

**INVESTMENT OBJECTIVE**

The Fund seeks growth of capital through investment in the equity securities of issuers in countries within Central and Eastern Europe believed to offer good opportunities for capital appreciation and which meet the Fund's investment and social criteria. The Fund invests primarily in the listed stocks of companies based or operating in CEE. The Fund Manager applies bottom-up fundamental research driven investment process to construct an actively managed high conviction portfolio of favourably priced companies that comply with international norms on Environmental, Social and Governance issues in accordance with the UN Principles for Responsible Investment.

**KEY INFORMATION**

**Fund Manager**  
Alvar Roosimaa

**Benchmark**  
Stoxx EU Enlarged TMI

**Base Currency**  
EUR

**NAV**  
104.50

**Fund Size**  
23 749 381

**Number of Holdings**  
26

**Fund Launch Date**  
31.07.2008

**Quotation**  
Daily

**Fees**  
2.5% Management Fees

**Fund Domicile**  
Luxembourg

**Legal Structure**  
SICAV

**Investment Manager**  
Limestone Investment Management

**Investment Advisor**  
GES Investment Services

**Administrator**  
Kredietrust Luxembourg S.A.

**Custodian**  
Kredietbank Luxembourg S.A.

**Auditor**  
Deloitte S.A.

**Codes**  
ISIN LU0373664472  
Bloomberg LIMNESR LX  
Lipper 68021312

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



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**MANAGER COMMENTARY**

(as at 31.05.2010)

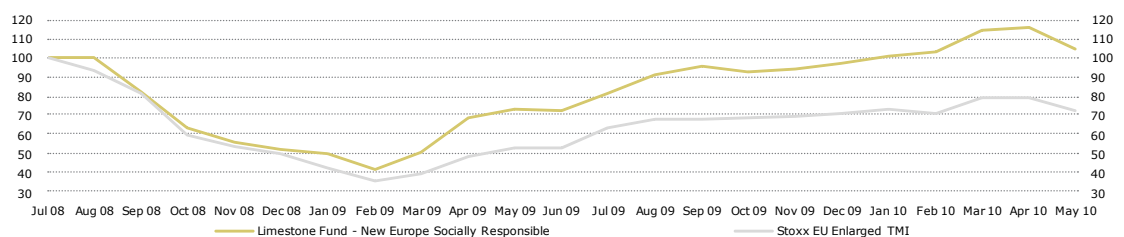
**Trends & Markets**

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**

Question number one these days is whether and how our universe has been hit by the euro zone problems, and if then how long lasting are the effects. From top down perspective, we like to refer to recent analysis by ING that in effect shows that the fiscal austerity packages in Southern Europe need not have significant direct economic impact on Emerging Europe, as Southern Europe is not an important export destination for Emerging European countries. Even more important is that the biggest three economies in the euro zone do not trade much with Spain, Greece or Portugal either. So austerity in Spain, Greece or Portugal need not have any significant impact on Germany, France and Italy, and is therefore unlikely to impact on the Netherlands, Belgium, Austria or other euro zone members. In turn, this is good news for Emerging Europe. Banking system is flush with deposits in Eastern Europe and credit growth is lacking demand, not supply. Euro weakness, added to local fx sell-off vs. euro, is a blessing to export oriented CEE. At the corporate level, the core of our research, we have not found solid reasons to make many adjustments to our forecasts. After the recent 10% drop we run a portfolio with an average price to book of 0.8 and price to earnings of 9 for 2010 and below 7 for 2011.

**PERFORMANCE**

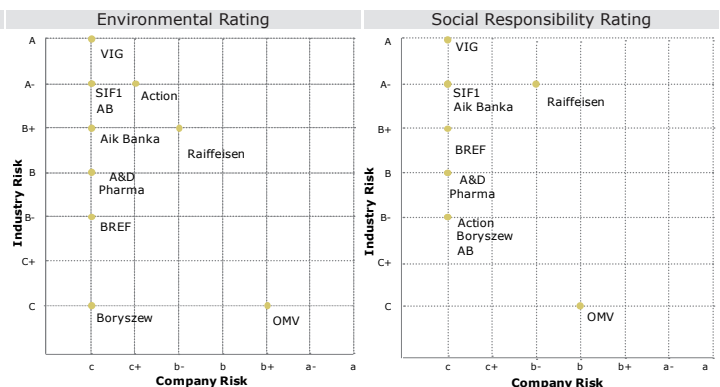


Performance	1 month	3 months	1 year	3 years	5 years	Inception
Fund	-9.9%	1.6%	43.0%			4.5%
Stoxx EU Enlarged TMI	-8.6%	1.6%	36.9%			-27.4%

Calendar Year Performance	YTD	2009	2008*	2007	2006	2005
Fund	7.7%	83.1%	-47.0%			
Stoxx EU Enlarged TMI	2.0%	41.3%	-49.6%			

**ALLOCATION**

10 Largest Holdings	Weight
SIF 1 Banat-Crisana	7.3%
A&D Pharma Holding Nv-Gdr	6.2%
Aik Banka Ad	4.9%
Boryszew SA	4.7%
AB SA	4.2%
Bulgarian Real Estate Fd Inc	4.1%
Vienna Insurance Group	4.0%
Raiffeisen Intl Bank Holding	4.0%
Action SA	3.9%
OMV AG	3.9%



Country	Fund	6M Change (absolute)	Sector	Fund	6M Change (absolute)
Romania	22.4%	2.8%	Financials	27.7%	-5.5%
Poland	22.3%	-6.0%	Industrials	14.6%	-0.3%
Austria	19.5%	6.4%	Staples	11.9%	4.5%
Croatia	10.1%	1.5%	IT	11.5%	-1.5%
Bulgaria	9.3%	4.1%	Materials	8.3%	-3.4%
Serbia	4.9%	0.6%	Real Estate	8.1%	8.1%
Hungary	2.8%	0.0%	Energy	3.9%	-0.1%
Other	1.0%	-2.9%	Telco	3.5%	-1.3%
Slovenia	0.0%	0.0%	Health	2.9%	2.9%
Slovakia	0.0%	0.0%	Discretionary	0.0%	-3.6%
Czech Republic	0.0%	-13.0%	Utilities	0.0%	-6.3%
Cash	7.7%	6.4%	Cash	7.7%	6.4%

**STATISTICS**

Absolute Measure	Inception	Relative Measure (Stoxx EU Enlarged TMI)	Inception
Best Monthly Return	35.4%	Best Monthly Alpha	13.5%
Worst Monthly Return	-22.9%	Worst Monthly Alpha	-6.2%
Sharpe (1M Euribor)	0.02	Information Ratio	1.02
Standard Deviation	44.6%	Tracking Error	18.1%
Downside Deviation (1M Euribor)	27.5%	Beta	1.04
Sortino (1M Euribor)	0.03	Jensen Alpha	24.0%
Maximum Drawdown	-57.4%		
Percentage of Positive Months	59.1%		

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