

Monthly Overview

September was cruel for stock markets

Last month world markets demonstrated their worst performance in the last thirteen years. More volatile emerging markets dropped by 14% but even "safer" Western Europe finished the month more than 10% lower. For euro based investors the results from US were better due to appreciation of USD.

World equity markets' performance (2008.09.30)*

Country/Region	Month	YTD
World	-8.48%	-23.91%
Western Europe	-11.45%	-31.94%
North America	-5.44%	-17.10%
Japan	-7.66%	-20.46%
Emerging Markets	-13.75%	-34.24%
Asia ex. Japan	-12.79%	-38.28%
CEEC ex. Russia	-12.73%	-27.84%
Russia	-20.07%	-44.73%
Latin America	-15.78%	-24.63%
GCC ex. S. Arabia	-8.99%	-3.56%

*Morgan Stanley indices, in euro

Source: MSCI Barra

Politicians step in: bank bail-out

Last month's deleveraging lead to demise of number of financial institutions. Series of banks closed their businesses or were bought out by competitors. The last two remaining large investment bank on Wall Street changed their business model to commercial banking. European governments gave financial support to local banks. At the end of the month Irish government told it would guarantee deposits and bank bonds for two years. On 29th Sept US markets suffered biggest daily loss since 1987 when Congress voted down rescue plan to buy assets from banks.

Future expectations

The processes that took place in September were necessary to bring an order to the economy. Following the takeovers of unviable financial institutions, banks' faith in each other will gradually recover, permitting banks to borrow money from the money market at reasonable prices. In the long term, this will once again make it easier for companies to obtain loans.

Movers and shakers in September 2008

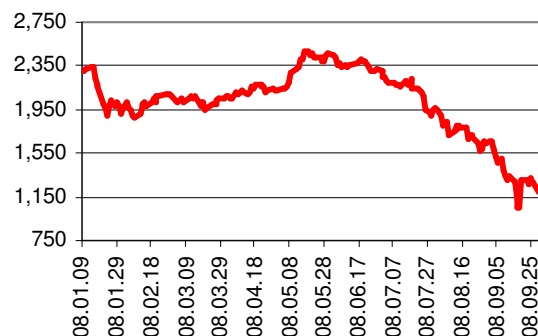
- UK prime minister abolished stamp duty on houses with <175 th. GBP
- USA government took over Fannie Mae and Freddie Mac
- German investor confidence index rose from -55.5 to -41.1 in September
- Euro zone inflation was 3.8% in August, down for the first time in 4 months from 4.0% in July
- Federal Reserve rescued insurer AIG by acquiring 79.9% equity stake
- British Chancellor said the country faced 'the worst crisis for 60 years'
- ECB kept its key interest rate steady at 4.25%
- USA unemployment rate soared to a five-year peak of 6.1% in September
- Bankruptcy of USA investment bank Lehman Brothers
- US secondary housing market prices saw a record drop in August (-9.5% to 203,100 USD). Sales decreased by 2.2%.



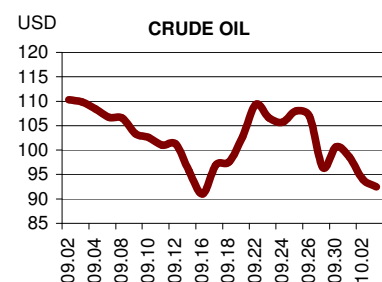
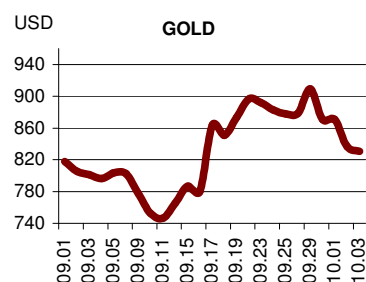
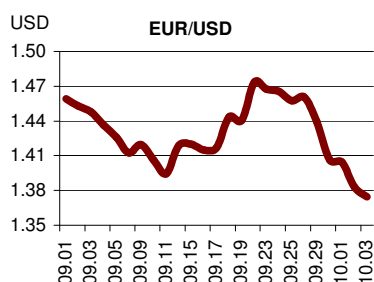
After a negative September, we believe that the stock markets have a good chance of rising for a while in the next couple of months.

One of the casualties of the current crisis were Russian financial markets. The country was doubly hit by sagging commodity prices and general investor risk aversion. We do not foresee a quick rebound in the Russian market soon.

Dynamics of Russian RTS index



Source: Bloomberg



LHV World Equities Fund

30-Sep-08

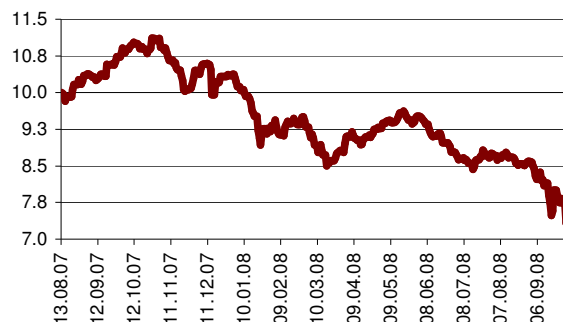
Monthly Return -13.42%
NAV of A unit EUR 7.4364
NAV of B unit EEK 74.3640
Fund Size EUR 502,381

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.

