

Falling oil prices failed to revive the markets

In July the markets were shaken by plunging oil prices. Energy prices have fallen 19% of the peak achieved in the middle of the month, producing monthly decline of the price -11.7%. That has put a pressure on the commodities exporting countries of raw materials such as Russia and Brazil.

World equity markets' performance (2008.07.31)*

Country/Region	Month	YTD
World	-1.76%	-19.66%
Western Europe	-1.63%	-23.97%
North America	-0.87%	-17.99%
Japan	-2.46%	-15.33%
Emerging Markets	-3.22%	-21.62%
Asia ex. Japan	-0.49%	-28.04%
CEEC ex. Russia	+5.23%	-11.40%
Russia	-15.20%	-23.54%
Latin America	-7.85%	-7.67%
GCC ex. S. Arabia	-1.20%	8.46%

*Morgan Stanley indexes, in Euro

Source: MSCI Barra

Despite depreciating commodities, investors all over the world are still worried about sharply slowing economy coupled with a high inflation. Main dilemma is whether to fight rising inflation by hiking interest rates or to salvage economy by lowering interest rates, risking the prices could get out of hand. Many Asian and Eastern European countries have chosen the first path, raising the interest rates so they could stop the inflation by cooling the economy. At the same time US' Federal Reserve has lowered their interest rates in order to protect their banking sector. This may mean that the recovery of the economy may take longer than originally anticipated.

Baltic stocks

Even though a lot of stocks in Baltics have become cheap, compared to companies' profits, we still plan to wait with bigger investments until the beginning of 2009. We expect to hear more negative news causing another selling wave. In the middle of next year we can expect some improvement in macro conditions, therefore the beginning of 2009 could be a good time to buy.

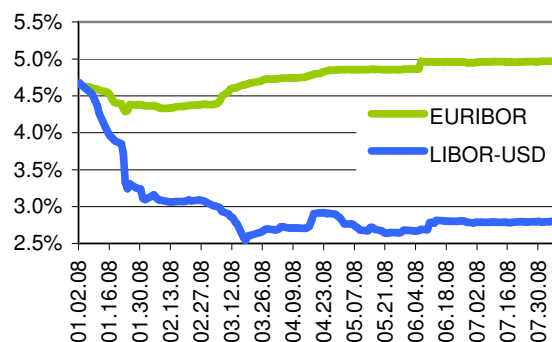
Movers and shakers in July 2008

- **Moody's promoted the credit rating of Russia from Baa2 to Baa1**
- **Crude oil price slumped by 11.7% in July till USD 120 per barrel**
- **USA long term consumption goods' orders unexpectedly grew by 0.8% in June**
- **USA created 6,000 new workplaces in July vs. an expected decrease of 60,000**
- **Standard & Poor's rose the credit rating of China by one level to A+**
- **German consumer confidence index is about to reach 5-year low by dropping to 2.1 points for August from 3.6 in July**
- **USA inflation jumped by 1.1% in June to the highest level of 5% since 1991**
- **The ECB raised Europe's key interest rate to 4.25 percent**
- **Euro zone annual inflation level of 4.1% hit 16-years high**
- **USA economy grew at 1.9% in 2Q of 2008 vs. 2.4% rise expected**
- **Financial problems of Freddy Mac and Fannie Mae caused panic on US SE**

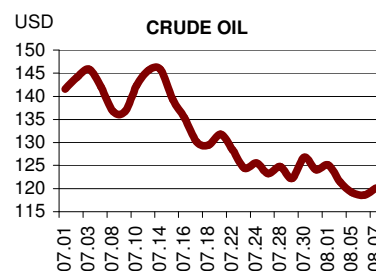
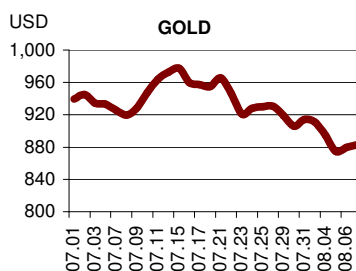
Future prospects

Compared to the beginning of July, the outlook of the stock markets has not changed. From the middle of July equity markets have made a small bounce upwards and there might be a decline ahead. On the other hand, the fall in the prices of raw materials gives some positive push to the stock markets as it lowers the pressure of high input prices in businesses. The process of business environment turning to better can still take some time.

Dynamics of 3-months *Euribor* and *Libor-USD*



Source: Bloomberg



LHV World Equities Fund

31-Jul-08

Monthly Return **-0.27%**
 NAV of A unit **EUR 8.7547**
 NAV of B unit **EEK 87.5470**
 Fund Size **EUR 623,994**

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.

