

### Rally continues in July

After slow-down in June markets got a new boost in July. The biggest gains were demonstrated by developing markets, especially Eastern-Europe: Poland, Czech Republic and Hungary.

World equity markets' performance (2009.07.31)\*

Country/Region	Month	YTD	Cur.
World	7.58%	13.53%	Local
Western Europe	9.39%	9.44%	Local
North America	7.09%	10.80%	Local
Japan	2.85%	11.20%	Local
Emerging Markets	10.87%	48.85%	USD
Asia ex. Japan	12.65%	50.94%	USD
CEEC ex. Russia	18.08%	21.81%	EUR
Russia	7.33%	53.99%	USD
Latin America	8.66%	55.57%	USD
GCC ex. S. Arabia	2.16%	8.19%	USD

\*Morgan Stanley indices

Source: MSCI Barra

### Money goes back to stock markets

Investors' interest in stock markets has risen rapidly last months. Even some profit-taking days didn't impact stock market significantly for a downtrend. Buyers are coming back very fast. Money inflow to stock markets greatly exceeded money outflows. Many portfolio managers around the world believed in April that after a strong gain in March there is a chance of correction. It didn't happen. Thus the gain continued even couple of months. Small correction came in the beginning of July, major markets came down about 8%. It lasted until the beginning of the second quarter earnings season, on 8th of July.

Earnings season has showed that companies' revenues are significantly smaller, but due to effect of cost cutting profits are somewhat better than analysts were expecting. However expectations were on the very low level as well.

There are a few reasons why so many investors have started investing again. Firstly, industry production both in US and Asia slowly bounced back from bottoms during last 4 months. Secondly, new home sales have risen and fall of home prices eventually stopped. Thirdly, inventories fell to a critical level and now we'll anticipate

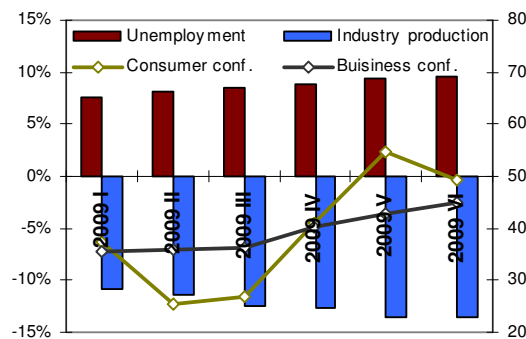
### Movers and shakers in July 2009

- China's manufacturing index grew for a fifth month in July from 53.2 to 53.3
- In July 74% of S&P 500 index companies which reported results beat expectations
- Japan's export fell 35.7% in June (slowest rate this year) from -40.9% in May
- US retail sales increased by 0.6% in June comparing to 0.4% growth in May
- Euro zone economic sentiment beat analysts' expectations by climbing to 76 points in July from 73.2 in June
- US GDP shrank 1.0% in 2Q 2009 better than expected fall of 1.4%
- IMF forecasts the euro zone contraction by 0.3 percent in 2010 although waits growth in US, Canada, Britain and Japan
- China's export declined by 21.4% y/y in June comparing to 21% y/y fall forecast
- German investor confidence index dropped from 44.8 to 39.5 points in July although jump to 47.8 was expected
- US consumer confidence index slipped to 46.6 points in July from 49.3 in June

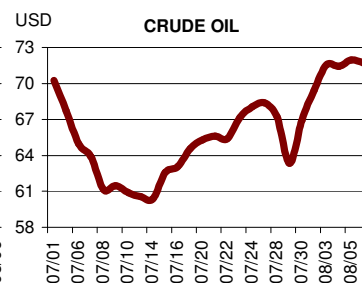
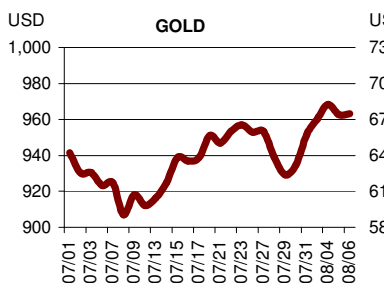
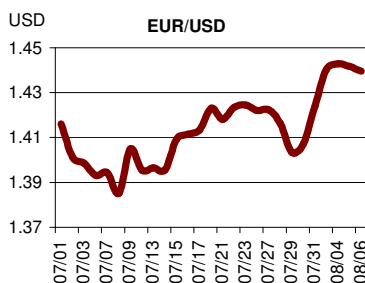


