,731
Number of outstanding B-units at the end of the period		137,022	-
7. NAV of A-unit at the end of the reporting period	4	93,70	162,72
 NAV of B-unit at the end of the reporting period	4	59,89	-

The notes on pages 16 to 19 are an integral part of these financial statements.

Statement of the Fund's investments as of 31.12.2008

(in Estonian kroons)

Issuer	Country of issuer	Quantity 31.12.2008	Average acquisition cost in currency	Currency	Total acquisition cost in EEK	Market price per unit as of 31.12.2008 in currency	Total market value in EEK	Proportion of the market value of Fund's assets
1. Securities							4 679 046	71,48%
Equities					815 066		553 241	8,45%
Venspils Nafta	Latvia	2 310	2,09	LVL	106 408	0,70	35 692	0,55%
Ericsson AB	Sweden	1 230	114,46	SEK	201 260	58,80	103 394	1,58%
Svenska Cellulosa AB - B SHS	Sweden	567	79,25	SEK	64 239	66,75	54 106	0,83%
Man AG Stammaktien O.N.	Germany	85	197,19	EUR	262 258	38,72	51 496	0,79%
Nestle SA CMN	Switzerland	70	28,37	EUR	31 077	27,94	30 602	0,47%
Market Vectors Russia ETF Trust	USA	318	39,05	USD	138 949	13,07	46 507	0,71%
Mobile Telesystems – SP ADR	USA	180	57,76	USD	116 347	26,68	53 738	0,82%
Vimpelcom – ADR	USA	370	23,25	USD	96 252	7,16	29 644	0,45%
China Mobile Ltd.- SP ADR	USA	117	48,45	USD	63 429	50,85	66 573	1,02%
Chesapeake Energy Inc	USA	130	20,47	USD	29 782	16,17	23 522	0,36%
Johnson Johnson	USA	45	61,25	USD	30 842	59,83	30 127	0,46%
Novartis AG – ADR	USA	50	47,72	USD	26 696	49,76	27 840	0,43%
Fund units					5 668 430		3 890 117	59,43%
LHV Persian Gulf Fund B	Estonia	3 655	107,01	EEK	391 125	55,11	201 428	3,08%
Pictet (lux) Clean Energy	Luxembourg	340	85,29	EUR	453 751	41,15	218 922	3,34%
Pictet Water P Cap	Luxembourg	136	155,38	EUR	331 708	103,01	219 908	3,36%

The notes on pages 16 to 19 are an integral part of these financial statements.

Issuer	Country of issuer	Quantity 31.12.2008	Average acquisition cost in currency	Currency	Total acquisition cost in EEK	Market price per unit as of 31.12.2008 in currency	Total market value in EEK	Proportion of the market value of Fund's assets
HSBC GIF Thai Equity	Luxembourg	2 900	8,57	EUR	388 683	3,97	179 958	2,75%
HSBC Asia ex Japan	Luxembourg	1 010	22,02	EUR	347 904	10,58	167 244	2,56%
HSBC GIF Japanese Equity	Luxembourg	3 359	8,63	EUR	453 751	5,57	292 956	4,48%
JPMF Asia Diversified A	Luxembourg	171	322,28	USD	614 876	160,88	306 942	4,69%
JPMF Japan Select Equity	Luxembourg	269	11944,99	JPY	396 349	6 124,00	203 202	3,10%
JPMF Latin America Equity	Luxembourg	412	49,55	USD	228 271	26,06	120 047	1,83%
JPM Germany Equity A	Luxembourg	2 561	9,76	EUR	391 165	5,71	228 814	3,50%
XACT OMXS30	Sweden	1 650	117,05	SEK	276 101	65,75	155 093	2,37%
DJ STOXX 600 Technology EX	Germany	628	33,45	EUR	328 682	15,27	150 044	2,29%
XACT OMXH25	Finland	620	33,65	EUR	326 435	14,85	144 058	2,20%
Asia Pacific Fund	USA	847	21,12	USD	200 155	6,42	60 847	0,93%
Greater China Fund	USA	804	26,13	USD	235 090	8,32	74 851	1,14%
Korea Equity Fund	USA	2 090	13,02	USD	304 381	5,69	133 070	2,03%
iShares MSCI Japan Index Fund	USA	5 574	11,83	USD	737 780	9,58	597 520	9,13%
iShares MSCI Taiwan Index	USA	990	13,40	USD	148 477	7,59	84 081	1,28%
iShares MSCI Singapore	USA	772	12,37	USD	106 858	7,05	60 901	0,93%
Latin America Discovery Fund Inc	USA	100	24,13	USD	26 995	8,71	9 746	0,15%
Templeton Russia East Euro	USA	440	32,80	USD	161 481	7,80	38 404	0,59%
MS Emerging Markets Debt	USA	3 060	5,90	USD	202 169	7,07	242 081	3,70%

The notes on pages 16 to 19 are an integral part of these financial statements.