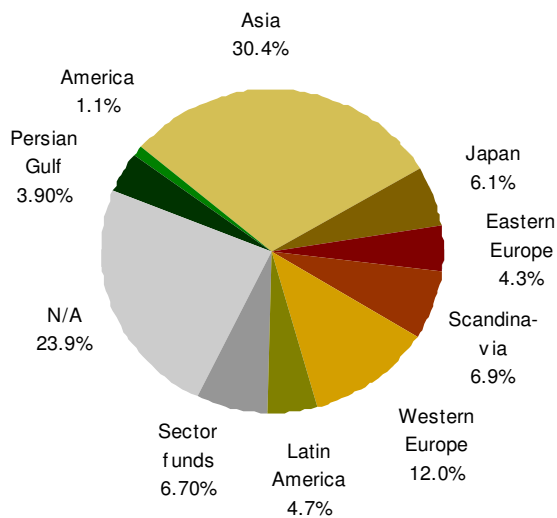
Performance History



Historical Returns

	1 month	3 months	6 months	12 months	YTD	Since Inception	Since Incep. p.a.
Fund	-0.27%	-6.61%	-6.17%	-	-15.64%	-12.45%	-

Geographical Breakdown



Top 10 Investments

Name	% of Assets
JF Asia Diversified A (acc)	4.85%
Asia Pacific Fund Inc.	4.11%
iShares MSCI Japan Index Fund	3.95%
LHV Persian Gulf Fund B share	3.93%
iShares MSCI South Korea Index	3.93%
Pictet FDS - Clean Energy Fund	3.88%
HSBC GIF Japanese Equity Fund	3.68%
JPM Germany Equity A (dist)	3.28%
Fenno 28/03/10	3.25%
Pictet Water P Cap	2.88%
Value of TOP 10 Investments	38%
Total Number of Investments	29

Fund Manager's Comment

On stock markets July was once again negative and fund holdings value declined by 0.27%. Best investment results were on East and West Europe, where they were 0.56% and 0.27%, only ones who finished the month positively. The worst results were in Latin America (-0.48%) and Asia (-4.91%). We took advantage of Asian markets downfall and bought investments in Taiwan, Singapore and Malaysia. These are the markets where we are expecting the best results despite of the confused and tough times. We also raised the percentage of West Europe in our fund. Old world's markets downfall together with expected peak of inflation, in the end of the year, changes stock investments at least in short run attractive again.

In the end of the month we gave up of our investments in Eastern Europe finance sector and took our profits from selling Swedish banks. We have paid more attention to single stocks which would give us an opportunity to see the environments where we could possibly earn profits, where markets trends are downwards or are they rather sideward.



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

31-Jul-08

Monthly Return

-2.93%

NAV of A unit

EUR 6.4395

NAV of B unit

EUR 64.3950

Fund Size

EUR 731,406

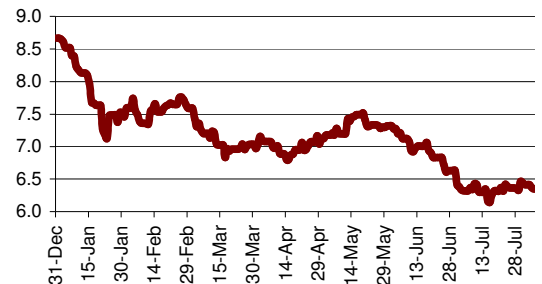
Investment Objective

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.

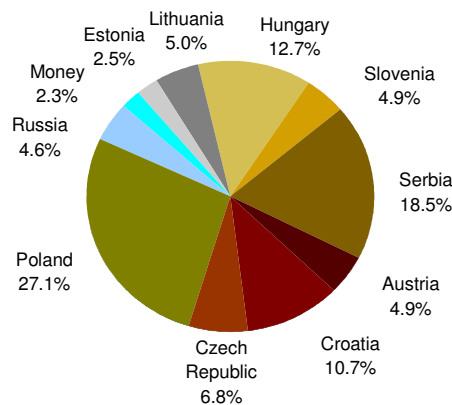
Performance History



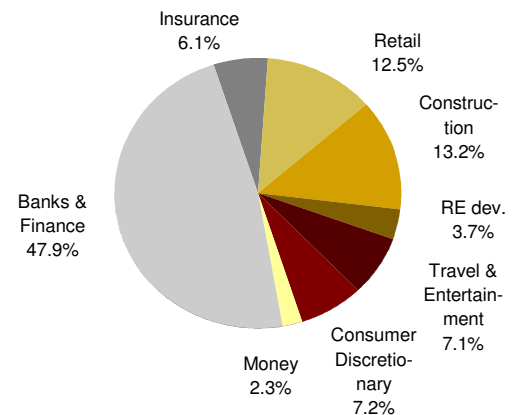
Historical Returns

	1 month	3 months	6 months	12 months	YTD	Since Inception	Since Incep. p.a.
Fund	-2.93%	-9.61%	-25.68%	-36.07%	-25.68%	-35.61%	-29.54%

