

LHV equity funds

Monthly Overview

February 2009

Stock markets in downtrend

World stock markets were falling during February. Market indices reached new lows, both in US and Western Europe. Developing markets were stronger, as downtrend was half a size.

World equity markets' performance (2009.02.27)*

Country/Region	Month	YTD	Cur.
World	-8.61%	-14.82%	Local
Western Europe	-10.96%	-17.16%	Local
North America	-10.28%	-17.38%	Local
Japan	-4.58%	-11.90%	Local
Emerging Markets	-5.71%	-11.95%	USD
Asia ex. Japan	-6.61%	-11.85%	USD
CEEC ex. Russia	-15.01%	-27.45%	EUR
Russia	-0.86%	-12.40%	USD
Latin America	-5.25%	-5.54%	USD
GCC ex. S. Arabia	-10.43%	-26.39%	USD

*Morgan Stanley indices

Source: MSCI Barra

Will banks be nationalized?

Markets were affected by two topics in February: Federal Economic Stimulus Program and speculations about bank nationalizations. Large banks might need to write down assets up to couple of trillions USD, however most of them refused to accept extra capital. US Government will let them to do stress-test, to see how short of capital they would be if the recession worsened. If banks don't pass the test and are nationalized, existing stockholders will lose most of the value they still have, e.g. Citigroup and AIG stocks lost 90%, when they were partly nationalized.

Economy is still in pretty deep recession, which can worsen in the future. US Congress came out with over 800 billion USD economic stimulus program, but it did not help markets to recover. Production in manufacturing sector is decreasing due to fall of private consumption. Consumer confidence index reached 25 points in February, the lowest level since its developing in 1967. This time the situation is a lot worse comparing to the last US bear market (2002-2003), when index fell to 60. Two explanations can be proposed: either real economy is in a terrible shape indeed or, pessimism has risen too high.

Movers and shakers in February 2009

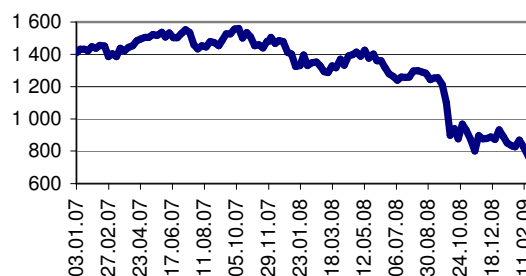


- Japan's CB to spend up to \$11.2 bn to buy shares held by commercial banks
- The Bank of England cut its interest rate by 50 bp to 1%, the lowest since it was founded in 1694
- US retail sales jumped by 1% in January, reversing a six-month declining trend
- German investor sentiment index posted biggest gain in 15 year rising to -5.8, dramatically up from January's -31.0 points
- US GDP contracted at a 6.2% annual pace in '08 4Q, the most since 1982
- China's export decreased by -17.5% y/y, import slumped by -43.1% in January
- Japan's GDP fell by -12.7% in '08 4Q
- Partial nationalization of US bank Citigroup Inc by converting preferred shares into common stock
- US insurance company AIG had \$62 bn loss in 4Q, the most in corporate history of US

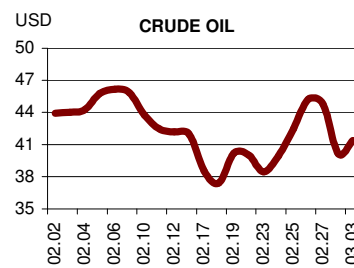
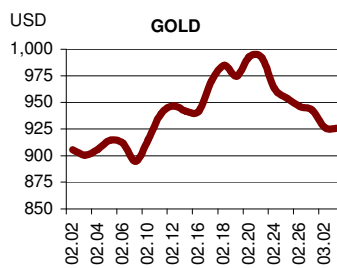
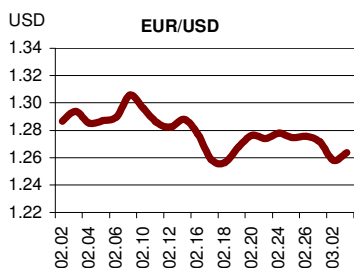
Is stock market cheap or not?

While considering S&P500 companies' profit, there is expectation that it could fall to 61 USD per index. P/E, price-profit ratio, is 12, when S&P500 index is around 765 points. Taking profits of the last 10 years, S&P500 index is trading 12,9x P/E level. The last time the stock market was so cheap in 1986. It needs to be noted that stock prices fell in 1982 at the end of the downtrend to 10x P/E level. That's why many analysts still believe that S&P500 index can reach 600 point level. That is 20% lower than nowadays. Therefore our advice is to be careful to put new money into stock market. Right now it would be better to look more towards bonds.