production to get back to normal level. But we are still facing risks of real economy. The biggest concern comes from labor market. Analysts do not expect unemployment rate to decline before the middle of 2010. This affects negatively consumer spending and economic recovery. Due to declining volumes of loans in Western Europe we can't expect strong rebound of real economy. Even though real estate sector is showing some strength, we can see some weakness in business segment since supply exceeds demand and this can cause some problems in the banking sector.

Growth rates (y/y) and confidence indices of US



Source: tradingeconomics.com



## LHV World Equities Fund

31-Jul-09

Monthly Return

5.66%

NAV of A unit

EUR 7.3754

NAV of B unit

EEK 73.7540

Fund Size

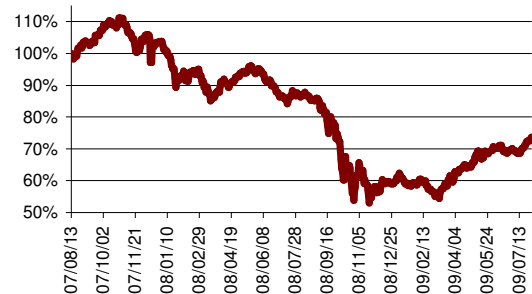
EUR 605,897

### 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.

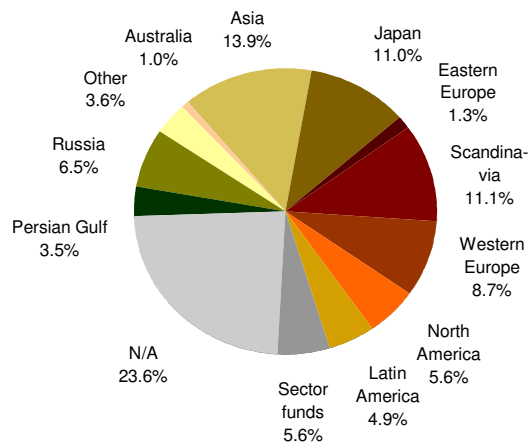
### Performance History



### Historical Returns

	1 month	3 months	6 months	12 months	YTD	Since Inception	Since Incep. p.a.
Fund	5.66%	12.13%	24.67%	-15.75%	23.11%	-26.25%	-14.35%

### Geographical Breakdown



### Top 10 Investments

Name	% of Assets
iShares MSCI Japan Index Fund	4.80%
LHV Persian Gulf Fund B share	3.48%
Fenno 28/03/10	3.37%
Center Europe & Russia Fund	3.36%
HSBC GIF Japanese Equity Fund	3.11%
Morgan Stanley Emerging Markets Fun	3.03%
Pictet FDS - Clean Energy Fund	3.01%
HSBC GIF Asia ex Japan Equity Small	2.99%
HSBC GIF Thai Equity	2.90%
LHV Persian Gulf Fund B share	2.87%
Value of TOP 10 Investments	33%
Total Number of Investments	45

### Fund Manager's Comment

July surprised with stock market rally. Although we are less optimistic than markets in general and we don't believe in quick recovery, we have been buying stocks again as markets have turned up. After a long period of time we bought CEE (incl. Russian) stocks and also Southeast Asia indexes. In US and Western Europe we lowered positions in consumer goods and healthcare stocks and added banks into our portfolio (Bank of America and Deutsche Bank).



