

Monthly Overview

Rally continues

Emerging markets poised for further upside in May. Exceptionally strong were Latin America and Russia with positive influence of commodity prices' appreciation. Asia (especially India) showed some good gain too. Developed markets were a bit weaker, but still ended month in green. US was an average performer, additionally suffering from dollar weakness.

World equity markets' performance (2009.05.29)*

Country/Region	Month	YTD	Cur.
World	5.97%	5.95%	Local
Western Europe	3.19%	2.11%	Local
North America	5.76%	3.42%	Local
Japan	6.96%	5.16%	Local
Emerging Markets	16.66%	36.34%	USD
Asia ex. Japan	15.57%	34.93%	USD
CEEC ex. Russia	4.87%	0.86%	EUR
Russia	30.44%	67.44%	USD
Latin America	20.37%	46.48%	USD
GCC ex. S. Arabia	13.03%	0.91%	USD

*Morgan Stanley indices

Source: MSCI Barra

The second half of May was a lot more cautious. US market reached its peak on the 8th of May and afterwards we saw sideward movements without clear trend. Due to steep appreciation from March bottoms analysts expected some correction last month, but markets remained strong. A flow of positive news like slowing downtrend of real economy, successful capital inflows into commercial banks and rise of consumers' confidence diminished fear against stock markets. Furthermore, FED had increased the money supply on a high scale to melt frozen capital markets and helped banks to retain lending.

Dilemma: is it the right time to invest or still wait?

Many investors are keen to know if it is the right time to start investing into stock markets or it is more reasonable to wait for new lows. There are some important factors leading appreciation of stock prices currently: 1) Real economy is supported by large stimulus packages around the world; 2) low short term interest rates can help companies to decrease financial costs; 3) high level of accumulated cash should support further rise of stock prices once

Movers and shakers in May 2009

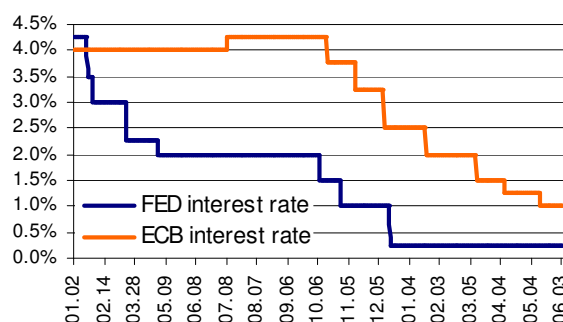
- US employment decreased by 491,000 in April vs. expected fall of 644,000
- ECB cut interest rate by 0.25 p.p. to 1,0%
- According to US bank stress test results 9 of 19 banks need no additional capital
- German investor sentiment jumped from 13 to 31.1 points in May although rise to 20 points was expected
- May's euro-zone manufacturing and services index stood at 43.9 in May, up from 41.1 in April, the highest in 8 months
- US consumer sentiment index rose the most since 2003 to 54.9 points in May
- EC sharply lowered the euro area GDP outlook from -1.9% to -4.0% in 2009 and from 0,4% to 0.1% in 2010
- Industrial output in China was up 7.3% y/y in April, below forecasts for an 8.6% expansion
- Euro-zone economy contracted the most in 13 years by -2.5% q/q
- Japan's GDP declined at the biggest rate since 1955 by -15.2% y/y
- Increased war anxiety with North Korea's nuclear weapon test



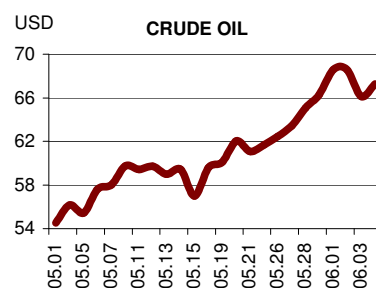
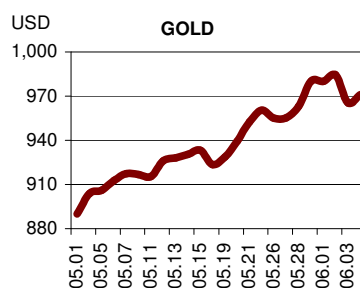
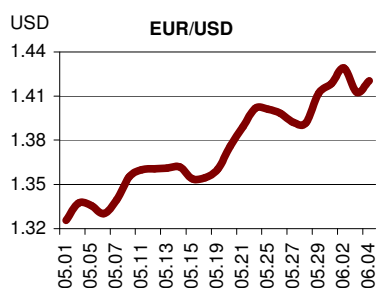
money starts to flow back into financial markets.

