

Monthly Overview

Rally slows down

The stock markets' rally started few months ago continued in some Asian countries. After a weak start at the beginning of the year, Central and Eastern Europe demonstrated strength too. Among BRIC countries the only rising market was China. June was especially weak month for Russian stocks which comes as no surprise after couple of months lasting steep appreciation.

World equity markets' performance (2009.06.30)*

Country/Region	Month	YTD	Cur.
World	-0.39%	5.53%	Local
Western Europe	-2.02%	0.05%	Local
North America	0.04%	3.46%	Local
Japan	2.82%	8.12%	Local
Emerging Markets	-1.53%	34.26%	USD
Asia ex. Japan	-0.69%	33.99%	USD
CEEC ex. Russia	2.29%	3.16%	EUR
Russia	-14.31%	43.17%	USD
Latin America	-2.26%	43.17%	USD
GCC ex. S. Arabia	4.96%	5.91%	USD

*Morgan Stanley indices

Source: MSCI Barra

Very impressive quarter on markets

The latter quarter can be characterized as one of the most successful for different asset classes. Such financial instruments like currencies of SE-Asia, US high yield bonds, oil and emerging markets' stocks demonstrated the best quarterly gains during the last five years period. It should be mentioned that correlation between different asset classes is especially high these days. In the meantime the situation is pretty much the same as last summer, but on mirror-image – we are turning into a rising phase instead of the downtrend. However high correlation turns asset management to become quite complicated. This leads to wide movements on both sides measuring in percents. It can be illustrated by US and Western-European stock markets, which presented some positive macroeconomical news and demonstrated gain of 1.5% and 3.4% respectively.

On the other hand after some improvements in real economy there should still be paid attention on decoupling theory of emerging and developed markets.

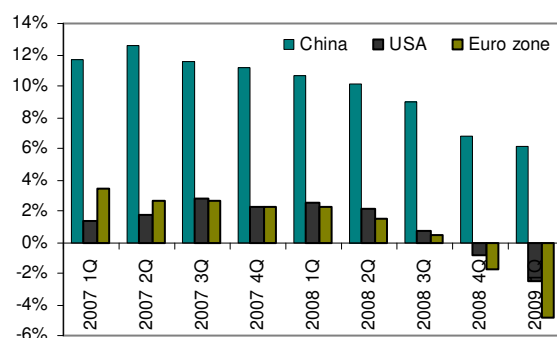
Movers and shakers in June 2009

- German investor confidence index rose to 44.8 ps in June (3 years high)
- China's retail sales grew 15.2% y/y in May, comparing to 14.8% y/y rate in April
- Orders for U.S. durable goods jumped by 1,1% in May (0,5% fall was expected)
- 1Q US GDP fell by 5.5% y/y against preliminary reading of decline of 5.7%
- Euro-zone consumer confidence beat the -29 expectation with a reading of -25 in May from -28 in April
- China's manufacturing index climbed for a fourth month in June (from 53,1 to 53,2)
- Euro zone GDP shrank by 2.5% q/q or 4.8% y/y in 1Q 2009
- China's May export fell by record 26.4%
- Russia's GDP slumped by 23% q/q or 9,5% y/y in 1Q 2009
- The World Bank cut its world economy growth forecast from -1.7% to -2.9% in 2009 and from 2.3% to 2.0% next year
- Annualized number of sold houses in US secondary market reached 4.77 mio in June (4.82 mio was expected)
- GB 2009 1Q GDP plunged by showed the lowest q/q growth since 1958 of 2.4%

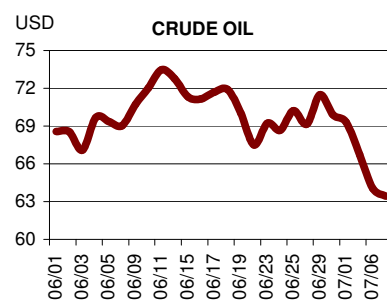
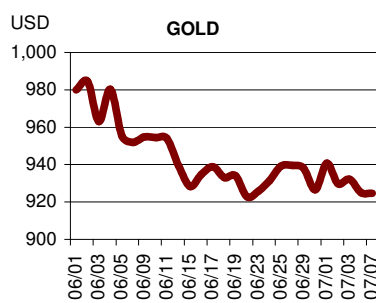


Looking back into last autumn it was popular to escalated a topic of how strong a growth rate of real economy can be demonstrated by emerging markets, especially Asian, but also Latin-American, if developed countries keep to suffer from recession. Some time ago there could be only a discussion without any supporting facts and evidence, but today we are stepping on the moment that might materialise this theory. Still world media hasn't paid much attention to the subject.

