

INVESTMENT OBJECTIVE

The Fund seeks growth of capital through investment in the equity securities of issuers of Real Estate sector in countries in Eastern Europe, including CIS and Russia, believed to offer opportunities for capital appreciation and which meet the Fund's investment criteria. The Fund invests primarily in the listed stocks of real estate companies, but also in companies whose business success is directly related to real estate market, based or operating in CEE. The Fund Manager applies bottom-up fundamental research driven investment process to identify underpriced companies with strong appreciation potential and to construct a high conviction portfolio. The fund has no market cap or style bias.

KEY INFORMATION

Fund Manager

Otto Vaarmann

Benchmark

UniCredit Emerging Europe Real Estate Index

Base Currency

EUR

NAV

1 356.05

Fund Size

4 715 739

Number of Holdings

20

Fund Launch Date

15.06.2009

Quotation

Daily

Fees

2.0% Management Fees
20% over Benchmark Performance Fee

Fund Domicile

Luxembourg

Legal Structure

SICAV

Investment Manager

Limestone Investment Management

Administrator

Krediettrust Luxembourg S.A.

Custodian

Kredietbank Luxembourg S.A.

Auditor

Deloitte S.A.

Codes

ISIN LU0373664712
Bloomberg LIMERIC LX
Reuters 68021358

Limestone Investment Management is a signatory to the UN Principles for Responsible Investment



European Union Regional Development Fund Investing in your future

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MANAGER COMMENTARY

(as at 30.04.2010)

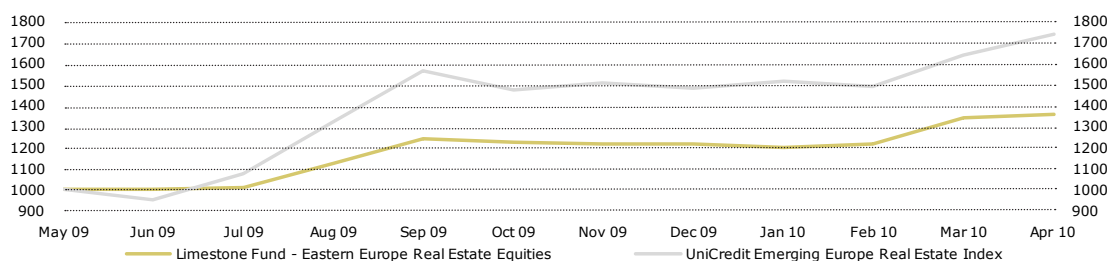
Trends & Markets

April, the month usually filled with expectations and speculations about 1Q results, was this time filled with ash from Iceland and smell of fear of Europe-wide crisis from Greece. There is no better way to study the impact of a potentially contagious event than to go and have a look. Writing this report in Sofia, our team has spent two full days of meetings with Bulgarian business people and authorities to find out how is the Greek meltdown affecting Bulgaria, usually seen as the most vulnerable because of its significant banking sector exposure to Greek financing and close business connections. Excluding the possibility of a full scale default, in which case Bulgaria's fate will be one of the smallest worries Europe has, the impact is perceived to be small. And there are also clear winners, like the non-Greek banks that gain market share. Some people think that Greek crisis benefits Bulgaria by bringing Greek businesses to move their operations across the border to enjoy much lower tax regime. After they have finished striking, of course. Other than the issues already mentioned, signs of global recovery going forward were evident. Regional recovery is best supported by steadily rebounding industrial production.

Portfolio & Strategy

After having a rally in March, CEE property stocks took off some pace in April finishing though in green territory in comparison to previous month's closing levels. On corporate news side - Chagala Group reported strong numbers for FY2009 by both remarkably increasing its rental revenues as well as decreasing the costs side. Negative effect came from KZT devaluation as it wiped out the increase in property value appraised in tenge while reported in US dollars. Tenge weakness in the real life though poses no actual threat to Chagala as its revenue stream is US dollar based. Sparkassen Immobilien also announced good operating numbers, though the bottom line was affected by increased costs which were related to refurbishment of existing property portfolio. NAV increased from 7.6 EUR to 8.13 EUR per share and vacancy rate stood below 10%. KDD Group reported strong bottom line for 2009, but it came from positive revaluations instead of good operating performance. Encouraging were the news on financing side - the company announced about reaching an agreement with Ukrainian Export - Import Bank to increase the existing credit line from 160 USDmn to 250 USDmn in order to finish the flagship Sky Towers project. According to CB Richard Ellis, provisional turnover in CEE property investment market more than doubled in 1Q10 vs 1Q09 totalling more than 600 EURmn. Though compared to the 4Q09 the turnover was down about 55% but such a dip could be considered as a typical seasonality effect at the beginning of the year. Distressed activity was limited, only in Russia over half of quarterly turnover was distressed in nature while such transactions elsewhere in CEE remained scarce. As we had estimated at the end of last year, a tendency towards prime yield compression was spotted in selected CEE markets in 1Q10. If such a trend continues and spreads to secondary products as well, then we could face another strong upswing in public CEE real estate sector.

PERFORMANCE



Performance	1 month	3 months	1 year	3 years	5 years	Inception
Fund	1.7%	13.6%				35.6%
UniCredit Emerging Europe Real Estate**	6.4%	14.8%				73.7%

Calendar Year Performance	YTD	2009*	2008	2007	2006	2005
Fund	12.0%	21.1%				
UniCredit Emerging Europe Real Estate**	17.3%	48.1%				

* Since 15.06.2009

** Index calculation discontinued as of 26 April 2010

ALLOCATION

Country	Fund	6M Change (absolute)	10 Largest Holdings	Fund
Russia	21.5%	-3.0%	Eastern Property Holding-Reg	8.3%
Austria	21.5%	-5.2%	ImmoFinanz	7.8%
Poland	17.1%	0.3%	Chagala Group-Spon Gdr Regs	6.1%
Bulgaria	10.2%	1.7%	Sparkassen Immobilien AG	6.0%
Ukraine	7.2%	4.9%	Bulgarian Real Estate Fd Inc	5.6%
Kazakhstan	6.1%	5.6%	Gant Development	5.5%
Other	3.9%	-0.7%	Mirland Development Corp	4.7%
Romania	3.7%	0.0%	Advance Terrafund REIT	4.6%
Czech Republic	1.2%	-1.4%	RGI International Ltd	4.5%
Turkey	0.0%	0.0%	KDD Group NV	4.2%
Hungary	0.0%	0.0%		
Cash	7.7%	-2.0%		

STATISTICS

Absolute Measure	Inception	Relative Measure	Inception
Best Monthly Return	11.4%	Best Monthly Alpha	4.6%
Worst Monthly Return	-1.5%	Worst Monthly Alpha	-11.8%
Sharpe (1M Euribor)		Information Ratio	
Standard Deviation	17.2%	Tracking Error	22.5%
Downside Deviation (1M Euribor)	2.3%	Beta	0.44
Sortino (1M Euribor)		Jensen Alpha	
Maximum Drawdown	-3.6%		
Percentage of Positive Months	54.5%		

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