

Monthly Overview

Dollar rally after extended period of decline

In August some positive macro-news arrived from the USA, but these can be treated rather as temporary signs of improvement and by the end of the current year the economic situation might get even worse. At the same time dollar has been supported by the relative strength of the economy of USA in comparison to Europe's. Hence, in August the American dollar rose in relation to euro 7%. The stock markets of developed countries advanced in August to some extent and those of developing countries fell accordingly.

World equity markets' performance (2008.08.29)*

Country/Region	Month	YTD
World	3.48%	-16.86%
Western Europe	1.08%	-23.14%
North America	6.89%	-12.34%
Japan	1.74%	-13.86%
Emerging Markets	-2.73%	-23.76%
Asia ex. Japan	-1.65%	-29.23%
CEEC ex. Russia	-6.68%	-17.32%
Russia	-9.56%	-30.85%
Latin America	-3.07%	-10.51%
GCC ex. S. Arabia	-2.30%	5.96%

*Morgan Stanley indexes, in Euro

Source: MSCI Barra

Not everything about world economy is negative, but the recovery will still take some time

The economy of USA grew by revised 3.3% y/y in the 2nd quarter, which is a much stronger than the first flash estimate of 1.9%, revealed in July. The growth acquired mainly thanks to the larger than expected expansion of private consumption and strong export. Slower than estimated decrease of inventories had also a positive effect. In the western Europe the economic activity slow down in the 2nd quarter, although through the year economy kept growing (+1.4%). The growth was hindered by lower consumption and deceleration of export, which was caused by rapid appreciation of euro and generally slower speed limit of the world economy. OECD (Organisation for Economic Cooperation and Development) forecasts the economic growth of 1.8% for USA (better than the earlier estimation), growth of 1.3% for euro area (worse than the earlier

Movers and shakers in August 2008

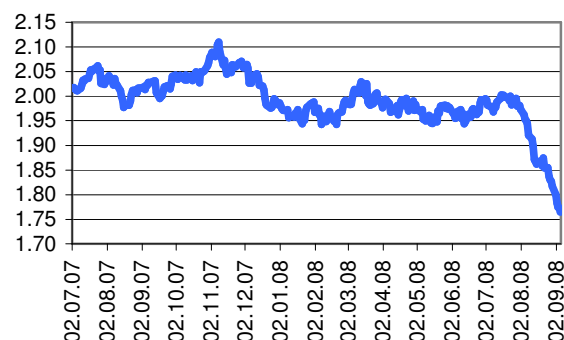
- Key world central banks kept their base interest rates unchanged
- Crude oil price fell by 7.0% in August till USD 115 a barrel
- German investor confidence index rose more than forecast reaching -55.5 from -63.9 in July
- USA long term consumption goods orders grew by 1.3% in July
- US 2nd quarter GDP revised to 3.3% y/y higher than anticipated (1.9%)
- Japan officially declared in recession: GDP fell by 0.6% in 3 months to June 30
- The war between Georgia and Russia because of South Ossetia
- GBP/USD exchange rate hit 1.8784 (the lowest level since 2006)
- House prices in Great Britain posted the biggest fall of 10.5% in two decades
- Euro Zone GDP shrank by 0.2% in the second quarter for the first time since 1995

estimation) and growth of 1.2% for Japan (worse than the earlier estimation) in 2008.

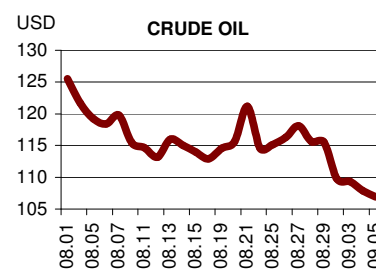
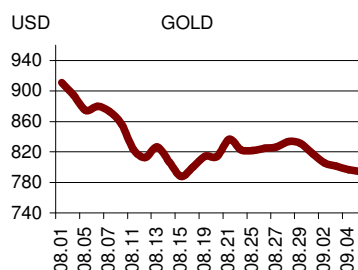
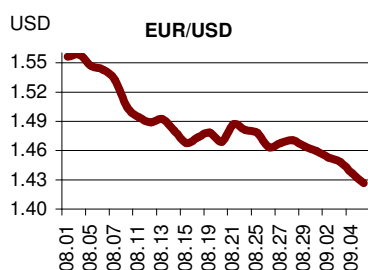
The weakest link – Great Britain?

Global economic problems have been especially amplified in the Great Britain. Housing prices slump, rising unemployment and stalling industry have raised serious doubts about the short-term health of British economy. The fear of imminent recession and ensuing interest rate cuts have dramatically driven the exchange rate of British pound down.

Dynamics of GBP/USD exchange rate



Source: Bloomberg



LHV World Equities Fund

31-Aug-08

Monthly Return -1.89%
NAV of A unit EUR 8.5891
NAV of B unit EEK 85.8910
Fund Size EUR 612,525

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.