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  
 Depository: 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

31-Jul-09

Monthly Return **9.87%**  
 NAV of A unit **EUR 3.3092**  
 NAV of B unit **EEK 33.0920**

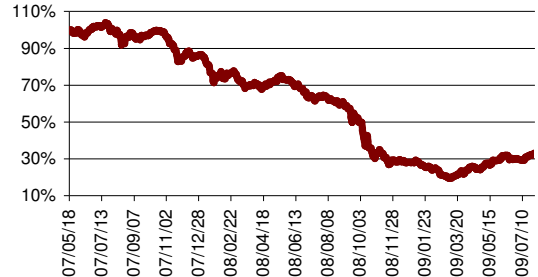
### Investment Objective

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.

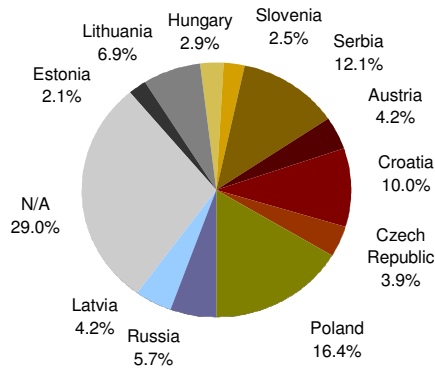
### Performance History



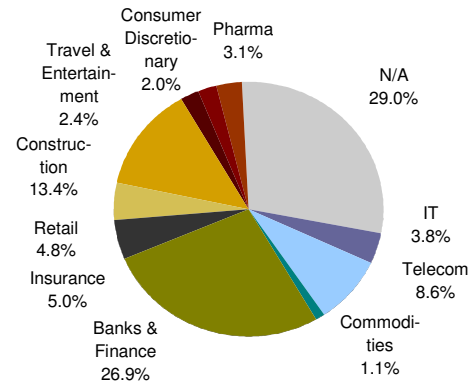
### Historical Returns

	1 month	3 months	6 months	12 months	YTD	Since Inception	Since Incep. p.a.
Fund	9.87%	29.91%	30.18%	-48.61%	18.00%	-66.91%	-39.45%

### Country Breakdown



### Industry Breakdown



### Top 10 Investments

Name	% of Assets
Sberbank (RU)	5.69%
Mostostal-Export SA (PL)	5.63%
PKO Bank Polski (PL)	4.75%
HT-hrvatske telekomunikacije (HR)	4.32%
TEO LT AB (LT)	4.32%
Raiffeisen Intl Bank Holding (AT)	4.17%
Komerčni Banka (CZ)	3.94%
Asseco Poland SA (PL)	3.76%
Dunau Osiguranje (RS)	3.70%
Grindeks AS (LV)	3.12%
Value of TOP 10 Investments	43%
Total Number of Investments	23

### Fund Manager's Comment

Optimistic mood from overseas spread throughout CEE markets as investors became more confident about the rebound of emerging economies. Analysts of Citigroup and Morgan Stanley expressed their belief in Poland's competitiveness and resistance to the world recession adding attraction to Polish stocks. Highly undervalued Hungarian market also distinguished by higher interest among investors. BUX index jumped by 12% in July recording more than 80% rebound from March lows.

In the middle of the month we became fully exposed to the markets by investing into Russian telecom sector and CEE index fund. In the end of the month we took profits from these positions and raised cash positions again. As a long term investment we invested into a perspective Polish IT company Asseco Poland. We sold Hungarian OTP and Lithuanian Apranga during the month.

### 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  
 Depository: 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

