

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
REX Index calculation has been discontinued by the provider. We are currently setting up a new benchmarking arrangement, which should be available shortly.

Base Currency
EUR

NAV
1 231.47

Fund Size
4 282 498

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
Kredietrust Luxembourg S.A.

Custodian
Kredietbank Luxembourg S.A.

Auditor
Deloitte S.A.

Codes
ISIN LU0373664712
Bloomberg LIMEREC LX
Reuters 68021358

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



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MANAGER COMMENTARY

(as at 31.05.2010)

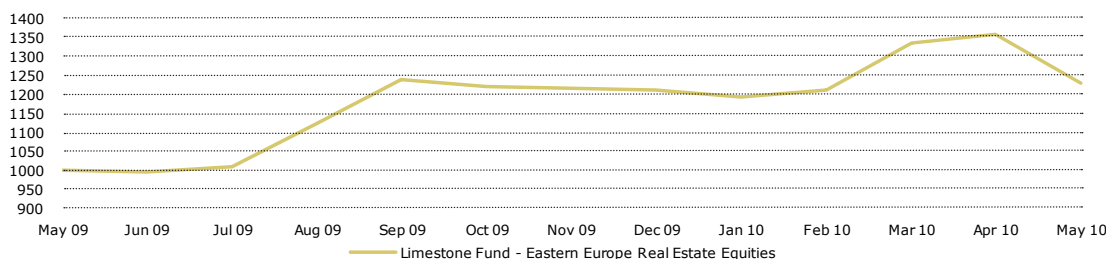
Trends & Markets

Fear took a firm hold over greed in May. Price swings in stock markets brought back some of those unpleasant memories from last Spring. Greek problems suddenly became worldwide issues. As we said in our mid-month note to investors, the problems in Europe are real and some form of contamination will be inevitable, but we believe that lessons from 2008/2009 are recent enough to be used well to fight the problems decisively and effectively. Real economic data indicates that world economy is recovering well. We believe that the current woes will not have a long lasting negative effect. Temporary slowdown that the forced austerity measures will bring is a good tradeoff for fiscal stability. From regional macro news PMI numbers were in general not overly good, with the Hungarian figure falling below the crucial 50 level, to 49.6, but for example Czech Republic increased to 57.2. As usually, when risk aversion kicks in, the CEE currencies were also sold-off. Polish GDP grew by 3.0% y/y in Q1, on the back of strong growth in private consumption and exports, offsetting slightly disappointing investments. In Czech elections centre-right parties won, which is viewed positively by markets and investors. Romania gave in to IMF demands regarding pensions and public sector pay cuts surprisingly easy. Regional inflation is to be contained, so according to latest IMF forecasts. We are very positive with regard how the region looks compared to the troubled areas in Europe, and remain hopeful that investors will notice that, too.

Portfolio & Strategy

Property stocks in Central Eastern Europe and CIS region took part the overall downturn witnessed on the markets across the globe in May, affecting negatively also the Fund's performance. Continuing reporting season brought mixed results as well. Despite selling 3 properties in Vienna in 1Q2010, Sparkassen Immobilien managed to keep the rental income unchanged in year-on-year comparison and show only a minor decrease from the 4Q09 numbers. Released funds will be re-invested into ongoing development projects in Romania and Bulgaria. No revaluations were carried out, net result came in at 6.0 EURmn up from 0.5 EURmn in 1Q09 and a net loss of 7.0 EURmn in 4Q09. LC Corp announced strong top line figures mainly due to higher than expected residential sales in traditionally weak quarter. Loss from revaluation was offset by net financial gains that allowed the bottom line to emerge from a loss of 52.8 PLNmn in 4Q09 to a net profit of 14.3 PLN mn in 1Q10. GTC announced it has signed a pre-sale contract on two office buildings in Warsaw at current yields of 7.0-7.2% and total value of approximately 81 EURmn. Both projects were valued in the books at 7.5% yield in YE09, which implicates that actual market yields for transactions could be lower than the ones used for portfolio appraisals and therefore could set the ground for positive revaluation gains in near future. Orco stated that the majority of creditors have accepted the proposed rescheduling plan of bond repayments over a 10-year period, which will alleviate the pressure on company's financial situation and allow to avoid massive divestitures in the short term. Impact and Ronson both reported weaker than expected results for 1Q10, while Impact blamed lower sales due to harsh weather conditions, then Ronson's bottom line was negatively affected by one-off expenditure regarding a previous down-payment on an investment. According to Jones Lang LaSalle, the global property consultant and service provider, the outlook for European markets for 2010 is set for investment volumes to grow 20-30% on 2009, fuelled by improved availability of debt, the recognition that pricing has probably hit or even passed its floor and slight increase in risk appetite on the markets. This should also support real estate companies in the CEE/CIS region as the operational performance is set to gain positive pushback from probable revaluations in second half of the year. We'll be spending second week of June in Istanbul, meeting local property companies in order to spot attractive opportunities and to broaden our investment universe.

PERFORMANCE



Performance	1 month	3 months	1 year	3 years	5 years	Inception
Fund	-9.2%	1.6%	23.1%			23.1%
UniCredit Emerging Europe Real Estate**						

Calendar Year Performance	YTD	2009*	2008	2007	2006	2005
Fund	1.7%	21.1%				
UniCredit Emerging Europe Real Estate**		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%	-0.3%	Eastern Property Holding-Reg	8.5%
Austria	21.3%	-6.5%	Chagala Group-Spon Gdr Regs	7.2%
Poland	16.9%	-0.8%	ImmoFinanz	6.7%
Bulgaria	11.0%	1.8%	Sparkassen Immobilien AG	6.4%
Kazakhstan	7.2%	6.5%	Bulgarian Real Estate Fd Inc	6.1%
Ukraine	6.6%	3.9%	RGI International Ltd	5.0%
Other	3.8%	-0.3%	Advance Terrafund REIT	4.9%
Romania	3.3%	-1.1%	Gant Development	4.8%
Czech Republic	1.1%	-1.5%	Globe Trade Centre SA	4.7%
Turkey	0.0%	0.0%	Mirland Development Corp	4.3%
Hungary	0.0%	0.0%		
Cash	7.3%	-1.7%		

STATISTICS

Absolute Measure	Inception	Relative Measure	Inception
Best Monthly Return	11.4%	Best Monthly Alpha	
Worst Monthly Return	-9.2%	Worst Monthly Alpha	
Sharpe (1M Euribor)		Information Ratio	
Standard Deviation	20.4%	Tracking Error	
Downside Deviation (1M Euribor)	9.5%	Beta	
Sortino (1M Euribor)		Jensen Alpha	
Maximum Drawdown	-9.2%		
Percentage of Positive Months	50.0%		

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