

Open-ended investment fund Lats Money Market Fund

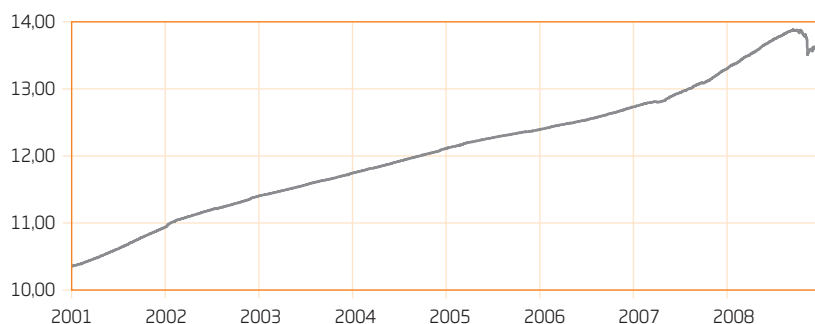
Investment Principles

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 13,6981
Net Assets	LVL 1 569 424
Management Fee per annum	0,6%
Weighted average modified duration, days	0,17

NAV



	YTD	1 month	3 months	6 months	1 year	3 years	Inception*
Performance, %	2,90	0,63	-1,38	-0,32	2,90	10,25	36,98
Annualized**, %	2,89	7,62	-5,36	-0,63	2,89	3,30	4,00

* – since launch

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

	2002	2003	2004	2005	2006	2007	2008
Annualized, %	4,17	2,94	3,06	2,30	2,68	4,34	2,89

Manager Comment

The interbank rate rise seen in previous months, for maturities starting from one month, continued in December in Latvia, reaching the year's highest levels. RIGIBOR rates for up to one week, however, dipped. It happened despite the Bank of Latvia's Council having decided to change the overnight lending rate, which is applied on commercial banks' overnight loans from the Central Bank. This rate, depending on usage of the Central Bank's funds in preceding 30 days, may climb as higher as 30% per annum (before, the rate was 7.5% per annum irrespective of former borrowings from the Bank of Latvia).

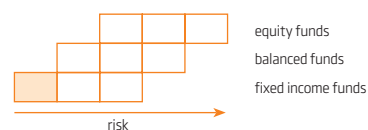
Until mid-December, the lats' exchange rate against the euro was at the Latvian Central Bank intervention threshold. Consequently, the Bank of Latvia continued to intervene in the currency market by selling euros. In December, the Bank of Latvia sold approximately 228 million euros (in November, the amount was around 540 million euros).

As the situation with the volume of international assistance cleared up, also the pressure eased on the LVL – EUR exchange rate and short-term interbank rates. This was also the main reason of December's changes in the exchange rate and RIGIBOR rates.

In December, the Treasury continued issuing short-term T-bills. The average weighted yield was 11,5% at auctions taken place on 3, 4 and 8 December. However, the average weighted yield was 11% at the year's last auctions on 17 and 18 December. This pointed out to a potential decrease in the public borrowing rates in the future.

Investments in various LVL debt securities accounted for 61,1% of the fund's portfolio at end-December. No major changes in the expected yield were seen in this segment of securities in December. That was the decisive factor for the appreciation of the fund units by 0,63%, or 7,62 as % per annum, in the last month.

Risk level



Higher expected yield is accompanied by higher risk.

Distribution of investments

Deposits	25,7%	25,7%
Fixed Rate Bonds	61,1%	61,1%
Floating Rate Bonds	13,2%	13,2%

Portfolio by ratings

NR***	55,0%	55,0%
A	35,7%	35,7%
Baa	9,3%	9,3%

*** – investments without rating of international rating agencies

Portfolio by modified duration

up to 3 months	68,4%	68,4%
3-6 months	18,2%	18,2%
6-12 months	13,2%	13,2%
over 1 year	0,2%	0,2%

Portfolio by currencies

LVL	100%	100%
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Larger investments

Investment	Weight
LR bonds 09.01.2009	27,30%
Term deposit in SEB 04.03.2009	16,33%
LR bonds 06.02.2009	15,42%
Bonds of LHZB 15.08.2009	13,18%
Term deposit in DnB Nord Bank 16.02.2009	9,33%
Bonds of Kesko 17.04.2009	6,25%
LR bonds 17.04.2009	6,02%
LR bonds 08.05.2009	5,97%
LR bonds 04.02.2010	0,06%
LR bonds 03.11.2011	0,05%