

# LHV equity funds

## Monthly Overview

November 2008

### Citigroup health spooked the markets

Rumors about possible bankruptcy of one of the biggest US financial corporations have scared and frightened the investors. The deleveraging of high risk asset classes like stocks, high-yield bonds and commodities has continued. Asian markets lost less than others and Gulf Cooperation Council countries suffered the most.

World equity markets' performance (2008.11.28)\*

Country/Region	Month	YTD
World	-6.86%	-37.12%
Western Europe	-6.94%	-46.67%
North America	-7.61%	-30.49%
Japan	-1.30%	-25.89%
Emerging Markets	-7.70%	-51.25%
Asia ex. Japan	-6.17%	-51.36%
CEEC ex. Russia	-9.72%	-52.13%
Russia	-18.48%	-67.69%
Latin America	-6.73%	-46.89%
GCC ex. S. Arabia	-14.35%	-30.35%

\*Morgan Stanley indices, in euro

Source: MSCI Barra

### Signs of the future?

The most important event took place in money-market, which is quite "boring" for most investors, but very important for the world as quite many companies finance their everyday activities through money-markets. This market suffered greatly due to liquidity and credit crisis. Investors are still fearful and prefer safer short-term government bonds, which went up to the highest price levels since the World War II when German soldiers conquered Paris. Low-risk government bond prices however, are showing signs of another bubble already.

We saw some positive signs by the end of November when investors' interest towards corporate bonds was rising. If we also consider that banks are getting access to cheaper capital, then we can conclude on the first success signs of governments and central banks intervening in the current situation.

In order to establish a balance, it is necessary that capital flows will start moving back to riskier assets, however this will take time.

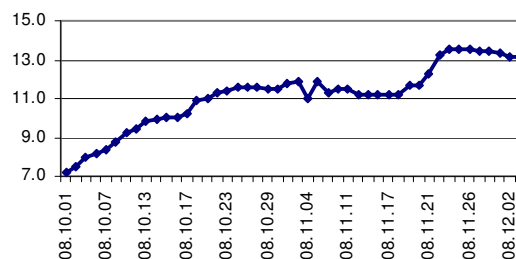
### Movers and shakers in November 2008

- US guaranteed 306 bn USD of Citigroup risky loans, bought 20 bn USD of shares
- EU proposed a 200 bn EUR economic rescue plan for 2009-2010
- China's central bank cut interest rates by 1.08 pp to 5.58%
- Annual euro-zone inflation dropped to 2.1% in November from 3.2% in October
- US plans to spend a share of 700 bn USD bail-out package not for acquiring toxic mortgage assets, but helping consumer credit market
- Market faced founded doubts of bankruptcy wave threatening US car producers
- Russia's foreign currency reserves fell by 21% from August to 122,7 bn. USD
- Euro-zone economic sentiment index tumbled to 74.9 in November from 80 seen in October
- Euro-zone slipped into recession: GDP shrank by 0.2% in 3rd quarter after the same contraction in 2nd quarter

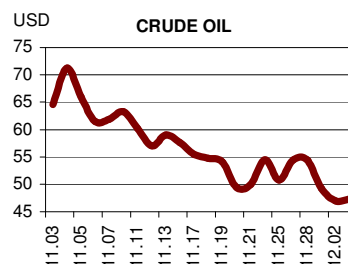
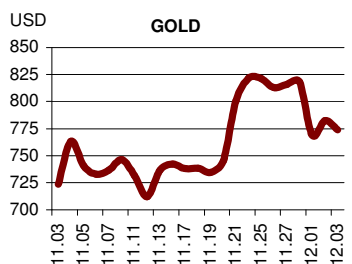
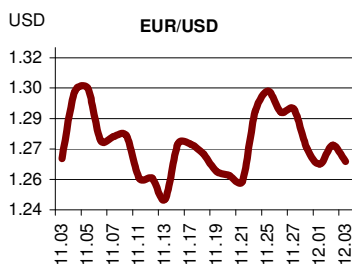
### Latvian government tries to save Parex

At the beginning of the month a direct impact of credit crises showed in the Baltic states, when Latvian government offered a helping hand to Parex, the third biggest bank in Latvia. Rumors that the bank can't attract enough creditors to support/refinance loans scared the depositors, who started to take out tens of millions of lats from their accounts. So the government decided to take over the controlling stake of the bank and to give a liquidity loan trying to stabilize the situation. Moreover, it guaranteed the loans that need to be refinanced and invested some new capital into the bank. Benefit or cost of these operations will appear after years, but we can't forget that at the moment Parex is still profitable banking company.