While comparing current companies' fundamental factors and their stock prices it can be concluded that valuations are not so low at the moment. However taking into account expected profits in 2010 stocks do not seem to be overvalued either. Still nobody knows if the forecasts fulfill. Thus our advice is to keep sensible cautiousness by diversifying investment portfolio between riskier stocks and safer bonds. It is also essential to remember that recovery level and its rapidity are different among regions and countries.

FED and ECB interest rate dynamics since 2008



Source: Bloomberg



LHV World Equities Fund

29-May-09

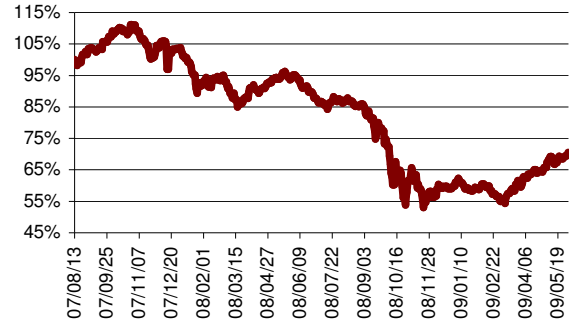
Monthly Return **5.74%**
 NAV of A unit **EUR 6.9553**
 NAV of B unit **EEK 69.5530**
 Fund Size **EUR 512,246**

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, Latin 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.

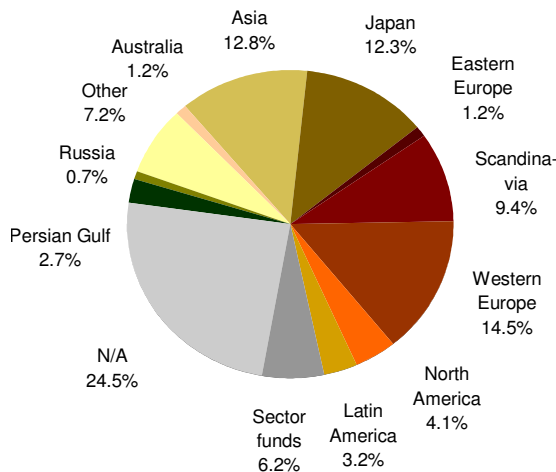
Performance History



Historical Returns

	1 month	3 months	6 months	12 months	YTD	Since Inception	Since Incep. p.a.
Fund	5.74%	23.18%	19.69%	-26.94%	16.10%	-30.45%	-18.33%

Geographical Breakdown



Top 10 Investments

Name	% of Assets
iShares MSCI Japan Index Fund	5.43%
Fenno 28/03/10	4.03%
HSBC GIF Japanese Equity Fund	3.54%
Pictet FDS - Clean Energy Fund	3.41%
HSBC GIF Asia ex Japan Equity Small	3.11%
HSBC GIF Thai Equity	3.06%
JPM Germany Equity A (dist)	2.94%
Pictet Water P Cap	2.78%
MS Emerging Markets Debt	2.75%
LHV Persian Gulf Fund B share	2.71%
Value of TOP 10 Investments	34%
Total Number of Investments	45

Fund Manager's Comment

In May stock markets around the world continued climbing. Biggest gains were seen again in emerging markets – especially in Russia and Latin America. Emerging vs developed worlds decoupling discussion is resurfacing. If last year ended with capital flows heading towards developed world then this tide has now turned. This can also be characterized by USD exchange rate – buying at the end of last year has been replaced with selling now. Despite continued negative macro data even US and European markets posted gains. The only positive note is that negative news flow is slowing. Therefore US and European markets are pricing in hopes that the crisis has passed. Economists so far disagree.

During May we sold Asian and North American index funds and bought again closed end bond funds MSD, ESD and JGT.



Andres Viisemann

Fund Details

Type: UCITS
 ISIN of A-unit: EE3600092417 (EUR)
 Registrar of A-units: LHV Pank
 ISIN of B-unit: EE3600097499 (EEK)
 Registrar of B-units: EVK
 Fund Manager: Andres Viisemann
 Depositary: Swedbank

Issue Fee: 1.0%
 Management Fee: 2.0%
 Redemption Fee: 1.0%

Established: 2007.04.27
 Launched: 2007.08.13



LHV Emerging Europe Alpha Fund

29-May-09

Monthly Return

15.01%

NAV of A unit

EUR 2.9298

NAV of B unit

EEK 29.2980

Fund Size

EUR 298,316

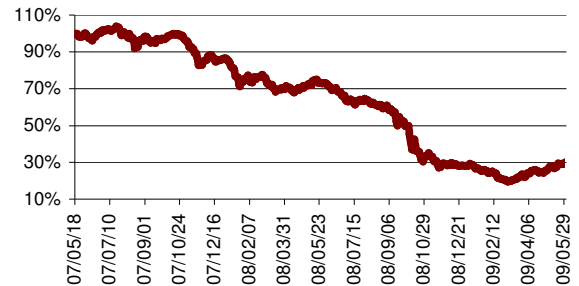
Investment Objective

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.

