

Monthly Overview

Stock markets rally slows down

Last month on stock markets was characterized with rising prices in industrialized countries, decreasing bond risk premiums and dollar weakening. Big exception was Chinese stock market with continuing downtrend.

World equity markets' performance (2009.08.31)*

Country/Region	Month	YTD	Cur.
World	3.06%	17.01%	Local
Western Europe	5.46%	15.41%	Local
North America	2.94%	14.06%	Local
Japan	1.26%	12.60%	Local
Emerging Markets	-0.54%	48.04%	USD
Asia ex. Japan	-3.51%	45.64%	USD
CEEC ex. Russia	5.16%	28.09%	EUR
Russia	2.41%	57.71%	USD
Latin America	1.93%	58.57%	USD
GCC ex. S. Arabia	7.79%	16.62%	USD

*Morgan Stanley indices

Source: MSCI Barra

Investors cautiousness grows

Stock markets around the world moved without a clear trend in August. After recent rally from March lows investors started to become more cautious on concerns that the scale and duration of economic recovery were overestimated and sharply increased stocks prices do not reflect the real situation.

China was the first market suffering from growing fear among investors. Since the beginning of this year, China's stock market has grown by over 70%, driven mainly by government initiated economic stimulus program. During August Shanghai Composite index lost more than 700 points or nearly 22% of its value. The current decline reflects investors' anxiety for possible changes in macro-economic policy and pressure from recent stock valuations.

Moreover, there can be heard analysts' warnings that industrial countries might also not prove quick recovery expectations. They direct the attention to a personal savings level which is one of the most significant factors ensuring economy growth. Governments injected large amounts of money into infrastructure projects to turn economy towards growth, but it is more difficult to convince people to

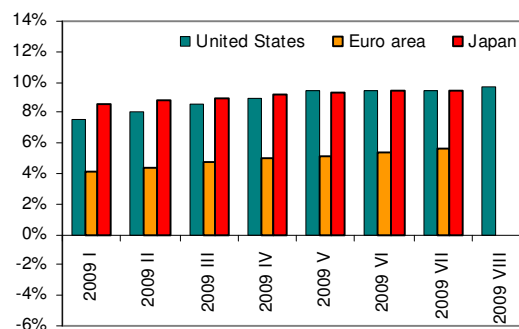
Movers and shakers in August 2009

- China's manufacturing index hit a 16-month high of 54 points from 53.3 in July
- US unemployment fell to 9.4% in July from 9.5% in June vs. 9.6% expected
- Germany and France unexpectedly returned to growth: each country's GDP rose by 0.3% q/q in 2Q 2009
- German consumer confidence jumped above 50 points level in August to 56.1
- US investor confidence boosted to 54.1 points in August vs. expectations of 47.9
- US durable goods orders surged by 4.9% m/m in July from -1.3% in June
- US services index slid to 46.4 points in July from 47 in June
- China's export dropped by 23% y/y in July; industrial production gained 10.8%
- Russia's GDP shrank by a sharper than expected 10.9% in 2Q 2009 in its worst annual fall on record
- Japan's GDP 09 grew 3.7% y/y not reaching expectations of 3.9%
- Average home prices of Great Britain fell 2.2% in August despite 0.6% leap in July

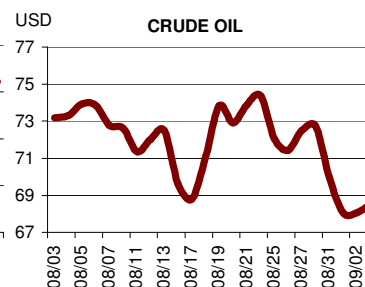
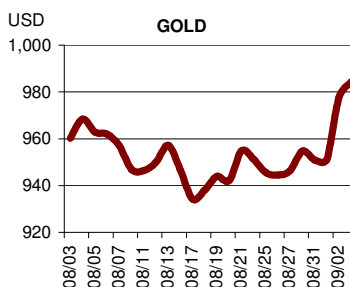
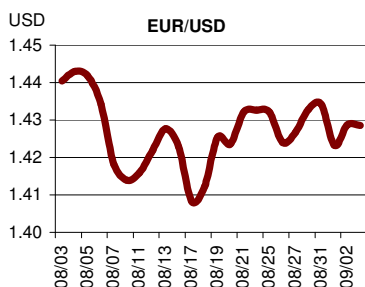


spend the money they earned. Statistics shows that saving level is increasing. It is no wonder as higher present government spending will most probably lead to tax increase in the future despite lower personal income. Moreover high and still rising unemployment also negatively influences consumption habits. Falling personal income and growth of unemployment force politicians to increase government spending even more as not every country has the luxury to hope for recovery from export. This all let conclude that world economy might bounce back slowly and gradually.