Dynamics of S&P500 index since 2007



Source: finance.yahoo.com



LHV World Equities Fund

27-Feb-09

Monthly Return

-4.56%

NAV of A unit

EUR 5.6463

NAV of B unit

EEK 56.4630

Fund Size

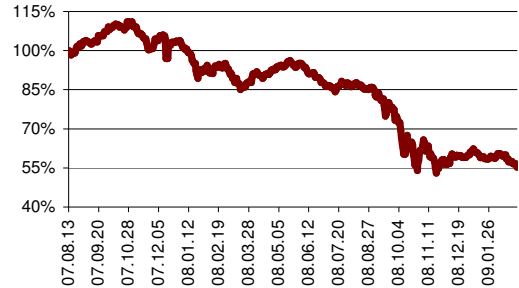
EUR 398,263

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.

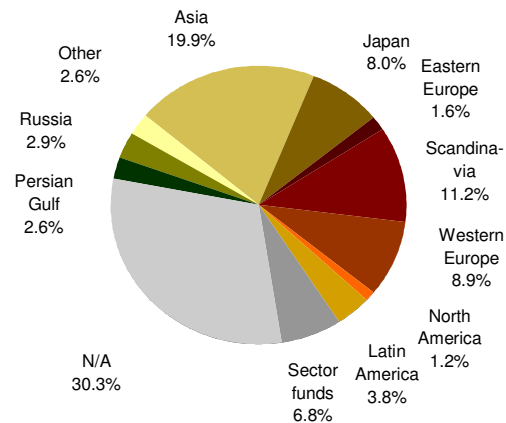
Performance History



Historical Returns

	1 month	3 months	6 months	12 months	YTD	Since Inception	Since Incep. p.a.
Fund	-4.56%	-2.84%	-34.29%	-39.28%	-5.75%	-43.54%	-30.94%

Geographical Breakdown



Top 10 Investments

Name	% of Assets
Fenno 28/03/10	5.20%
JF Asia Diversified A (acc)	4.79%
HSBC GIF Japanese Equity Fund	4.16%
Pictet FDS - Clean Energy Fund	3.39%
Pictet Water P Cap	3.34%
JPM Germany Equity A (dist)	3.00%
HSBC GIF Thai Equity	2.96%
JPMF Japan Select Equity A (acc)	2.90%
HSBC GIF Asia ex Japan Equity Small	2.65%
LHV Persian Gulf Fund B share	2.60%
Value of TOP 10 Investments	35%
Total Number of Investments	40

Fund Manager's Comment

Macro numbers that came through in February did not offer much to cheer about. Stimulus packages in US and elsewhere will not give results instantly and effects should hopefully start to have effect in the second half of the year. However, quick recovery is not likely.

South-East Asian markets have started the year better than most of the others – China being one of the few markets on positive side year to date. This is mainly reflection from the commodity market where prices have fallen sharply. Commodities make up relatively big share of the imports to Asia countries.

Taking advantage of the low price levels, fund made investments into following companies: Sampo, Telefonica, Deutsche Telekom and Cadbury Schweppes, and also into China and Japan.



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
 Depository: Hansabank

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

27-Feb-09

Monthly Return

-19.10%

NAV of A unit

EUR 2.0565

NAV of B unit

EEK 20.5650

Fund Size

EUR 211,370

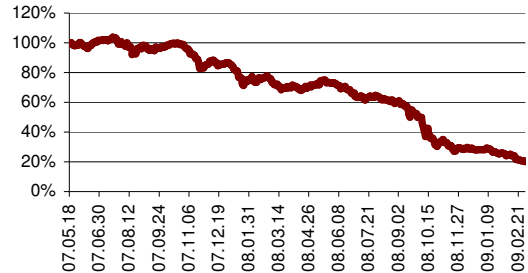
Investment Objective

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.

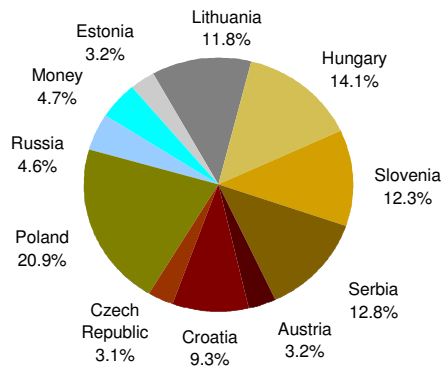
Performance History



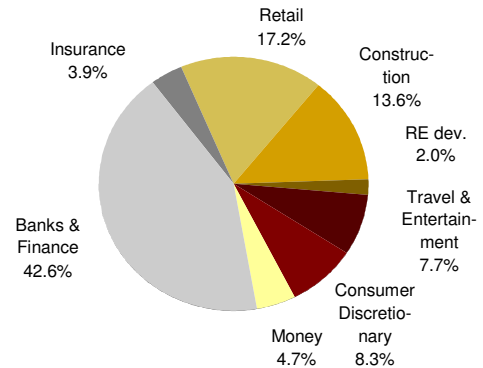
Historical Returns

	1 month	3 months	6 months	12 months	YTD	Since Inception	Since Incep. p.a.
Fund	-19.10%	-29.68%	-65.88%	-72.91%	-26.67%	-79.44%	-58.83%