Annual GDP growth of China, USA and Euro zone



Source: tradingeconomics.com



LHV World Equities Fund

30-Jun-09

Monthly Return

0,36%

NAV of A unit

EUR 6,9805

NAV of B unit

EEK 69,8050

Fund Size

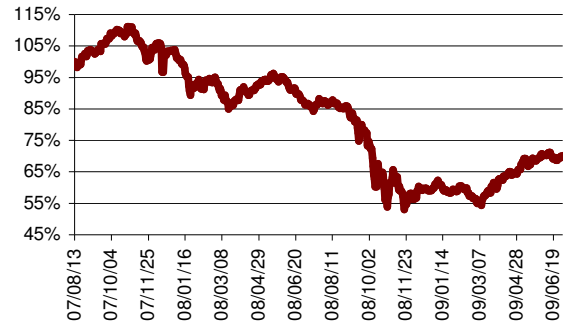
EUR 565 633

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.

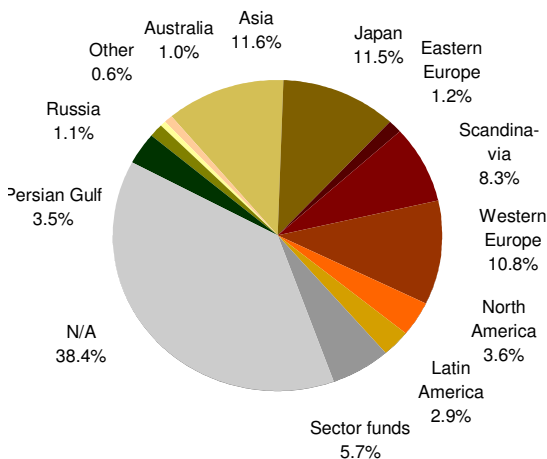
Performance History



Historical Returns

	1 month	3 months	6 months	12 months	YTD	Since Inception	Since Incep. p.a.
Fund	0,36%	16,53%	16,52%	-20,48%	16,52%	-30,20%	-17,40%

Geographical Breakdown



Top 10 Investments

Name	% of Assets
iShares MSCI Japan Index Fund	5,00%
Fenno 28/03/10	3,58%
LHV Persian Gulf Fund B share	3,48%
HSBC GIF Japanese Equity Fund	3,32%
Pictet FDS - Clean Energy Fund	3,08%
HSBC GIF Thai Equity	3,02%
HSBC GIF Asia ex Japan Equity Small	2,83%
Pictet Water P Cap	2,64%
JPM Germany Equity A (dist)	2,62%
JPMF Japan Select Equity A (acc)	2,41%
Value of TOP 10 Investments	32%
Total Number of Investments	42

Fund Manager's Comment

Three months long rally came to an end in June. Western European stocks finished the month in small loss while US and Japan gained (when measured in euros). Amongst more important emerging markets only China rose. Russian stocks which had more than doubled since March were the biggest losers in June.

We are still not seeing quick recovery in world economy. Stocks are not expensive at the moment but they are not cheap enough either in current unstable situation to be attractive.

During month we took profit from emerging market bond funds bought in May.



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

30-Jun-09

Monthly Return

2,80%

NAV of A unit

EUR 3,0118

NAV of B unit

EEK 30,1180

Fund Size

EUR 306.778

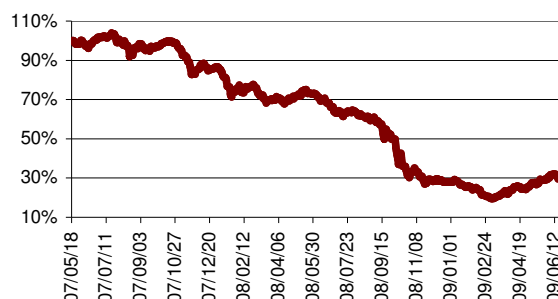
Investment Objective

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.

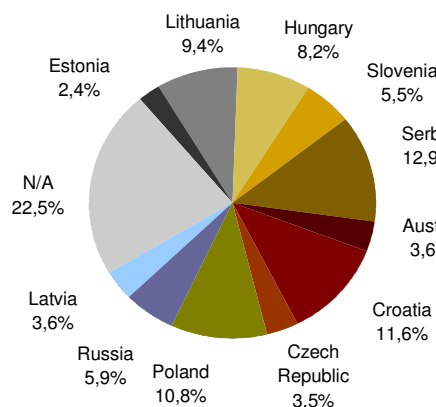
Performance History



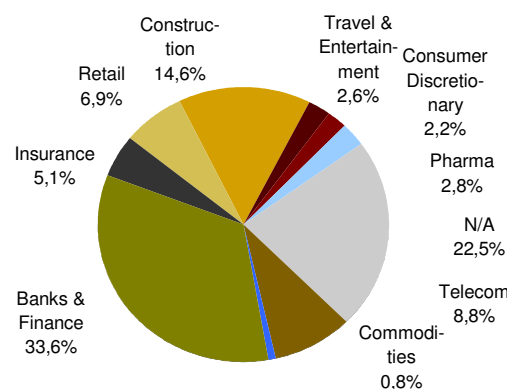
Historical Returns

	1 month	3 months	6 months	12 months	YTD	Since Inception	Since Incep. p.a.
Fund	2,80%	36,01%	7,39%	-54,60%	7,39%	-69,88%	-43,24%