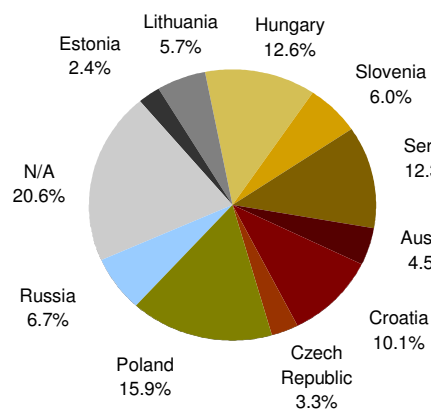
Performance History



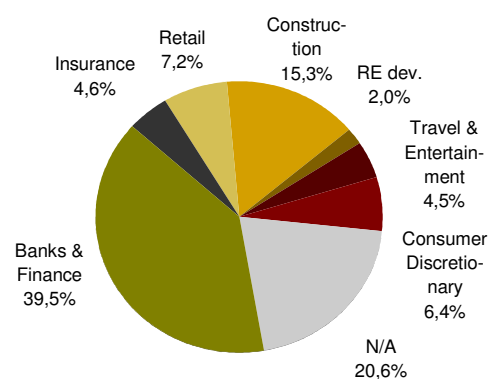
Historical Returns

	1 month	3 months	6 months	12 months	YTD	Since Inception	Since Incep. p.a.
Fund	15.01%	42.47%	0.18%	-59.98%	4.47%	-70.70%	-45.35%

Country Breakdown



Industry Breakdown



Top 10 Investments

Name	% of Assets
Sberbank (RU)	6.70%
Zwack Unicum Plc. (HU)	5.01%
OTP Bank (HU)	4.95%
Mostostal-Export SA (PL)	4.55%
Raiffeisen Intl Bank Holding (AT)	4.48%
Dalekovod (HR)	4.35%
BRE Bank (PL)	4.03%
IGH (HR)	4.00%
PKO Bank Polski (PL)	3.72%
AIK Banka (RS)	3.69%
Value of TOP 10 Investments	45%
Total Number of Investments	24

Fund Manager's Comment

During the last three months we have been witnessing capital flowing back to CEE. Russia, Serbia, Hungary and Croatia have gained the most. Better results have been shown by markets and stocks with higher risk profile, those that lost the most during downfall. As a result, the fund has gained more than 50% from its lows.

Russian market has been in strong uptrend, Sberbank gaining 53.2% in May; as the position became too big, we were forced to reduce it. Russia was followed by Serbia and Croatia (+ 30-40%) and Hungary, Estonia and Austria (+ 10-30%). Poland, which is more stable at macro level and also has biggest weighting in the fund, has meanwhile underperformed. Besides lowering positions in rapidly risen investments we took part in new Apranga equity issue.

Fund Details

Type: UCITS
 ISIN of A-unit: EE3600090593 (EUR)
 Registrar of A-units: LHV Pank
 ISIN of B-unit: EE3600097507 (EEK)
 Registrar of B-units: EVK
 Fund Manager: Mihkel Oja
 Depositary: Swedbank

Issue Fee: 2.0%
 Management Fee: 2.5%
 Redemption Fee: 0.0%

Established: 2007.04.12
 Launched: 2007.05.18

LHV Persian Gulf Fund

29-May-09

Monthly Return

7.27%

NAV of A unit

EUR 5.8433

NAV of B unit

EEK 58.4333

Fund Size

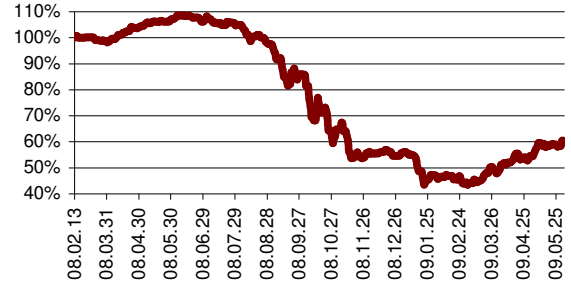
EUR 3,570,604

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.