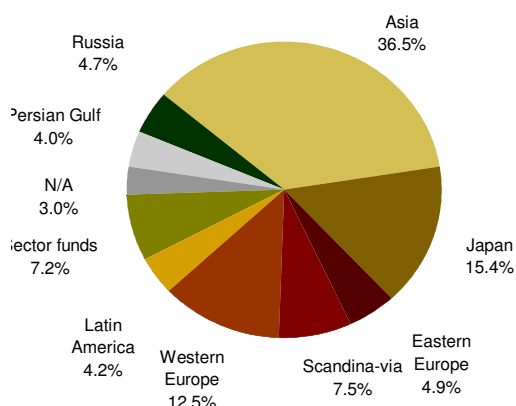
Performance History



Historical Returns

	1 month	3 months	6 months	12 months	YTD	Since Inception	Since Incep. p.a.
Fund	-13.42%	-14.50%	-18.38%	-31.09%	-28.34%	-25.64%	-22.98%

Geographical Breakdown



Top 10 Investments

Name	% of Assets
iShares MSCI Japan Index Fund	8.38%
JF Asia Diversified A (acc)	4.97%
Asia Pacific Fund Inc.	4.94%
iShares FTSE/XINHUA China 25	4.18%
HSBC GIF Japanese Equity Fund	4.15%
LHV Persian Gulf Fund B share	4.00%
Fenno 28/03/10	3.99%
Pictet FDS - Clean Energy Fund	3.91%
JPM Germany Equity A (dist)	3.50%
HSBC GIF Thai Equity	3.38%
Value of TOP 10 Investments	45%
Total Number of Investments	38

Fund Manager's Comment

Third quarter did not end on positive note for world stock markets. At least for the US investment banks, current crisis has ended – bankruptcies and mergers meant that industry that had lasted almost for a century vanished in just few weeks. This triggered more involvement from authorities and as these lines are written lawmakers are gathering to decide about buying bad loans from banks.

The weakest performance among various stock markets was recorded again in emerging markets. Decline was the steepest in Eastern Europe and Russia. We continued our strategy of stock picking and added China Mobile and Svenska Cellulosa to our portfolio. China Mobile has more customers than US and Germany combined population and we expect their revenue to be more stable even in current conditions. Svenska Cellulosa offers strong cash flows from consumer products sale and value from forest holdings.



Andres Viisemann

Fund Details

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

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-Sep-08

Monthly Return

-18.93%

NAV of A unit

EUR 4.9835

NAV of B unit

EUR 49.8350

Fund Size

EUR 550,613

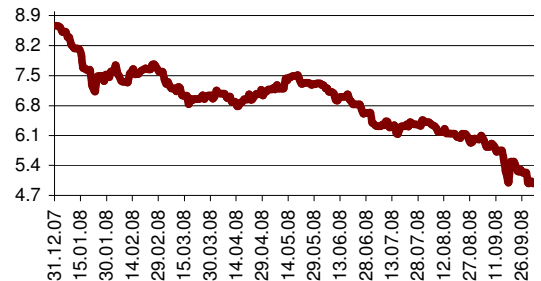
Investment Objective

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.

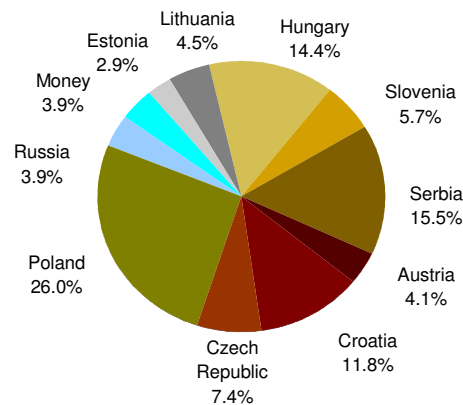
Performance History



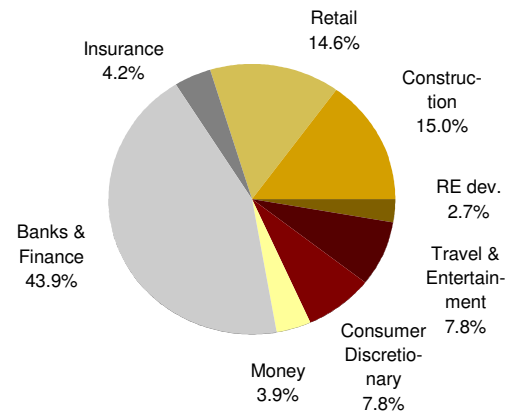
Historical Returns

	1 month	3 months	6 months	12 months	YTD	Since Inception	Since Incep. p.a.
Fund	-18.93%	-24.88%	-28.45%	-48.64%	-42.49%	-50.17%	-39.81%

Country Breakdown



Industry Breakdown



Top 10 Investments

Name	% of Assets
Komerčni Banka (CZ)	7.37%
IGH (HR)	6.25%
BRE Bank (PL)	6.13%
PKO Bank Polski (PL)	5.80%
Zwack Unicum Plc. (HU)	5.38%
LPP SA (PL)	4.86%
Danubius Hotels (HU)	4.85%
AIK Banka (YU)	4.68%
OTP Bank (HU)	4.12%
Metals Banka AD (YU)	4.12%
Value of TOP 10 Investments	54%
Total Number of Investments	25

Fund Manager's Comment

September has brought further deterioration of the standing of the world's biggest financial institutions. Several key US banks either went bankrupt or were taken over on the cheap by the rivals. Flight to cash and general nervousness of investors has weighed down heavily on all stocks, emerging markets including.