Country Breakdown



Industry Breakdown



Top 10 Investments

Name	% of Assets
Sberbank (RU)	5,87%
Mostostal-Export SA (PL)	5,18%
OTP Bank (HU)	4,96%
HT-hrvatske telekomunikacije (HR)	4,65%
TEO LT AB (LT)	4,19%
PKO Bank Polski (PL)	3,74%
Dunau Osiguranje a.d. (RS)	3,73%
Dalekovod (HR)	3,67%
Raiffeisen Intl Bank Holding (AT)	3,63%
Komerčni Banka (CZ)	3,54%
Value of TOP 10 Investments	43%
Total Number of Investments	25

Fund Manager's Comment

After powerful rally from March lows investors started to look for new optimistic signs of economic rebound but no highly encouraging news appeared, which led to stagnation of CEE stocks. Doubtful prospects for commodities harmed the Russian market. Still the World Bank stayed optimistic about developing countries saying they can be a key driving force in the recovery, assuming their domestic investments rebound with international support.

Fund's Lithuanian and Polish positions gained the most. Double digit growth was also shown by Czech Komerční bank. The worst performers were Austrian Raiffeisen (-16.7%) and Russian Sberbank (-9.8%) after impressive appreciation in April-May period. The fund increased its positions on highly undervalued Baltic market in June. It also took advantage of the jump in Croatian Liburnia Riviera shares after HAFNA came up with a decision requiring main shareholders to initiate a takeover bid for the company.

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
 Depositary: 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

30-Jun-09

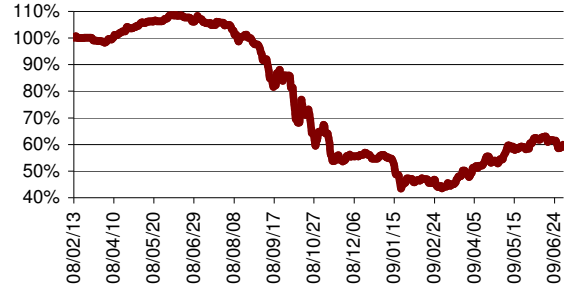
Monthly Return 1.17%
NAV of A unit EUR 5.9119
NAV of B unit EEK 59.1188
Fund Size EUR 4,921,937

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.

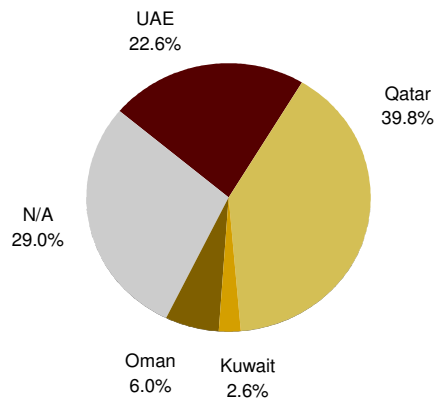
Performance History



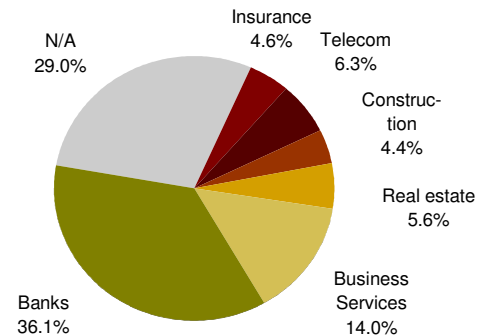
Historical Returns

	1 month	3 months	6 months	12 months	YTD	Since Inception	Since Incep. p.a.
Fund	1.17%	22.88%	5.94%	-44.60%	5.94%	-40.88%	-32.80%

Country Breakdown



Industry Breakdown



Top 10 Investments

Name	% of Assets
Qatar National Bank (QA)	7.75%
Commercial Bank of Qatar (QA)	7.61%
Qatar Fuel Company (QA)	7.02%
First Gulf Bank (AE)	4.84%
National Bank of Abu Dhabi (AE)	4.58%
Qatar Insurance Company (QA)	4.55%
Al-Dar Properties PJSC (AE)	3.96%
Nat Mobile Telecom (KW)	2.61%
Qatar Gas Transport Com Ltd (QA)	2.57%
ARAMEX PJSC (AE)	2.50%
Value of TOP 10 Investments	48%
Total Number of Investments	24

Fund Manager's Comment

Gulf markets dropped due to profit taking in the end of June. The biggest losers were Qatar and Dubai, falling 8.3% and 7% respectively.

In a bid to boost liquidity in the banking sector and stimulate lending, a new law that extends a federal government guarantee to bonds issued by local banks is in the offing, according to the UAE Central Bank. Government has already agreed to guarantee bank deposits thereby lowering interbank and mortgage lending cost.

One of the biggest property developers in the UAE, Emaar Properties, announced that it is holding merger talks with Dubai Holding. The objective of merger is to bring Dubai real estate activities under one focused management, realize synergies and also to control supply. We are expecting more consolidation in GCC in the coming future.



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
 Depositary: 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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