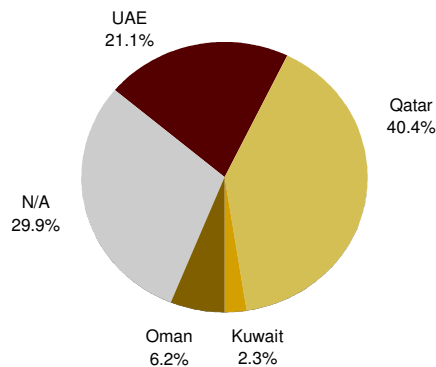
Performance History



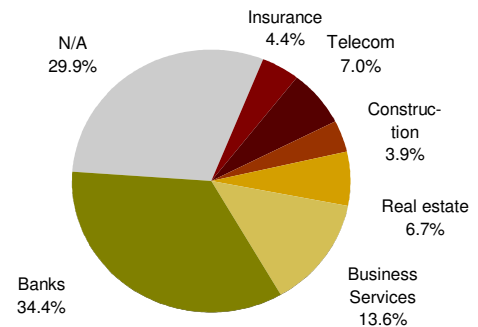
Historical Returns

	1 month	3 months	6 months	12 months	YTD	Since Inception	Since Incep. p.a.
Fund	7.27%	32.93%	4.96%	-45.46%	4.71%	-41.57%	-35.28%

Country Breakdown



Industry Breakdown



Top 10 Investments

Name	% of Assets
Qatar Fuel Company (QA)	8.22%
Commercial Bank of Qatar (QA)	7.47%
Qatar National Bank (QA)	6.54%
Qatar Insurance Company (QA)	4.43%
First Gulf Bank (AE)	4.35%
National Bank of Abu Dhabi (AE)	4.31%
Al-Dar Properties PJSC (AE)	3.93%
Qatar Islamic Bank (QA)	3.36%
Qatar Real Estate (QA)	2.91%
Sorouh Real Estate Co. (AE)	2.49%
Value of TOP 10 Investments	48%
Total Number of Investments	23

Fund Manager's Comment

Gulf markets posted healthy gains in May. Dubai, Abu Dhabi, Qatar, Bahrain, Kuwait and Oman managed to rise 16.13%, 4.66%, 19.05%, 1.11%, 6.85% and 5.48%, respectively.

Qatari government decided to purchase the real estate portfolios from local banks to improve their asset quality and to provide support to financial sector. Plan comes after similar initiative in March when government decided to buy the local listed equity portions of investment portfolios from local banks. Market has also been supported by improvement in loan availability and diminishing inflation concerns.

On a negative note UAE decided to pull out of the proposed GCC monetary union and said it will keep its currency pegged to the dollar. In our opinion it will not change the risk profile of UAE but we will be monitoring relationships between UAE and Saudi more closely.



Oliver Ait

Fund Details

Type: UCITS
 ISIN of A-unit: EE3600095287 (EUR)
 Registrar of A-units: LHV Pank
 ISIN of B-unit: EE3600095295 (EEK)
 Registrar of B-units: EVK
 Fund Manager: Oliver Ait
 Depositary: Swedbank

Issue Fee: 2.0%
 Management Fee: 1.75%
 Redemption Fee: 1.0%
 Success fee: 15% over 10% hurdle
 Established: 2008.01.10
 Launched: 2008.02.13

LHV Bank – Your guide to financial world

LHV Bank offers its clients a spectrum of investment services, including securities brokerage, personal advisory and wealth management services. 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 to find the best investment-solutions. LHV Bank is present in Estonia, Latvia and Lithuania.

Investing in LHV funds

LHV World Equities Fund, LHV Emerging Europe Alpha Fund and LHV Persian Gulf Fund are publicly offered in Estonia, Latvia and Lithuania.

Investors can invest in LHV funds through:

- A-units (denominated in euros, register maintained by LHV Bank) or;
- B-units (denominated in EEK, register maintained by Estonian Central Securities Depository (ECSD)).

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

- Go to investment portal www.lhv.ee / www.lhv.lv / www.lhv.lt
- 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 an ordinary payment.

Requisites for LHV equity funds:

- Beneficiary's name: **EVK** (ECSD in Estonian)
- Beneficiary's account (ECSD's account in Bank of Estonia):
 - LHV World Equities Fund: **30100974909**
 - LHV Emerging Europe Alpha Fund: **30100975089**
 - LHV Persian Gulf Fund: **30100952963**
- Amount: amount in Estonian kroons
- Details:
 - LHV World Equities Fund B purchase
 - LHV Emerging Europe Alpha Fund B purchase
 - LHV Persian Gulf Fund B purchase
- Reference number: investor's securities account number with ECSD

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