Issuer	Country of issue	Nominal value	Maturity date	Interest rate	Quantity 31.12.2008	Average acquisition cost in currency	Currency	Total acquisition cost in EEK	Market price per unit as of 31.12.2008 in currency	Total market value in EEK	Proportion of the market value of Fund's assets	
Bonds								312 932		285 047	4,35%	
Luottotalo Fenno OY	Finland	1 000	28.03.2010	13,5%	20	1 000,00	EUR	312 932	910,89	285 047	4,35%	
Derivatives (Note 5)										-49 359	-0,75%	
Nordea Bank	Estonia	220 000 USD	31.03.2009				EUR		-3 155	-49 359	-0,75%	
2. Deposits										1 747 430	26,70%	
Current accounts												
Swedbank	Estonia			3,37-3,6%			EUR		55 856	873 953	13,35%	
Swedbank	Estonia						USD		78 060	873 475	13,34%	
Swedbank	Estonia						SEK		1	2	0,00%	
3. Other assets										119 227	1,82%	
Dividends to be received (Note 6)											115 917	1,77%
Other receivable (Note 7)											3 310	0,05%
TOTAL											6 545 703	100%

The notes on pages 16 to 19 are an integral part of these financial statements.

Statement of the Fund's investments as of 31.12.2007

(in Estonian kroons)

Issuer	Country of issuer	Quantity 31.12.2007	Average acquisition cost in currency	Currency	Total acquisition cost in EEK	Market price per unit as of 31.12.2007 in currency	Total market value in EEK	Proportion of the market value of Fund's assets
1. Securities							9 713 820	80,02%
Equities					1 424 295		1 193 580	9,85%
PKO Bank Polski SA	Poland	730	52,55	PLN	175 344	52,60	166 576	1,38%
Ericsson AB	Sweden	10 000	19,06	SEK	398 972	15,18	251 710	2,08%
Man AG Stammaktien O.N.	Germany	170	122,14	EUR	326 361	111,41	296 342	2,45%
Cargotec Corp - B	Finland	300	36,05	EUR	169 641	31,65	148 564	1,23%
OTP Bank Share	Hungary	300	9 000,00	HUF	185 760	8 790	162 975	1,35%
Sberbank Common Share	Russia	3 700	3,68	USD	168 218	4,22	167 413	1,38%
Fund units					9 199 557		8 500 527	70,17%
Asia Pacific Fund	USA	1 030	26,84	USD	369 171	24,27	268 029	2,21%
DaxEx	Germany	477	73,31	EUR	578 069	76,58	571 549	4,72%
Div. DaxEx	Germany	1 196	16,72	EUR	332 536	17,40	325 612	2,69%
Dow Jones Euro Stoxx 50 Ex	Germany	1 252	42,35	EUR	884 860	44,53	872 323	7,20%
Ishares MSCI South Korea	USA	570	72,87	USD	442 274	64,70	395 416	3,26%
Greater China Fund	USA	535	39,27	USD	228 270	24,81	142 316	1,17%
HSBC GIF Thai Equity	Luxembourg	2 900	8,57	EUR	412 596	8,45	383 238	3,16%
HSBC Asia ex Japan	Luxembourg	1 010	22,02	EUR	439 942	23,80	376 050	3,10%
HSBC Brazil Equity	Luxembourg	535	23,75	EUR	273 504	29,81	249 537	2,06%
HSBC GIF Euroland Equity	Luxembourg	585	32,98	EUR	331 367	34,97	320 044	2,64%

The notes on pages 16 to 19 are an integral part of these financial statements.