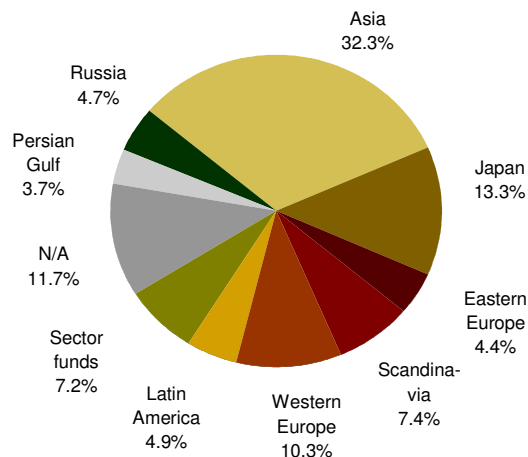
Performance History



Historical Returns

	1 month	3 months	6 months	12 months	YTD	Since Inception	Since Incep. p.a.
Fund	-1.89%	-9.64%	-5.43%	-17.02%	-17.23%	-14.11%	-

Geographical Breakdown



Top 10 Investments

Name	% of Assets
iShares MSCI Japan Index Fund	7.07%
Asia Pacific Fund Inc.	4.86%
JF Asia Diversified A (acc)	4.80%
Pictet FDS - Clean Energy Fund	4.13%
iShares FTSE/XINHUA China 25	4.03%
LHV Persian Gulf Fund B share	3.72%
HSBC GIF Japanese Equity Fund	3.71%
iShares MSCI South Korea Index	3.68%
Fenno 28/03/10	3.35%
JPM Germany Equity A (dist)	3.30%
Value of TOP 10 Investments	43%
Total Number of Investments	34

Fund Manager's Comment

In August emerging markets continued to decline. Negative returns varied from -1.7% in Asia to -8.8% in Eastern Europe (including Russia); only developed markets showed slight gains. Among our investments the best results were demonstrated by Scandinavian and Central European companies whereas Latin American and Asian investments depreciated the most.

In beginning of the month we realized profit by selling Morgan Stanley and later re-entered Russian market. Investments in Asia were also increased. Yet current conditions demand careful evaluation of sectors and companies. We are looking for investments which have been unreasonably punished by the market as well as sectors, which can withstand current turmoil in financial markets. For example, in August we bought companies from telecoms sector.



Andres Viisemann

Fund Details

Type: UCITS	Issue Fee	1.0%
ISIN of A-unit: EE3600092417 (EUR)	Management Fee	2.0%
Registrar of A-units: LHV	Redemption Fee	1.0%
ISIN of B-unit: EE3600097499 (EEK)		
Registrar of B-units: EVK		
Fund Manager: Andres Viisemann	Established:	04/27/2007
Depositary: Hansabank (Swedbank)	Launched:	08/13/2007

LHV Emerging Europe Alpha Fund

29-Aug-08

Monthly Return

-6.41%

NAV of A unit

EUR 6.0265

NAV of B unit

EUR 60.2650

Fund Size

EUR 676,764

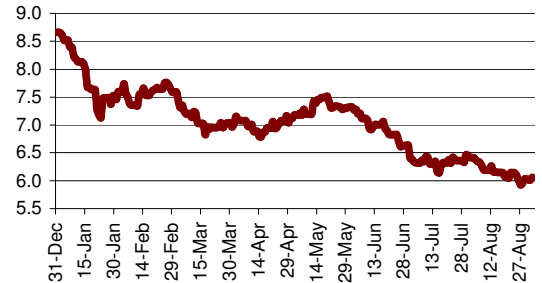
Investment Objective

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.

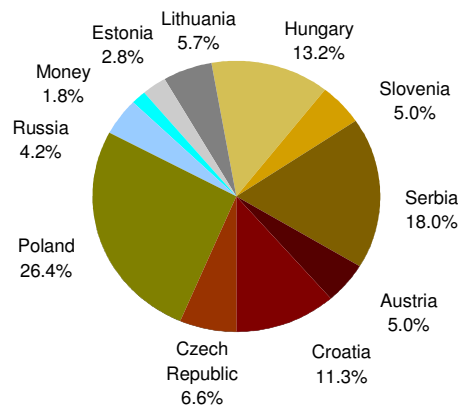
Performance History



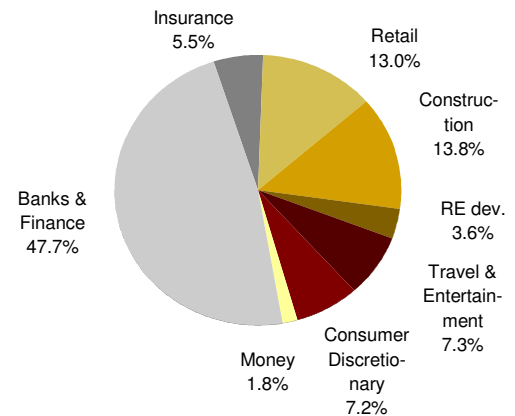
Historical Returns

	1 month	3 months	6 months	12 months	YTD	Since Inception	Since Incep. p.a.
Fund	-6.41%	-17.67%	-20.62%	-38.73%	-30.45%	-39.74%	-30.92%