31-Jul-09

Monthly Return

6.30%

NAV of A unit

EUR 6.2841

NAV of B unit

EEK 62.8410

Fund Size

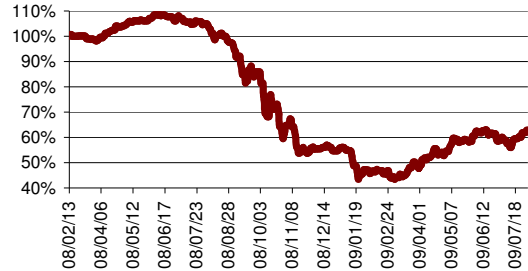
EUR 5,411,030

### 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.

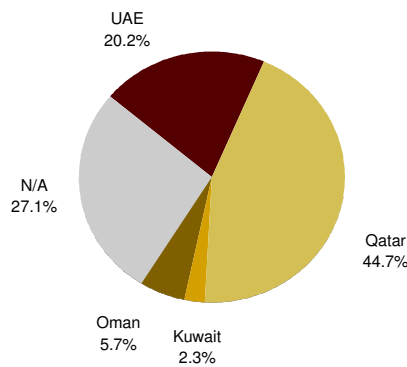
### Performance History



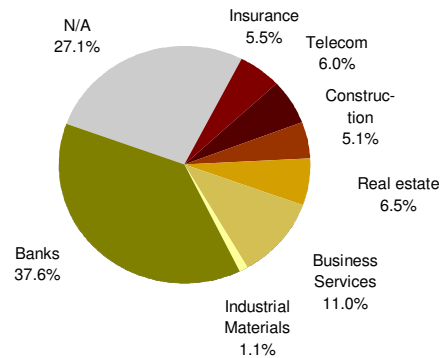
### Historical Returns

	1 month	3 months	6 months	12 months	YTD	Since Inception	Since Incep. p.a.
Fund	6.30%	15.37%	33.44%	-40.09%	12.61%	-37.16%	-28.12%

### Country Breakdown



### Industry Breakdown



### Top 10 Investments

Name	% of Assets
Qatar National Bank (QA)	8.94%
Commercial Bank of Qatar (QA)	7.65%
Qatar Fuel Company (QA)	6.44%
Qatar Insurance Company (QA)	5.54%
First Gulf Bank (AE)	4.98%
Al-Dar Properties PJSC (AE)	4.72%
Doha Bank (QA)	3.92%
Sorouh Real Estate Co. (AE)	3.29%
National Bank of Abu Dhabi (AE)	3.12%
Qatar Islamic Bank (QA)	2.80%
Value of TOP 10 Investments	51%
Total Number of Investments	25

### Fund Manager's Comment

Gulf markets were mixed in July. The biggest loser was Bahrain (-5.02%) and the best performer was Abu Dhabi (+6.44%). Earnings season kicked off in the beginning of the month and the largest holdings in fund's portfolio have reported their Q2 results.

Banks in Qatar and Abu Dhabi have reported better than expected net interest margin (NIM) making net interest income a bright spot. Fee and commission income came in a bit weaker due to slowdown in credit growth compared to last year. UAE and Qatari banks enjoy a comfortable capital adequacy ratio of higher than 15%. I don't expect NPL levels in Qatar and Abu Dhabi to reach levels that were achieved in past credit cycles. Although managements expect some appreciation in the second half of the year the asset quality remains healthy.

During July we sold few positions as our price targets were achieved and expect them to buy back at lower levels.



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  
 Depository: 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 Pank – Your guide to financial world**

LHV Pank 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 Pank 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 Pank) 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 Pank:

- Go to investment portal [www.lhv.ee](http://www.lhv.ee) / [www.lhv.lv](http://www.lhv.lv) / [www.lhv.lt](http://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

### **TALLINN**

City Plaza, 17th floor  
Tartu rd 2, 10145 Tallinn, Estonia  
tel: +372 6 800 400  
fax: +372 6 800 402  
[www.lhv.ee](http://www.lhv.ee)  
[info@lhv.ee](mailto:info@lhv.ee)

### **RIGA**

BC "Dunties biroji", 6th floor  
Dunties ielā 6-606, 1013 Rīga, Latvia  
tel: +371 6 750 2100  
fax: +371 6 750 2102  
[www.lhv.lv](http://www.lhv.lv)  
[info@lhv.lv](mailto:info@lhv.lv)

### **VILNIUS**

BC „Vertas“, 12th floor  
Gynėjų g. 16, 01109 Vilnius, Lithuania  
tel: +370 5 204 7 204  
fax: +370 5 204 7 207  
[www.lhv.lt](http://www.lhv.lt)  
[info@lhv.lt](mailto:info@lhv.lt)