Issuer	Country of issuer	Quantity 31.12.2007	Average acquisition cost in currency	Currency	Total acquisition cost in EEK	Market price per unit as of 31.12.2007 in currency	Total market value in EEK	Proportion of the market value of Fund's assets
JPMF Asia Diversified A	Luxembourg	171	322,28	USD	726 684	365,50	668 186	5,52%
JPMF Japan Select Equity	Luxembourg	269	11 944,99	JPY	317 630	10 951	283 132	2,34%
JPMF Latin America Equity	Luxembourg	409	49,87	USD	279 778	61,43	269 408	2,22%
JPM Germany Equity A	Luxembourg	2 478	10,09	EUR	400 082	10,05	389 614	3,22%
HSBC GIF Japanese Equity	Luxembourg	3 353	8,65	EUR	453 751	8,06	422 644	3,49%
Korea Equity Fund	USA	2 090	13,02	USD	329 793	13,10	293 557	2,42%
XACT OMXH25	Finland	620	33,65	EUR	327 088	30,10	291 997	2,41%
XACT OMXS30	Sweden	1 650	117,05	SEK	321 590	107,87	295 759	2,44%
Pictet (lux) Clean Energy	Luxembourg	340	85,29	EUR	485 512	91,26	485 512	4,01%
Pictet Water P Cap	Luxembourg	136	155,38	EUR	333 373	156,16	333 373	2,75%
DJ Euro Stoxx Select Div.	Germany	625	33,06	EUR	330 534	32,32	316 061	2,61%
Singapore Fund	USA	1 290	17,74	USD	271 814	17,80	246 198	2,03%
DJ STOXX 600 Technology EX	Germany	628	33,52	EUR	329 339	30,63	300 972	2,48%

The notes on pages 16 to 19 are an integral part of these financial statements.

Issuer	Country of issue	Nominal value	Maturity date	Interest rate	Currency	Market price per unit as of 31.12.2007 in currency	Total market value in EEK	Proportion of the market value of Fund's assets
Derivatives (Note 4)							19 713	0,16%
Swedbank	Estonia	80 000 USD	16.01.2008		EUR	1 260	19 713	0,16%
2. Deposits							2 251 922	18,62%
Current accounts								
Swedbank	Estonia							
Swedbank	Estonia			3,5-3,8%	EEK	10 362	10 632	0,09%
Swedbank	Estonia			3,4-3,9%	EUR	140 222	2 194 003	18,14%
Swedbank	Estonia				USD	0,26	2	0,00%
Term deposits								
Swedbank	Estonia	3 000 EUR	16.01.2008	3,53%	EUR	3 022	47 285	0,39%
3. Other assets							148 770	1,23%
Dividends to be received							148 770	1,23%
TOTAL							12 114 512	100%

The notes on pages 16 to 19 are an integral part of these financial statements.

Structure of investments according to the investment policy*(in Estonian kroons)*

Investment criteria	Proportion of the		Proportion of the	
	31.12.2008	Fund's assets (%)	31.12.2007	Fund's assets (%)
Type of instrument				
Equities	553 241	8,45%	1 193 580	9,85%
Bonds	285 047	4,35%	0	0,00%
Fund units	3 890 117	59,43%	8 500 527	70,17%
Derivatives	-49 359	-0,75%	19 713	0,16%
Cash and term deposits	1 747 430	26,70%	2 251 577	18,59%
Other assets	119 227	1,82%	149 115	1,23%
Total	6 545 703	100,00%	12 114 512	100,00%
Investments by listing on stock exchange				
Securities listed on a stock exchange	4 443 358	67,88%	9 694 107	80,02%
Other freely transferable securities	285 047	4,35%	0	0,00%
Derivatives	-49 359	-0,75%	19 713	0,16%
Cash and term deposits	1 747 430	26,70%	2 251 577	18,59%
Other	119 227	1,82%	149 115	1,23%
Total	6 545 703	100,00%	12 114 512	100,00%
Country of the issuer				
Estonia	152 069	2,32%	19 713	0,16%
Other member state of the European Union	978 931	14,96%	8 181 178	67,53%
Countries outside the European Union, ex				
USA	1 968 594	30,07%	167 413	1,38%
USA	1 579 452	24,13%	1 345 516	11,11%
Cash and term deposits in Estonia	1 747 430	26,70%	2 251 577	18,59%
Other	119 227	1,82%	149 115	1,23%
Total	6 545 703	100,00%	12 114 512	100,00%
Investments by sectors				
Finance and banking	235 688	3,60%	516 676	4,26%
Manufacturing	4 443 358	67,88%	9 197 144	75,92%
Cash and term deposits	1 747 430	26,70%	2 251 577	18,59%
Other	119 227	1,82%	149 115	1,23%
Total	6 545 703	100,00%	12 114 512	100,00%

The notes on pages 16 to 19 are an integral part of these financial statements.

Notes to the financial statements

Note 1 Accounting policies and valuation methods used in preparing the financial statements

General principles

The 2008 financial statements of LHV World Equities Fund have been prepared in accordance with the Investment Funds Act and the requirements of the Accounting Act applicable to investment funds, and based on the generally accepted accounting principles and good accounting practices.

These financial statements reflect the economic activities of the Fund in the period from 01.01.2008 to 31.12.2008.

The amounts shown in these financial statements are presented in Estonian kroons.