Country Breakdown



Industry Breakdown



Top 10 Investments

Name	% of Assets
PKO Bank Polski (PL)	8.47%
BRE Bank (PL)	5.81%
Komerčni Banka (CZ)	5.80%
IGH (HR)	5.79%
AIK Banka (YU)	5.26%
Raiffeisen Intl Bank Holding (AT)	4.99%
Metals Banka AD (YU)	4.91%
Zwack Unicum Plc. (HU)	4.88%
Danubius Hotels (HU)	4.23%
Sberbank (RU)	4.22%
Value of TOP 10 Investments	54%
Total Number of Investments	26

Fund Manager's Comment

August has brought mixed news. The commodities (especially oil) have finally turned the corner and started to climb down auguring well for the long term health of the financial markets. Yet the brief war between Russia and Georgia in August has plunged CEE region into new wave of sell offs and position liquidation.

Not surprisingly, the most suffering position during the month was Russian Sberbank which has dropped off the cliff by staggering 16%. Mercifully, the Fund has only limited exposure to Russian market. Negative sentiment has shaved almost 10% off Fund's Serbian, Polish and Czech holdings. The impact on Croatia (-2.05%) and Hungary (-3.97%) was more muted. The start performers this month were Baltic stocks, Fund's positions have augmented by surprising 5.11%. Being the worst performers for a long period, Baltic markets seem finally to have found the bottom and constitute a real bargain comparing to regional peers.

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

31-Aug-08

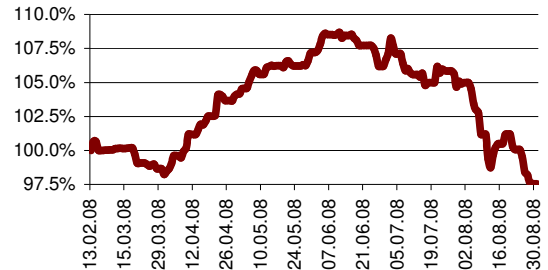
Monthly Return -7.00%
NAV of A unit EUR 9.7554
NAV of B unit EEK 97.5543
Fund Size EUR 6,098,249

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.

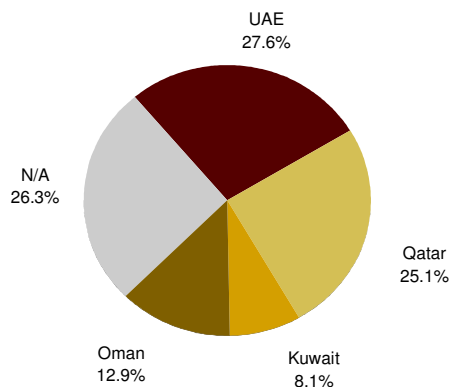
Performance History



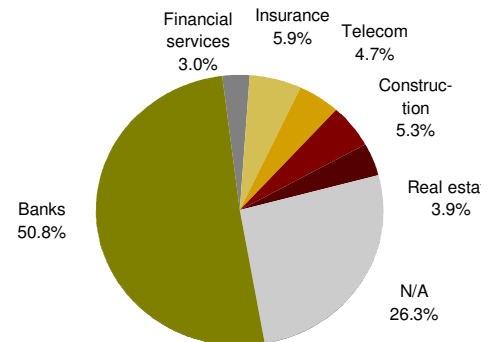
Historical Returns

	1 month	3 months	6 months	12 months	YTD	Since Inception	Since Incep. p.a.
Fund	-7.00%	-9.16%	-2.45%	-	-2.45%	-2.45%	-

Country Breakdown



Industry Breakdown



Top 10 Investments

Name	% of Assets
First Gulf Bank (AE)	7.16%
Commercial Bank of Qatar (QA)	6.78%
Qatar National Bank (QA)	6.31%
Qatar Insurance Company (QA)	5.91%
National Bank of Abu Dhabi (AE)	5.76%
Bank Muscat (OM)	5.56%
Aldar Properties (AE)	5.34%
Burgan Bank (KW)	3.28%
Bank Dhofar (OM)	3.05%
Shuaa Capital (AE)	3.05%
Value of TOP 10 Investments	52.2%
Total Number of Investments	22

Fund Manager's Comment

August was very negative month for GCC markets. Market participants are on vacation and Holy Month Ramadan starts in September, which also means continuation of low liquidity and slow trading activity.

Foreigners have been net sellers as they have been reducing positions in GCC markets because of global economic problems and therefore inducing panic among local investors.

During August we used weakness as buying opportunity and invested funds assets more aggressively as valuations have become very attractive. We are expecting liquidity to return in the middle of September.

Stock markets in United Arab Emirates declined aggressively as Abu Dhabi index lost 11.3% of its value and Dubai 11.4%. Qatar, Oman and Kuwait dropped 11.5%, 9.5% and 3.2%, respectively.

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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