All markets in the portfolio of the Fund have suffered setback, thus no positive performance was recorded. During the period the position in Czech developer facing liquidity pressures was liquidated as well as PKO BP weight reduced to rebalance portfolio.

Fund Details

Type: UCITS
 ISIN of A-unit: EE3600090593 (EUR)
 Registrar of A-units: LHV
 ISIN of B-unit: EE3600097507 (EEK)
 Registrar of B-units: EVK
 Fund Manager: Romanas Bulatovas
 Depository: Hansabank (Swedbank)

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

Established: 04/12/2007
 Launched: 05/18/2007

LHV Persian Gulf Fund

30-Sep-08

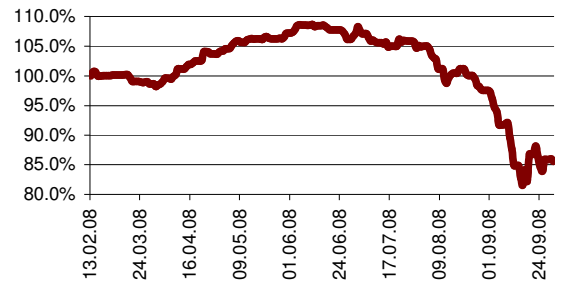
Monthly Return -12.30%
NAV of A unit EUR 8.5551
NAV of B unit EEK 85.5507
Fund Size EUR 5,387,638

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.

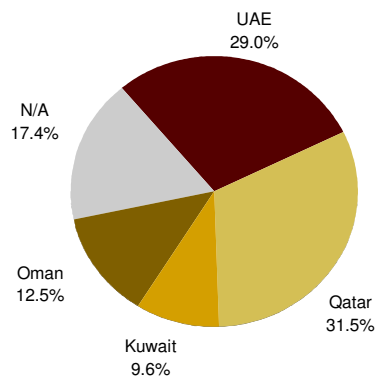
Performance History



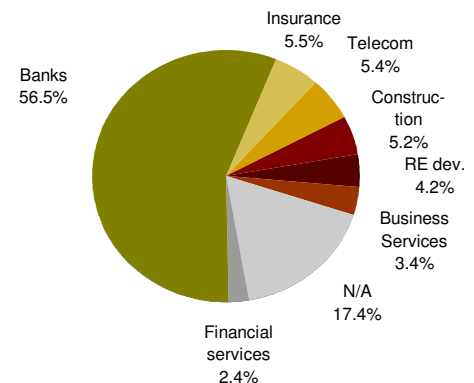
Historical Returns

	1 month	3 months	6 months	12 months	YTD	Since Inception	Since Incep. p.a.
Fund	-12.30%	-20.97%	-13.60%	-	-14.45%	-14.45%	-

Country Breakdown



Industry Breakdown



Top 10 Investments

Name	% of Assets
Commercial Bank of Qatar (QA)	7.83%
Qatar National Bank (QA)	6.57%
First Gulf Bank (AE)	5.81%
National Bank of Abu Dhabi (AE)	5.65%
Qatar Insurance Company (QA)	5.49%
Aldar Properties (AE)	5.24%
Bank Muscat (OM)	4.68%
Qatar Islamic Bank (QA)	3.82%
Burgan Bank (KW)	3.78%
Commercial Bank of Kuwait (KW)	3.48%
Value of TOP 10 Investments	52.4%
Total Number of Investments	24

Fund Manager's Comment

GCC stock markets reacted to global credit crunch in September. Foreign investors have been pulling out money from Gulf due to problems in their local markets and their penetration has reached its lowest level since 2006.

Foreign banks stopped lending to local banks in GCC during the end of September and pushed up cost of interbank lending. Therefore central banks started offering financing to local banks to support ongoing and planned project lending. Some of the sovereign wealth funds started investing money to local markets as valuations have become attractive.

We expect foreign money to return to Gulf markets long term and earnings season in October might give reason for that. We have positioned our portfolio to benefit from local project financing and to be less affected by imports/exports. GCC markets fell 10.5-13.5% in September.

Fund Details

Type: UCITS
 ISIN of A-unit: EE3600095287 (EUR)
 Registrar of A-units: LHV
 ISIN of B-unit: EE3600095295 (EEK)
 Registrar of B-units: 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 World Equities Fund, LHV Emerging Europe Alpha Fund and LHV Persian Gulf Fund are publicly offered in Estonia, Latvia and Lithuania.

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)).

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 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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