These financial statements have been approved by the Management Board on 13 April 2009.

Foreign currency transactions

Foreign currencies are all currencies other than the Estonian kroon. Assets and liabilities denominated in a foreign currency at the balance sheet date have been revalued to Estonian kroons on the basis of the purchase (bid) exchange rates for transfers prevailing at depositary bank Swedbank as at the moment of valuation. Gains and losses on foreign currency transactions are recognised in the statement of income and expenses as gains and losses for the period.

Principles for recognition of investments of the Fund

Deposits include the Fund's current account balances and term deposits. Accrued, but unpaid interest on deposits is recognised together with the principal of the deposit.

For the purposes of these financial statements, securities include the securities specified in section 255 of the Investment Funds Act, which are equities, fund units and bonds.

Securities are carried at cost at the transaction date which also includes direct transaction expenses (commissions).

The value of investments is determined based on the prudence principle. The investment fund daily revalues its assets and liabilities to market price. Unrealised profits and losses resulting from revaluation are recognised in the corresponding line item "Net gain (loss) on investments" in the statement of income and expenses.

The market value of securities listed on stock exchanges is determined on the basis of the closing price at the end of the balance sheet date. The market price of securities not listed on stock exchanges is determined on the basis of their last available transaction price, best available purchase price or cost or, alternatively, their cost is adjusted so that the value of securities would be as precisely as possible equal to the probable sales price. If the market price cannot be determined reliably, investments in shares are recognised at cost. Valuation of fund units is based on their redemption price at the end of the balance sheet date.

Bonds and other money market instruments are valued according to their market value. Valuation is based on prices at which the instruments are tradable on stock exchanges and other internationally recognised securities markets. Purchase and sales quotations are accounted for on the basis of prices of at least two market-makers. Bonds that are listed on a stock exchange, but are not actively traded have been valued according to the current possible sales price in the market. The market price of a bond also includes accrued interest. If the sales price cannot be determined reliably, bonds are valued at amortised cost based on the effective interest rate.

Derivatives (forward or swap contracts, warrants) are recognised at their fair value as assets or liabilities in the balance sheet. Gains and losses on derivatives are recognised in the statement of income and expenses as income and expenses for the period.

Calculation of net asset value of the investment fund

The Fund's net asset value (NAV) is determined on the basis of the Investment Funds Act, the procedure for determination of net asset value of investment funds established by the Minister of Finance, internal procedure rules of AS LHV Varahaldus (Fund Management Company), and the terms and conditions of the Fund.

To determine the Fund's net assets' value (NAV), the market value of total assets of the Fund is calculated from which the liabilities of the Fund are deducted. The NAV of the unit is calculated by dividing the total NAV by the number of units outstanding.

Income and expenses

Income and expenses are accounted for using the accrual basis of accounting. Interest income and dividend income is recognised when it is probable that the income will flow to the Fund and the amount of the income can be measured reliably. Interest income is recognised using the effective interest rate. Dividend income is recognised when the owner becomes legally entitled to receive it.

Management fee

The management fee is a fee payable to the Fund Management Company for the management of the Fund. The annual rate of the management fee is 2% of the Fund's Net assets' value. The management fee is deducted from the Fund's net assets' value on a daily basis and is paid at the last banking day of a month following the reporting month at the latest.

Transaction fees

In the statement of income and expenses, transactions fees include settlement expenses and service fees directly related to transactions made on account of the Fund.

Payments to unit holders, subscription and redemption fee

The maximum subscription and redemption fee for units is 1% of the NAV of the unit. These fees are to be paid to the Fund Management Company on account of the unit holder that acquired or redeemed the unit. Subscription for and redemption of units takes place according to the terms and conditions established in the prospectus. The unit holder has the right to exchange fund units for units of other funds managed by the Fund Management Company, according to the prospectus.

Note 2 Impacts of economic crisis

Management of the Fund Management Company has assessed the impacts of global liquidity crises and related economic crisis on the business activities of the Fund. Management estimates that the following circumstances constitute significant short and long-term threats:

- due to non-liquidity of financial markets, the value of the Fund's assets may fall;
- due to the large volatility and illiquidity in the financial markets, it may be difficult to estimate the fair value of the Fund's assets.

Management is not in the position to predict with sufficient reliability which would be the short- and long-term effect of the economic crisis on Fund's activities, performance and financial position. Management believes that they have taken all necessary measures to ensure sustainability of the Fund. Management assesses the continuously changing economic situation and environment, and immediately adjusts, if necessary, the daily measures as well as short and long-term strategies related to risk management and asset management.