Country Breakdown



Industry Breakdown



Top 10 Investments

Name	% of Assets
Mercator (SI)	7.76%
AB Ūkio bankas (LT)	6.81%
LPP SA (PL)	6.74%
Zwack Unicum Plc. (HU)	5.74%
Mostostal-Export SA (PL)	4.65%
Sberbank (RU)	4.59%
Probanka d.d. (SI)	4.54%
OTP Bank (HU)	4.31%
Danubius Hotels (HU)	4.07%
PKO Bank Polski (PL)	3.92%
Value of TOP 10 Investments	53%
Total Number of Investments	25

Fund Manager's Comment

February has proven another bleak month for investors. Losses have engulfed all world stock markets, additionally CEE currencies have been under strong selling pressure resulting in depreciation of their worth.

The fall of value of the Fund was mostly driven by sharply weaker Croatian (-39.4% for the holdings of the Fund), Serbian (-31.9%) and Czech markets (-31.8%).

Relatively stable was only Slovenian market (-3.3%) which is well known for a smaller correlation with the rest of the world.



Romanas Bulatovas

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

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

Established: 2007.04.12
 Launched: 2007.05.18

LHV Persian Gulf Fund

27-Feb-09

Monthly Return

-6.66%

NAV of A unit

EUR 4.3956

NAV of B unit

EEK 43.9559

Fund Size

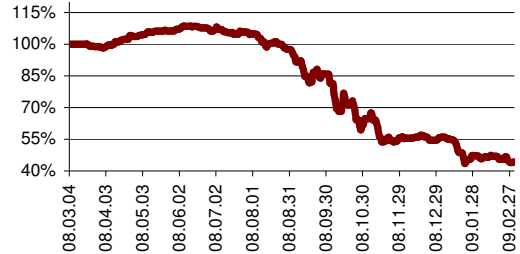
EUR 2,673,089

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.

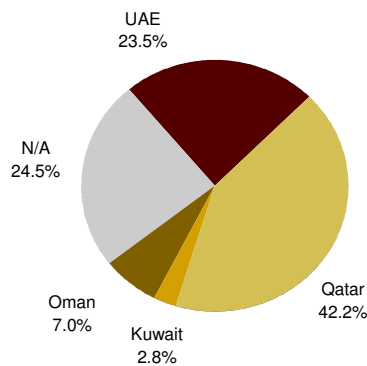
Performance History



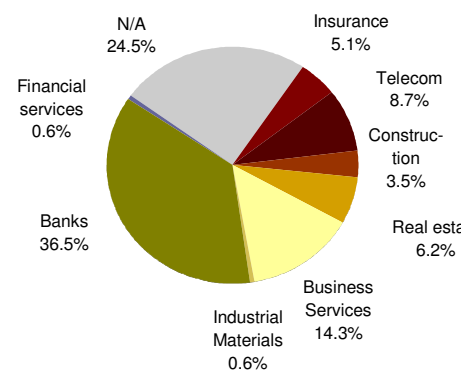
Historical Returns

	1 month	3 months	6 months	12 months	YTD	Since Inception	Since Incep. p.a.
Fund	-6.66%	-21.04%	-54.94%	-	-21.23%	-56.04%	-

Country Breakdown



Industry Breakdown



Top 10 Investments

Name	% of Assets
Qatar Fuel Company (QA)	10.00%
Qatar National Bank (QA)	6.88%
National Bank of Abu Dhabi (AE)	6.30%
Commercial Bank of Qatar (QA)	6.18%
Qatar Insurance Company (QA)	5.18%
First Gulf Bank (AE)	4.55%
Qatar Islamic Bank (QA)	3.77%
Al-Dar Properties PJSC (AE)	3.55%
Oman Telecom (OM)	3.42%
ARAMEX PJSC (AE)	2.83%
Value of TOP 10 Investments	53%
Total Number of Investments	24

Fund Manager's Comment

Gulf markets were mixed in February. Abu Dhabi (+6.76%) and Dubai (+4.82%) were the best performers while Qatar (-15.38%), Kuwait (-5.81%) and Oman (-0.3%) ended in the negative territory.

The government of Dubai launched a US\$20bn sovereign bond programme during the end of the month to ease liquidity conditions and UAE Central Bank had subscribed to half of the issue meaning help from oil-rich Abu Dhabi. Also the Abu Dhabi government announced that it has decided to inject new capital into local banks.

Quarterly results did not offer any big surprises. Companies had to revalue investments on stock markets therefore affecting profits and 2009. Growth projections have come down. Future expectations are low, but investor sentiment has become more stable during the month.



Oliver Ait

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

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 – Your guide to financial world

LHV 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 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) 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 / 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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