Monthly unemployment level during 2009



Source: tradingeconomics.com



LHV World Equities Fund

31-Aug-09

Monthly Return

1.76%

NAV of A unit

EUR 7.5053

NAV of B unit

EEK 75.0530

Fund Size

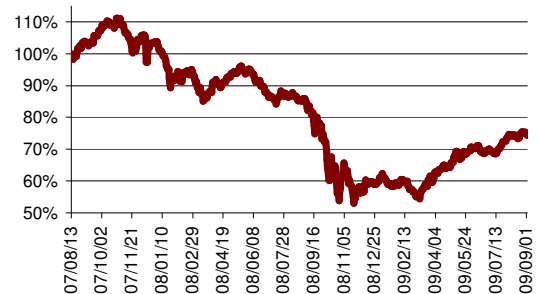
EUR 652,343

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.

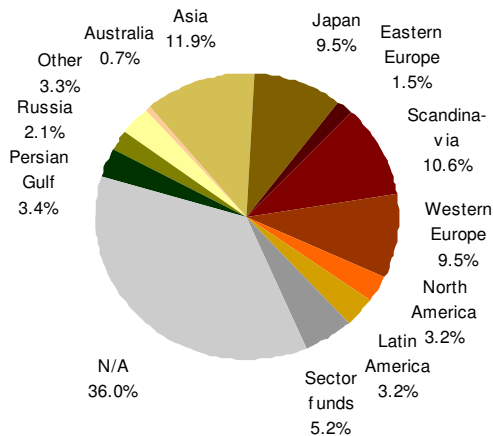
Performance History



Historical Returns

	1 month	3 months	6 months	12 months	YTD	Since Inception	Since Incep. p.a.
Fund	1.76%	7.91%	32.92%	-12.66%	25.28%	-24.95%	-13.06%

Geographical Breakdown



Top 10 Investments

Name	% of Assets
iShares MSCI Japan Index Fund	3.57%
LHV Persian Gulf Fund B share	3.35%
Fenno 28/03/10	3.16%
HSBC GIF Japanese Equity Fund	3.01%
HSBC GIF Thai Equity	2.82%
Morgan Stanley Emerging Markets Fun	2.76%
Pictet FDS - Clean Energy Fund	2.75%
HSBC GIF Asia ex Japan Equity Small	2.62%
Investor AB	2.59%
LHV Persian Gulf Fund B share	2.54%
Value of TOP 10 Investments	29%
Total Number of Investments	43

Fund Manager's Comment

August was generally positive month for stock markets as prices rose around the globe. The only exceptions were South East Asian markets, which fell after rallying for five months. Chinese Shanghai A stocks lost 23% during month. LHV World Equities Fund had significantly lowered exposure to the region already in May. In August we sold stocks in Central and Eastern Europe, Latin America and Japan. Deutsche Boerse was added as a new investment.



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-Aug-09

Monthly Return

11.18%

NAV of A unit

EUR 3.6793

NAV of B unit

EEK 36.7930

Fund Size

EUR 391,001

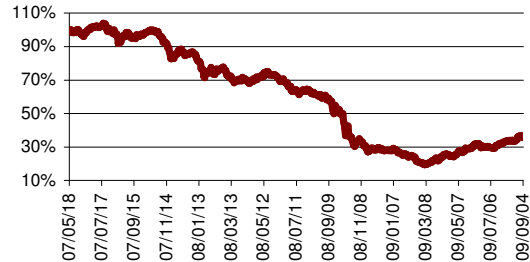
Investment Objective

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.

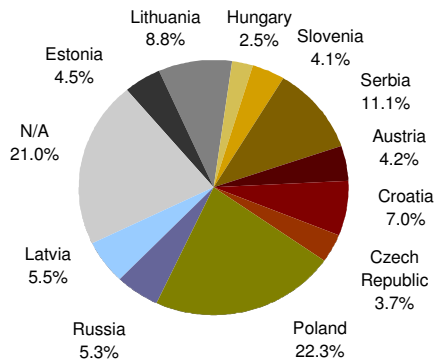
Performance History



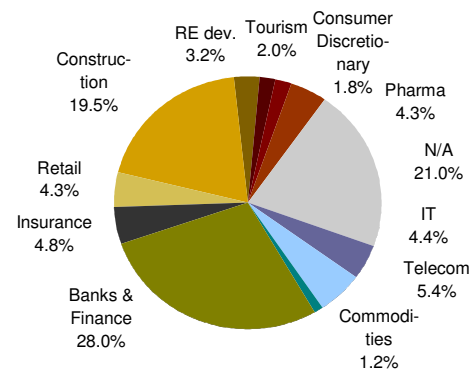
Historical Returns

	1 month	3 months	6 months	12 months	YTD	Since Inception	Since Incep. p.a.
Fund	11.18%	25.58%	78.91%	-38.95%	31.19%	-63.21%	-35.39%

