

**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**  
1 160.65

**Fund Size**  
4 074 492

**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 30.06.2010)

**Trends & Markets**

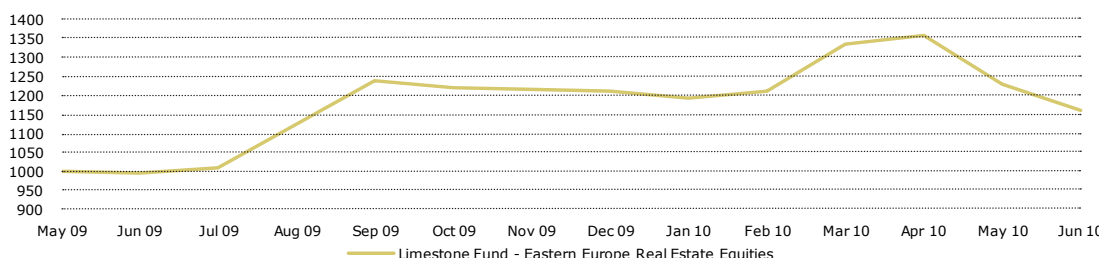
Market mood swings' amplitude has a new standard after the recent crisis. Rational expectations had, once again, no say in June. Fear of global recovery slowdown got plenty of support from ongoing sovereign debt worries in Europe, China's attempts to cool down its overheating economy, and Americans' volatile confidence indicators (blamed on headwinds from Europe apparently). China offered some support to markets with announcing an end to its currency peg to dollar but markets' optimism was quickly crushed by G20 meeting that pledged to cut deficits across the globe. Where to put CEE in this picture? Real data shows that new Europe is managing its public finances far better than old EU. Nevertheless, when risk aversion jumps, emerging markets get hit the worst. Entering the deepest vacation season, markets will remain thin in July and local retail investors in control of the daily volatility.

**Portfolio & Strategy**

In June the CEE property stocks continued to follow the downward trend that started in previous month as markets fell across the board all over the world when investors fled the risk on equity markets and turned their eye on safer investment opportunities. On corporate news side - Immofinanz announced that it has reached an agreement regarding the repayment of the 512 EURmn IBAG bond on which Immoeast had taken a write-down earlier. According to management, Immofinanz will receive 217 EURmn in cash and 54.54mn Immofinanz shares that were held by the subsidiary companies of the bond issuer's parent company Constantia Packaging. Additionally, these 113 subsidiaries hold numerous properties with a total value of about 100 EURmn, which will also be transferred in relation to the settlement agreement. XXI Century has asked its 175 USDmn Eurobond holders to consider a debt-for-equity swap in order to help the company to deleverage. This will be the company's second restructuring deal with Eurobond holders, who last year agreed to prolong the bond's maturity. Their decision will obviously depend on terms of the proposed swap, which have not been released yet. On June 16th, XXI Century's shares were suspended from trading on Lonadon AIM due to a delay in the publication of its 2009 financial results.

On the Istanbul trip we had meetings with seven local real estate developers and holding companies out of which also some could be considered as potential investment targets for the Fund. Overall market situation though decouples from CEE/CIS region, as there has not been any significant correction in price levels in any market segment and therefore valuation often remains quite high without providing such distressed investment opportunities that could be spotted in CEE/CIS region. The fundamental drivers are still strong though as in the limelight of strong economy demand still significantly exceeds supply, especially in residential segment.

**PERFORMANCE**



Performance	1 month	3 months	1 year	3 years	5 years	Inception
Fund	-5.8%	-13.0%	16.3%	-	-	16.1%

Calendar Year Performance	YTD	2009*	2008	2007	2006	2005
Fund	-4.1%	21.1%	-	-	-	-

\* Since 15.06.2009

**ALLOCATION**

Country	Fund	6M Change (absolute)	10 Largest Holdings	Fund
Russia	22.2%	-0.4%	Eastern Property Holding-Reg	9.0%
Austria	20.5%	-1.5%	Chagala Group-Spon Gdr Regs	7.3%
Poland	16.5%	-1.0%	Sparkassen Immobilien AG	6.8%
Bulgaria	11.2%	0.7%	Bulgarian Real Estate Fd Inc	6.2%
Kazakhstan	7.3%	1.6%	ImmoFinanz	6.0%
Ukraine	6.6%	4.5%	RGI International Ltd	5.4%
Other	4.2%	0.3%	Advance Terrafund REIT	5.0%
Romania	2.8%	-2.3%	Mirland Development Corp	4.8%
Czech Republic	0.9%	-1.5%	Globe Trade Centre SA	4.7%
Turkey	0.0%	0.0%	Gant Development	4.3%
Hungary	0.0%	0.0%		
Cash	7.7%	-0.5%		

**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	20.8%	Tracking Error	-
Downside Deviation (1M Euribor)	10.7%	Beta	-
Sortino (1M Euribor)	-	Jensen Alpha	-
Maximum Drawdown	-14.4%		
Percentage of Positive Months	46.2%		

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