

Open-ended investment fund Lats Money Market Fund

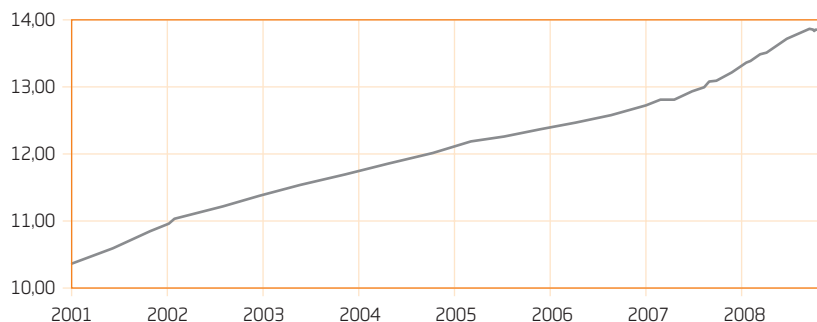
Investment Principles

Fund invests in fixed income securities issued in the Baltic States and OECD member countries. The objective of the open-end 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	AS IPS Hansa Fondi
Fund Manager	Pēteris Stepiņš
Inception	1999
Transactions with the Fund's investment certificates:	Branch offices of AS Hansabanka; 67444141 ib.swedbank.lv business.swedbank.lv
Net Asset Value (NAV)	LVL 13,7979
Net Assets	LVL 3 699 147
Management Fee per annum	0,6%
Weighted average modified duration, days	0,26

NAV



	YTD	1 month	3 months	6 months	1 year	3 years	Inception*
Performance, %	3,65	-0,66	-0,05	1,46	4,81	11,37	37,98
Annualized**, %	4,38	-7,50	-0,19	2,92	4,80	3,65	4,18

* – since launch

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

	2001	2002	2003	2004	2005	2006	2007
Annualized, %	5,54	4,17	2,94	3,06	2,30	2,68	4,34

Manager Comment

The interbank rate rise, which started in September, continued in October in Latvia. RIGIBOR rates, comparing end-October with end-September, rose for all maturities, reaching this year's highest rate levels.

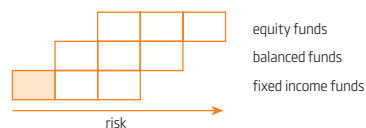
The international credit rating agencies Fitch and Standard & Poor's downgraded ratings for Latvian long-term and short-term foreign and local currencies.

In October, the lats' exchange rate against the euro was near the Latvian Central Bank intervention threshold, reaching the lats' lowest value this year. Therefore the Bank of Latvia intervened in currency market by selling the euro from 29 September to 31 October. During that time the Bank of Latvia sold approximately 390 million euros.

The State Treasury held two government securities auctions in October. Debt securities with 6 months remaining to maturity were sold at an average weighted yield rate of 7,17% (auctions of 1st and 2nd October) and 8,68% (auctions of 15th and 16th October). For comparison – debt securities of similar maturity were sold at an average weighted yield rate of 6,68%.

In the Fund's portfolio (as of the end of the month), the euro debt securities made up 30% of the fund's holdings, which was also the decisive factor for the fund's performance in October. Efforts by European, US and other central banks, and also governments, aimed at improving liquidity in interbank market yielded first results – 3M EURIBOR rate and difference between 3-month and overnight rates started to decrease. However, on the corporate debt securities market improvements were seen only in some segments, with the overall situation with the fund's securities deteriorating. Consequently, the price of euro securities in the portfolio generally dropped in October as compared with end September.

Risk level



Higher expected yield is accompanied by higher risk.

Distribution of investments

Deposits	20,5%	20,5%
Fixed Rate Bonds	35,0%	35,0%
Money***	5,1%	5,1%
Floating Rate Bonds	39,4%	39,4%

*** – including redemption liabilities

Portfolio by ratings

NR****	40,0%	40,0%
A	34,6%	34,6%
Baa	20,7%	20,7%
Aa	4,7%	4,7%

**** – investments without rating of international rating agencies

Portfolio by modified duration

up to 3 months	51,8%	51,8%
3-6 months	39,4%	39,4%
6-12 months	5,8%	5,8%
over 1 year	3,0%	3,0%

Portfolio by currencies

LVL	67,5%	67,5%
EUR	32,5%	32,5%

Larger investments

Investment	Weight
LR bonds 06.02.2008	13,4%
LR bonds 09.01.2009	13,2%
Term deposit in SEB 04.03.2009	9,5%
Bonds or Repsol 16.02.2012	8,7%
Bonds of Kesko 17.04.2009	8,3%
Term deposit in DnB Nord 16.02.2009	8,2%
Bonds of Telenor ASA 28.09.2011	7,4%
Bonds of LHZB 15.08.2009	5,8%
Bonds of Fortis 14.05.2010	4,7%
Bonds of Volkswagen Bank 27.06.2011	4,4%