

# Citadele Baltic Sea Equity Fund

Fund statement as of 31 December 2011

## Investment Objective

The fund has a geographic focus on the countries of the Baltic Sea including the Baltic States, Denmark, Norway, Sweden, Finland, Germany, Russia and Poland. The main investment instrument of the fund is equities however in the periods of volatility the fund may invest up to 40% in the fixed income securities of these countries. The Fund can be invested only in liquid securities which are regularly traded. Use of derivatives is allowed in order to hedge risk related to possible negative market movements.

## Portfolio Manager's comments for December

The Fund lost 1.9% during the month. The weak performance of the Fund was mostly caused by the underperformance of the Russian equity market. The Polish equity market also suffered strongly, losing 6.4%, but the Fund managed to gain from investments in Poland due to successful stock picking. Among remaining equity markets in the region, the best performers were Denmark (+1.2%), Norway (+1%) and Sweden (+0.9%), while Finland (-2.8%), Germany (-3.1%) and Baltic States (-2.9%) underperformed marginally. From currency perspective, the Fund gained from the Euro depreciation against peers.

Healthcare was repeatedly the best performing sector, being the only one to yield a positive return. However, due to successful stock picking, the Fund also managed to gain from the Energy and IT sector stocks, despite the sectors falling notably in the composite benchmark. The largest value destructor for the Fund was Utilities sector, with Russian companies (e.g., Federal Hydrogenerating Co and Holding MRSK) leading the tumble. The Materials sector was also weak, with Mechel, K+S and Uralkali lagging behind.

During December, we conducted relatively few transactions with the Fund's assets, reducing the cash position to 5%. Firstly, we added Fraport. Further during the month, we took profits from Atea and increased the portion of Sberbank and Morpol in the Fund. Moreover, we added Hugo Boss, as we expect the demand for luxury products to be more resilient to economic slowdown. Finally, the Fund invested into the German chemicals producer Lanxess.

Date of inception	24/08/2004
Legal Status	UCITS III Lithuania domiciled
Base currency	EUR
Fund size	EUR 2.85 mln
Minimum Subscription	EUR 145.00
NAV	32.32
Number of Holdings	65
Load fee	up to 2%
Management fee	2.00 % p.a.
Benchmark	MSCI AC Europe (EUR)
ISIN code	LT0000950008
Riga Stock Exchange, Bloomberg code	PIVBJFR, PARBSEQ LR
VALOR number	2572091
Issue/Redemption	Daily
Distribution Dividends	Reinvested
Morningstar Rating	<a href="http://quote.morningstar.com/fund/f.aspx?t=LT0000950008&amp;region=LTU">http://quote.morningstar.com/fund/f.aspx?t=LT0000950008&amp;region=LTU</a>

## Indexed performance since inception



Ratios	1 year	3 years	5 years
Volatility	21.65%	19.72%	23.17%
Sharpe Ratio**	-1.09	0.50	-0.46
Max Drawdown***	20.91%	20.91%	34.19%

\*\* Risk free rate: 3M LIBOR USD

\*\*\* Max Drawdown is calculated as the max drop of 30D roll return

## Top 10 Holdings

Statoil	3.52%
Olainfarm	2.83%
Silvano Fashion Group	2.79%
Norsk Hydro	2.75%
Olympic Casino	2.64%
Deutsche Telekom	2.33%
GN Store NORD	2.28%
Fortum	2.14%
Fresenius	2.13%
Surgutneftegas	2.09%
<b>TOTAL:</b>	<b>25.50%</b>

## Performance as at 31/12/2011

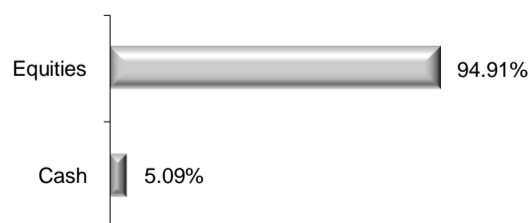
YTD	-22.34%
1 month	-1.88%
3 months	5.65%
6 months	-20.13%
1 year	-22.49%
3 years annualised	10.87%
5 years annualised	-8.17%
Since inception	11.61%
Since Inception annualised	1.50%

## Calendar Year Performance

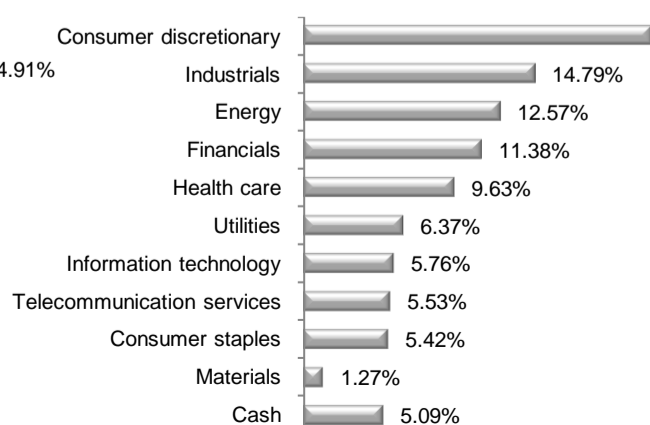
2005****	37.41%
2006	16.43%
2007	8.25%
2008	-55.83%
2009	38.59%
2010	26.88%

\*\*\*\* - From 24/08/04

## Portfolio Composition



## Sector Breakdown



## Geographic Allocation