Note 3 Statement of commissions**Commissions in 2008**

Broker: Swedbank	Commissions when purchasing or selling securities tradable on the Tallinn Stock Exchange	Commissions when buying other tradable securities in Estonia	Commissions for purchasing or selling listed or non-listed securities in other countries	Total
Number of trades	-	1	83	84
Volume of trades	-	391 125	10 808 094	11 199 219
Sum of commissions	-	-	33 972	33 972
Weighted average commission (%)	-	-	0,31%	0,30%

Commissions in amount of EEK 10 930 are recognised in the statement of income and expenses as expenses according to monthly statements by the fund's depositary and commissions in amount of EEK 23 042 have been direct transaction expenses and therefore included in the purchase price of securities.

Commissions in 2007

Broker: Swedbank	Commissions when purchasing or selling securities tradable on the Tallinn Stock Exchange	Commissions when buying other tradable securities in Estonia	Commissions for purchasing or selling listed or non-listed securities in other countries	Total
Number of trades	-	-	33	33
Volume of trades	-	-	10 815 146	10 815 146
Sum of commissions	-	-	13 505	13 505
Weighted average commission (%)	-	-	0,12%	0,12%

Commissions in amount of EEK 4 729 are recognised in the statement of income and expenses as expenses according to monthly statements by the fund's depositary and commissions in amount of EEK 8 776 have been direct transaction expenses and therefore included in the purchase price of securities.

Note 4 Statement of comparison of the Fund's net assets' value

beginning of activities: August 2007

	Fund's net assets' value	NAV of unit A	NAV of unit B
31.12.2007	11 376 248	162.72	-
31.12.2008	6 531 793	93.70	59.89

The difference in NAV presented in this report from the initially disclosed NAV is mainly related to consideration of additional information, which was received by the time of preparation of the financial statements, when evaluating investments.

Note 5 Derivatives**As of 31.12.2008**

Type of instrument	Issuer	Underlying asset name and amount	Exercise date of transaction	Exercise price		Market value		
				Per unit	Total	Per unit	EEK total	
Forward sales	Nordea Pank	220 000 USD	31.03.2009	0,7026	154 577 EUR	-0,2243	-49 359 EEK	
TOTAL								-49 359 EEK

Derivatives have been issued by Nordea Bank (Estonia) whose consolidated equity as at 31.12.2008 was 17 803 million kroons according to the published audited 2008 financial statements.

As of 31.12.2007

Type of instrument	Issuer	Underlying asset name and amount	Exercise date of transaction	Exercise price		Market value		
				Per unit	Total	Per unit	EEK total	
Forward sales	Swedbank	80 000 USD	16.01.2008	0,70071	56 057 EUR	0,3456	19 713 EEK	
TOTAL								19 713 EEK

Derivatives have been issued by AS Swedbank (Estonia) whose consolidated equity as at 31.12.2007 was 29 467 million kroons according to the published audited 2007 financial statements.

Note 6 Dividends to be received

Recognized dividend income in amount of EEK 115 917 (2007: EEK 148 770) to which the fund is entitled and which has been received by the date of preparing the annual report.

Note 7 Other receivable

Amount of EEK 3 310 has been recognized under other receivables due to correction in the calculation of depositary's fees and it has been received by the date of preparing the annual report.

Note 8 Related parties

For the purposes of these financial statements, related parties include the Fund Management Company AS LHV Varahaldus and other investment and pension funds under the management of the Fund Management Company as well as other companies belonging to the same consolidation group with the Fund Management Company. LHV World Equities Fund pays a monthly management fee to the Fund Management Company. In 2008, the fees totalled 180 317 kroons (2007: 69 467 kroons). As at the balance sheet date, the payables to the Fund Management Company made up 11 850 kroons (2007: 35 246 kroons). Transactions with the other funds under the management of the Fund Management Company have been made on market conditions and no commission was charged for such transactions.

Note 9 Correction in initial fees

In the annual report of 2007 the initial fees paid by unit-holders to the fund management company were recognized as expenses of the fund during the accounting period. It has been corrected in the annual report of 2008 so that the initial fees were not expenses of the fund, but paid at the expense of unit-holders. The correction does not affect the fund's NAV values.

Independent auditor's report

Signatures of the Management Board of the Fund Management Company to the 2008 annual report

The Management Board of Fund Management Company AS LHV Varahaldus has prepared the 2008 Annual Report of LHV World Equities Fund which comprises the management report, financial statements and the independent's auditor's report.

Management Board of the Fund Management Company:

Mihkel Oja / signed /
Member of the Management Board

Rait Kondor / signed /
Member of the Management Board

Kerli Lõhmus / signed /
Member of the Management Board

Tallinn, 24 April 2009