Dynamics of 3-month RIGIBOR from October



Source: The Bank of Latvia



## LHV World Equities Fund

28-Nov-08

Monthly Return

-5.86%

NAV of A unit

EUR 5.8111

NAV of B unit

EEK 58.1110

Fund Size

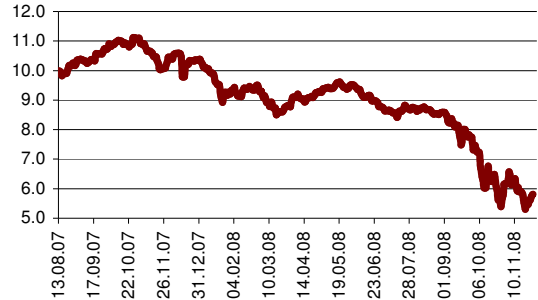
EUR 399,410

### 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.

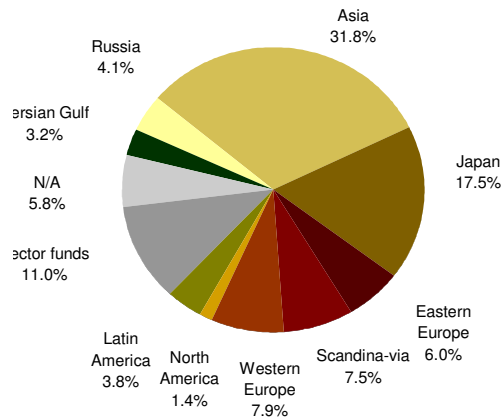
### Performance History



### Historical Returns

	1 month	3 months	6 months	12 months	YTD	Since Inception	Since Incep. p.a.
Fund	-5.86%	-32.38%	-38.96%	-44.40%	-44.00%	-41.89%	-34.24%

### Geographical Breakdown



### Top 10 Investments

Name	% of Assets
iShares MSCI Japan Index Fund	9.52%
Fenno 28/03/10	5.13%
Asia Pacific Fund Inc.	5.10%
JF Asia Diversified A (acc)	4.77%
HSBC GIF Japanese Equity Fund	4.72%
iShares FTSE/XINHUA China 25	4.51%
MS Emerging Markets Debt	3.88%
Pictet Water P Cap	3.64%
JPM Germany Equity A (dist)	3.57%
Pictet FDS - Clean Energy Fund	3.45%
Value of TOP 10 Investments	48%
Total Number of Investments	40

### Fund Manager's Comment

After a steep fall in September and October we could see some stabilization in November. Compared to historic valuations stock markets are very cheap, however fundamentals have currently only a small part to play as prices are mainly driven by global capital flows. Investors are redeeming their foreign investments in order to pay back debts at home.

We have mainly invested in regions and sectors with strong financial discipline. We believe that the economic power of Asian countries will keep on growing although nobody is immune to current global crises.



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 (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

28-Nov-08

Monthly Return

-12.39%

NAV of A unit

EUR 2.9245

NAV of B unit

EEK 29.2450

Fund Size

EUR 298,373

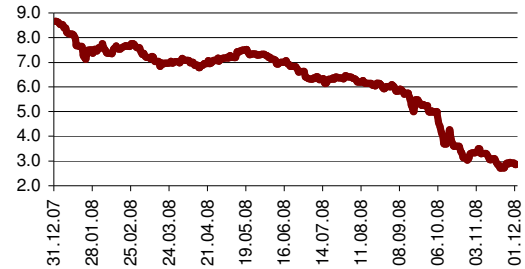
### Investment Objective

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.

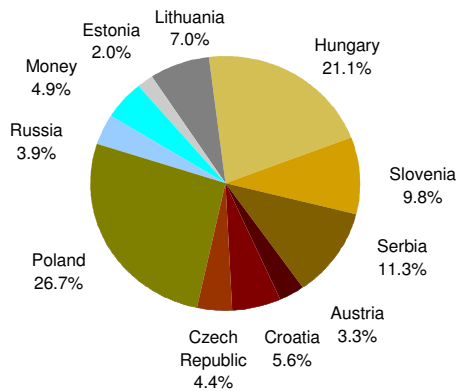
### Performance History



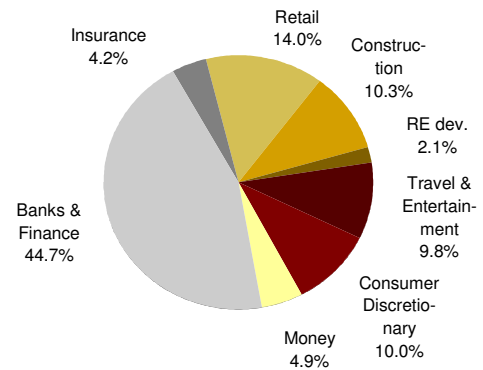
### Historical Returns

	1 month	3 months	6 months	12 months	YTD	Since Inception	Since Incep. p.a.
Fund	-12.39%	-51.47%	-60.05%	-65.75%	-66.25%	-70.76%	-55.15%