Country Breakdown



Industry Breakdown



Top 10 Investments

Name	% of Assets
TEO LT AB (LT)	5.45%
Sberbank (RU)	5.29%
Mostostal-Export SA (PL)	5.15%
AIK Banka (RS)	4.95%
Nordecon International (EE)	4.45%
PKO Bank Polski (PL)	4.40%
Asseco Poland SA (PL)	4.40%
Grindeks AS (LV)	4.30%
Raiffeisen Intl Bank Holding (AT)	4.24%
IGH (HR)	4.10%
Value of TOP 10 Investments	47%
Total Number of Investments	24

Fund Manager's Comment

August was changeable month for stock markets. Analysts' comments that economic recovery might be rocky and tedious prompted concerns that sharply appreciated stocks do not conform to economic reality. However more optimistic approaches appear towards CEE region. According to CEO of UniCredit CEE will certainly exit the crisis before Western Europe. This was supported by Poland's GDP which surprised on upside growing by 1.1% y/y in 2nd quarter despite expectations of only 0.5% rise.

The worst performers in the Fund's portfolio were Slovenian and Hungarian shares ending the month in red (-2%). Impressive returns were demonstrated by Baltic stocks: Estonian Nordecon International boosted by almost 60%, Lithuanian positions rose by 47% during August. A jump of the Lithuanian telecom TEO LT shares was caused by pleasant surprise from TeliaSonera which launched cash offer to buy up remaining stake in TEO LT at 1.83 LTL price (30.7% premium over last closing market price).

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-Aug-09

Monthly Return

3.87%

NAV of A unit

EUR 6.5271

NAV of B unit

EEK 65.2713

Fund Size

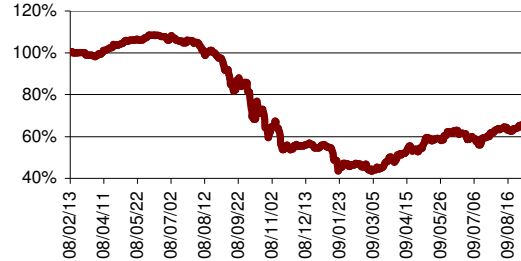
EUR 5,640,415

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.

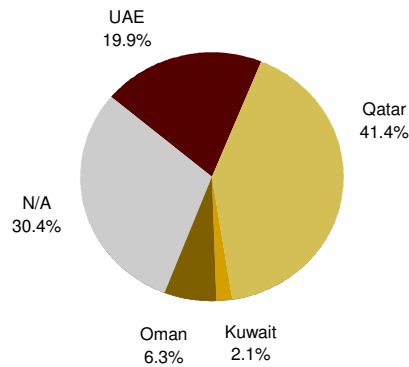
Performance History



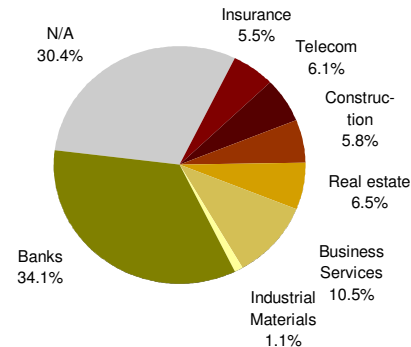
Historical Returns

	1 month	3 months	6 months	12 months	YTD	Since Inception	Since Incep. p.a.
Fund	3.87%	11.70%	48.49%	-33.10%	16.96%	-34.73%	-24.87%

Country Breakdown



Industry Breakdown



Top 10 Investments

Name	% of Assets
Commercial Bank of Qatar (QA)	7.72%
Qatar National Bank (QA)	7.35%
Qatar Fuel Company (QA)	5.98%
Qatar Insurance Company (QA)	5.53%
Al-Dar Properties PJSC (AE)	5.42%
First Gulf Bank (AE)	3.96%
Doha Bank (QA)	3.78%
Sorouh Real Estate Co. (AE)	3.44%
National Bank of Abu Dhabi (AE)	2.91%
Qatar Gas Transport Com Ltd (QA)	2.67%
Value of TOP 10 Investments	49%
Total Number of Investments	26

Fund Manager's Comment

GCC markets made notable gains during the last days of August. The biggest gainer was Oman, adding 6.5% to the index and Qatar, our favour-rite, added 5.23% to its value.

Drawing conclusions from reporting season, we can say that credit cycle has not affected GCC countries and their expenditures as much as during the past cycles and company balance sheets are quite strong.

In the end of the month the Ramadan period kicked off. Liquidity on the markets is lower than usual and investors will be more active in the second half of September, when holiday ends. More active trading and ending of news vacuum might bring foreign investors back to markets as valuations are still low and oil price has been strong.



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 / 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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