Country Breakdown



Industry Breakdown



Top 10 Investments

Name	% of Assets
PKO Bank Polski (PL)	8.70%
BRE Bank (PL)	6.09%
Komerčni Banka (CZ)	5.83%
IGH (HR)	5.39%
AIK Banka (YU)	5.33%
Raiffeisen Intl Bank Holding (AT)	4.93%
Zwack Unicum Plc. (HU)	4.93%
Metals Banka AD (YU)	4.79%
Sberbank (RU)	4.65%
Danubius Hotels (HU)	4.09%
Value of TOP 10 Investments	55%
Total Number of Investments	26

Fund Manager's Comment

July has not brought a long awaited respite. The markets were spooked by recession worries and sharp deterioration of financial standing of US mortgage giants Freddie Mac and Fannie Mae. As a result majority of markets were dragged down.

Still, several CEE markets have demonstrated a striking resilience. Fund's Czech stock have appreciated by 6,63%, Hungarian stocks managed to climb 1,31% and Polish stocks aided by 4,3% jump of zloty have risen (in euro terms) 2,41%. The worst performing market during the period was Serbia plunging by 12,74%. The fellow Slovenian and Croatian markets have also fallen by 2,5-2,9%.

During the month the holdings in Serbian AIK bank have been reduced and position in the insurer Dunav osiguranje ratcheted up. Also the investment into Austrian Erste bank has been profitably terminated.

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-Jul-08

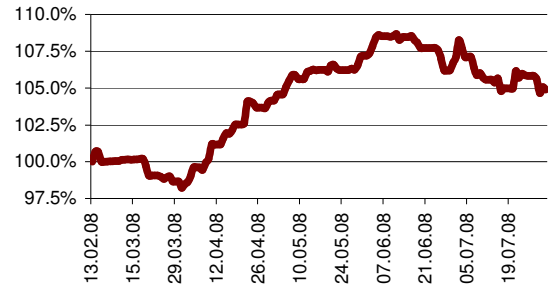
Monthly Return **-1.70%**
 NAV of A unit **EUR 10.4897**
 NAV of B unit **EEK 104.8972**
 Fund Size **EUR 6,436,993**

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.

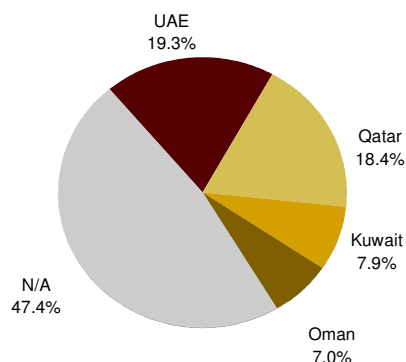
Performance History



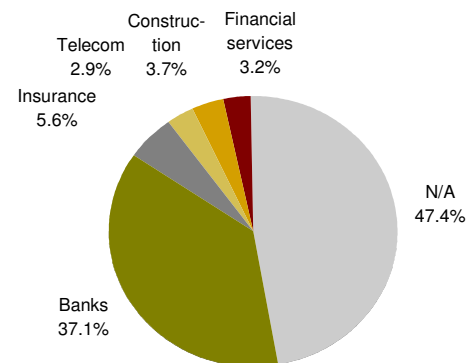
Historical Returns

	1 month	3 months	6 months	12 months	YTD	Since Inception	Since Incep. p.a.
Fund	-1.70%	0.30%	-	-	4.90%	4.90%	-

Country Breakdown



Industry Breakdown



Top 10 Investments

Name	% of Assets
Qatar National Bank (QA)	6.20%
First Gulf Bank (AE)	6.19%
Commercial Bank of Qatar (QA)	5.67%
Qatar Insurance Company (QA)	5.63%
National Bank of Abu Dhabi (AE)	5.26%
Aldar Properties (AE)	3.96%
Bank Muscat (OM)	3.21%
Shuaa Capital (AE)	3.06%
Burgan Bank (KW)	3.03%
Bank Dhofar (OM)	2.99%
Value of TOP 10 Investments	45.8%
Total Number of Investments	14

Fund Manager's Comment

Correction that started in June continued in July and most of the markets ended the month lower as trading activity during summer months is more modest. Worst performer was Oman (-5.17%), followed by Kuwait (-3.1%) and Qatar (-2.5%). The strongest was Abu Dhabi (+0.45%). Reporting season kicked off in mid-July and most companies in fund's portfolio have reported their second quarter results.

Qatar and Abu Dhabi banks exceeded expectations, as second quarter profit growth was 60-70% YOY, maintaining loan book quality and strong spread. Growth was backed by strong loan and deposit growth.

Although results from Oman were strong, the market was affected by the central bank's decision to limit loan growth to contain inflation. Results from Kuwait have been modest, as expected. Taking into account selling pressure during last months and strong results, we are expecting stronger second half of the year.

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
 Depository: 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 equity 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 a regular 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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