

Pension Plan "Stability"

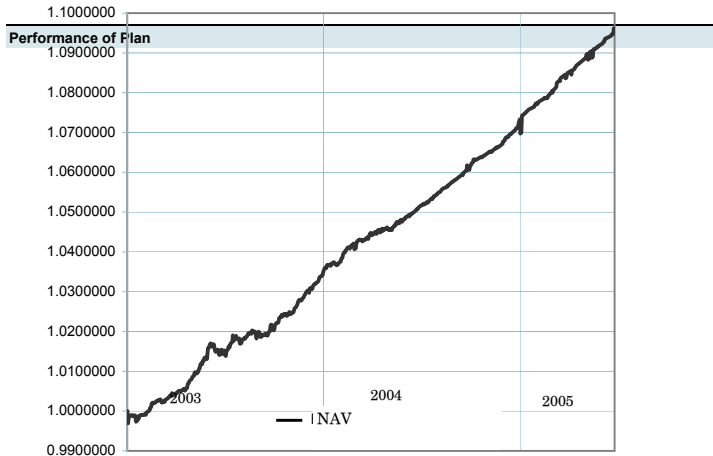


Investment Principles

The investment policy of the Plan is conservative, as assets of the Plan are disposed in financial instruments with fixed income. Not less than 70 % of assets of the Plan are invested in debt securities and no more than 30 % - in term-deposits. The investment policy of the Plan provides to invest not less than 50% of assets in Latvia. Investments in foreign currencies can't exceed 30% of assets of the Plan.

General information

Plan Management Company	AS IPS Hansa Fondi
Plan Manager	Raimonds Vesers
Inception	2002
Applications are accepted in:	Branch offices of AS Hansabanka; 7024555 www.hanzanet.lv State Social Insurance Agency
Net Asset Value (NAV)	1.0971887 LVL
Net Assets	3 730 807 LVL
Management Fee per annum	1.0%
Weighted average rating	A3
Weighted average modified duration, years	2.6



	YTD	1 month	3 months	6 months	1 year	3 years	Inception*
Performance	2.44%	0.09%	0.87%	1.94%	4.10%	7.77%	9.72%
Annualized**	4.18%	1.10%	3.44%	3.90%	4.04%	3.75%	3.63%

	2003	2004				
Annualized**	3.36%	3.62%				

* - since launch

** - the annual interest rate of yield is calculated, using ACT/360 method

Manager Comment

At the end of July, assets under this scheme exceeded 3.7 million lats (an increase by 3% as compared to the end of the previous month), but the number of participants - 40,336 (an increase of 2%)

The economies of euro zone countries feature slight recovery trends and as a result the question of lowering short-term rates is not current. The German 10-year bond rate slightly increased: from 3.13% to 3.24%.

Short-term Latvian lats interest rates declined a little in July for periods starting at 3 months: The Rigibor 1-week rate at the end of July was 2.51% (at the end of June - 2.51%), 1-month rate 2.64% (2.63%), 3-month 2.71% (2.80%), 6-month 2.78% (2.86%), and 12-month rate 2.89% (3.02%).

The Latvian long-term bond rates remained unchanged: at the end of July, the Latvian year 2013 bonds were bought for a yield of 3.50% and the Latvian year 2014 bonds – for 3.65%.

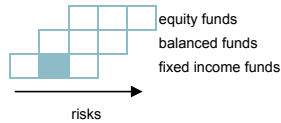
In the original Latvian bonds auction on 6 July, debt securities with 1 year maturity were offered at a total amount of 8 million lats according to nominal value. They were issued at the historically lowest yield of 2.30%.

The secondary market is still stagnant.

As compared to the previous quarter, the investment portfolio structure of the scheme was not altered: the proportion of Latvian government bonds is around 37%, whereas time deposits account for 42%. In July, the fund's portfolio was supplemented by T.Rowe Price Euro Corporate Bond Fund – an investment fund investing in European corporate bonds.

The average duration of the portfolio was 2.57 years as at the end of the period.

Risk level



Higher expected yield is accompanied by higher risk

Portfolio by ratings

Aaa	0.013586619
Aa	0.013894335
A	0.66688121
Baa	0.160340622
Ba	0.145256111

Portfolio by instruments

Deposits	42.5%
LR State bonds	37.5%
Other bonds	19.6%
Money	0.4%

Portfolio by countries

East Europe	2.9%
Europe***	5.4%
Latvia	91.7%

*** - without East Europe

Larger investments

Larger investments	Weight
LR 5-year bonds 04.02.10	13.8%
LR 10-year bonds 14.02.13	13.2%
T.Rowe Price Euro Corporate Bond Fund	4.1%
LR 5-year bonds 26.01.06	4.0%
LH2B mortgage bond 15.08.06	3.1%
SEB Vilniaus Bankas 20.02.08	2.9%
Parex Bank euro bond 09.06.08	2.8%
Term deposit in Sampo Bank 22.12.2007	2.8%
Baltic Trust Bank mortgage bond 01.12.07	2.7%
Term deposit Nord/LB Latvija 04.06.2007	2.7%