### Country Breakdown



### Industry Breakdown



### Top 10 Investments

Name	% of Assets
Zwack Unicum Plc. (HU)	7.48%
Danubius Hotels (HU)	7.17%
PKO Bank Polski (PL)	7.08%
BRE Bank (PL)	6.82%
OTP Bank (HU)	6.50%
Mercator (SI)	6.05%
LPP SA (PL)	5.50%
Mostostal-Export SA (PL)	5.21%
AB Ūkio bankas (LT)	4.55%
Komerčni Banka (CZ)	4.35%
Value of TOP 10 Investments	61%
Total Number of Investments	23

### Fund Manager's Comment

Turmoil caused by possible bankruptcy of Citigroup has reached the markets of Central Europe and caused a wave of selling. Local, Latvia-based troubles of Parex bank have shaken the confidence of Baltic markets. Thus, in the first half of November almost all stock exchanges have tumbled yet again down.

Only later when the situation of Citigroup has been cleared have the markets calmed somewhat and clawed back approximately 10% of their value. Still, on the month-on-month basis the result of November was negative across the board.

During November, the Fund exited one Croatian position and increased exposure to the Hungarian market where, it seems, the worst worries never materialized and the market sharply appreciated.



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 (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

28-Nov-08

Monthly Return

-13.98%

NAV of A unit

EUR 5.5671

NAV of B unit

EEK 55.6709

Fund Size

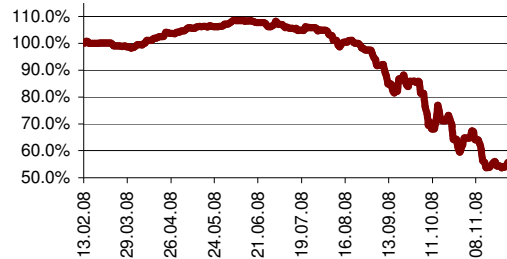
EUR 3,446,705

### 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.

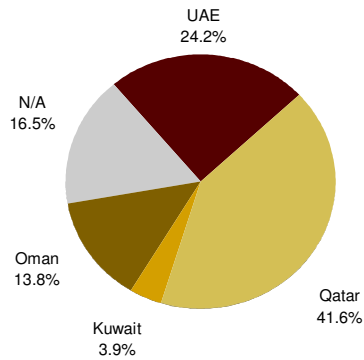
### Performance History



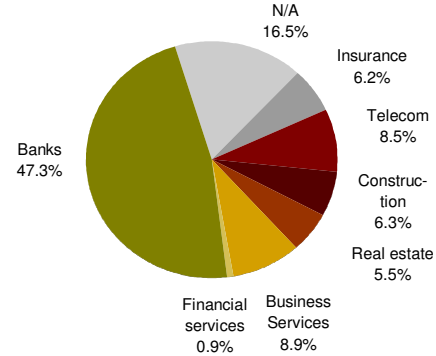
### Historical Returns

	1 month	3 months	6 months	12 months	YTD	Since Inception	Since Incep. p.a.
Fund	-13.98%	-42.94%	-48.04%	-	-44.33%	-44.33%	-

### Country Breakdown



### Industry Breakdown



### Top 10 Investments

Name	% of Assets
Qatar National Bank (QA)	8.61%
Commercial Bank of Qatar (QA)	8.15%
Qatar Fuel Company (QA)	7.86%
National Bank of Abu Dhabi (AE)	6.77%
Aldar Properties (AE)	6.27%
Qatar Insurance Company (QA)	5.22%
Bank Muscat (OM)	4.63%
Qatar Islamic Bank (QA)	4.06%
National Bank of Oman (OM)	4.04%
Nat Mobile Telecom (KW)	3.86%
Value of TOP 10 Investments	59.5%
Total Number of Investments	21

### Fund Manager's Comment

During the month we increased the fund's positions in Qatar as we see it as the strongest country in current environment (we added to the positions in Qatar Real Estate and Qatar Insurance Company). At the same time we decreased exposure towards the UAE and Kuwait.

We liquidated our positions in Kuwaiti banks (Burgan Bank and Commercial Bank of Kuwait) also because trading was halted at Kuwait bourse in mid-November and we do not see it as a proper way to deal with falling prices.

In the UAE we are still positive about Abu Dhabi but skeptical towards Dubai. More severe than expected financial crises and rising risks in local real estate market have forced many Dubai companies to lower profitability forecasts.

GCC markets in the region declined on average 10-15% in November.

### 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 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](http://www.lhv.ee) / [www.lhv.lv](http://www.lhv.lv) / [www.lhv.lt](http://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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