

Open-ended investment fund Lats Money Market Fund

Investment Principles

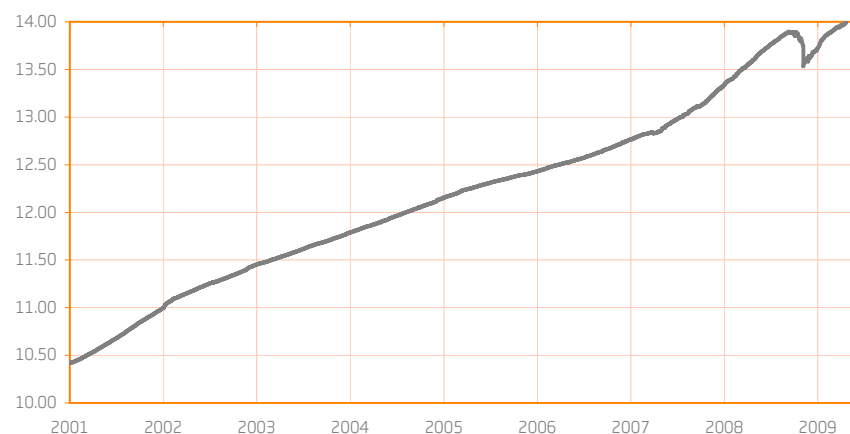
Fund invests in fixed income securities issued in the Baltic States and OECD member countries. The objective of the open-ended investment fund Lats Money Market Fund is to achieve continuous growth of value of the capital over a short period of time in compliance with the investment policy and restrictions set by the Fund Prospectus. Investment into the Fund might be considered as an alternative to short-term deposits with banks.

General information

Fund Management Company "Swedbank Ieguldījumu Pārvaldes Sabiedrība" AS
 Fund Manager Pēteris Stepiņš
 Inception 1999
 Transactions with the Fund's investment certificates: Branch offices of "Swedbank" AS; 67444141
 ib.swedbank.lv
 business.swedbank.lv

Net Asset Value (NAV) LVL 14.0603
 Net Assets LVL 1 439 487
 Management Fee per annum 0.60%
 Weighted average modified duration, days 0.15

NAV



	YTD	1 m	3 m	6 m	1 year	3 years	Inception*
Performance	2.64%	0.49%	1.25%	3.29%	2.80%	12.11%	40.60%
Annualized**	6.51%	5.90%	5.07%	6.70%	2.80%	3.88%	3.64%

	2002	2003	2004	2005	2006	2007	2008
Performance	4.17%	2.94%	3.06%	2.30%	2.68%	4.34%	2.89%

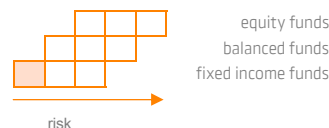
* - since launch

** - annualized performance, calculated using ACT/365 method

Manager Comment

In May, stress continued both in markets for interbank rates and debt securities and markets for LVL - EUR currencies. The situation was not helped by uncertainty over the government's ability to cut budget expenses and over the international lenders' position on the issue concerning Latvian state budget deficit. RIGIBOR rates increased in May for all maturities. The sharpest change was in rates of up to and including 1 week. The rate hike was facilitated by the State Treasury's extensive borrowing on the local market. In mid-May, the State Treasury borrowed nearly 83 million lats for one month from investors. April's biggest single issue was also for 1 month – the State Treasury borrowed slightly less than 79 million lats. The State Treasury seized the opportunity to borrow for 1 month in the subsequent auctions, too. Most likely it will continue in this fashion until the next European Commission support payment is received by Latvia. In May the Bank of Latvia kept intervening in the currency market in order to ensure that lats / euro exchange rate stays within the set +/-1% band. During the period of time from 4 May to 29 May, the central bank sold 167 million euros to the market. This resulted in a smaller supply of lats on the market, however the banks' demand for lats, which are necessary for compliance with the reserves requirement, did not lessen. Although the resources of lats are sufficient in the banking system for meeting the reserve requirements, they are not available to all market players evenly. Some market players lack resources in lats, while others have a surplus. Some banks were, therefore, willing to pay higher rates for these resources. The same factors determined the rates on the primary and secondary market for the lats debt securities. The State Treasury held two two-day auctions in May. In the month's last auction, investors were ready to purchase only one-month debentures. In each auction, the State Treasury was ready to pay more to its lenders. For instance, in initial auctions the yield on 1-month debentures was up from 8,785% in end-April to 10,344% in end-May. For this reason, the secondary debt securities market saw a rise in the rate of lats debt securities, which had an effect on the fund's performance in May. Investments in various LVL debt securities accounted for 63% of the fund's portfolio in end-May (in end-April, the share was roughly 73%). This asset class was the main contributor for the appreciation of the fund units by 0.49%, or 5.9% annualised, in the last month.

Risk level



Higher expected yield is accompanied by higher risk

Distribution of investments

Deposits	21.98%	22.0%
Fixed Rate Bonds	48.47%	48.5%
Money***	14.83%	14.8%
Floating Rate Bonds	14.72%	14.7%

*** - including redemption liabilities

Portfolio by ratings

NR****	28.45%	28.5%
A	8.43%	8.4%
Baa	63.11%	63.1%

**** - investments without rating of international rating agencies

Portfolio by modified duration

up to 3 months	99.78%	99.8%
6-12 months	0.07%	0.1%
over 1 year	0.15%	0.2%

Portfolio by currencies

LVL	100.00%	100.0%
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Larger investments

	Weight
Bonds of LHZB 15.08.2009	14.49%
LR bonds 12.06.2009	12.85%
LR bonds 21.08.2009	12.23%
LR bonds 17.07.2009	9.62%
LR bonds 26.06.2009	6.91%
LR bonds 21.08.2009	6.79%
Term deposit in Swedbank 12.06.2009	5.22%
Term deposit in Danske 12.08.2009	4.25%
Term deposit in Swedbank 15.06.2008	4.18%
Term deposit in Swedbank 16.06.2009	4.18%
Term deposit in Danske 26.06.2009	4.18%