



# EASTERN EUROPEAN Fund

(Traditional Funds plc)  
UCITS III EASTERN EUROPEAN EQUITY

S&P RATED  
**AAA**

## Manager Commentary – by Martin Taylor / Nick Barnes

The region suffered further losses and extreme volatility during November, mirroring the trend in global markets. The fund fell by 13.58% over the course of the month outperforming a 15.1% decline in the MSCI Emerging Europe Index. Russia underperformed the region, falling by 18.4% in US dollar terms over the course of the month as investors took flight from both the rapidly declining oil price and an ill conceived attempt by the Russian Central Bank to weaken the ruble in order to support the export sector. Rather than the creeping currency devaluation that they have embarked on which will merely encourage domestic capital flight and further erosion of their substantial \$450bn FX reserves, the CBR would be better served by a one off 15% devaluation backed up by a strong commitment to maintain this new level. In the absence of either this or a rally in global commodity markets (and despite some eye watering attractive valuations) it is difficult to see the equity market making significant headway. The fund continues to be underweight in Russia and is focused on cash generative companies with strong balance sheets. Elsewhere, other markets of the region outperformed on the falling oil price amidst light corporate news flow. The fund benefitted from being overweight the Czech Republic which "only" fell by 6.8% over the course of the month. Whilst regional valuations remain very compelling with stock prices at multi-year lows, a recovery in the global macro outlook and reduction in global risk aversion will be needed before the region can rally meaningfully.

Please note that the performance prior to January 2007 was generated by the Global Emerging Markets team within Thames River Capital LLP and its predecessor Thames River Capital (UK) Ltd. The funds have been managed since inception by the same emerging markets team as constituted from time to time.

### Fund Performance to 28 Nov 2008

\$ Class	NAV per share	Nov 2008	YTD	1 Yr Fund	1 Yr Index	3 Yr Fund	3 Yr Index	5 Yr Fund	5 Yr Index
	\$36.85	-13.58%	-63.84%	-62.96%	-64.89%	-26.61%	-36.34%	+63.78%	+32.94%

Above rolling returns are cumulative. Refer to the monthly newsletter - Page 8 for monthly / annual return history vs benchmark.  
Note: The fund had a special valuation on 31.12.07 although this was not a dealing day.

### Geographic Allocation %

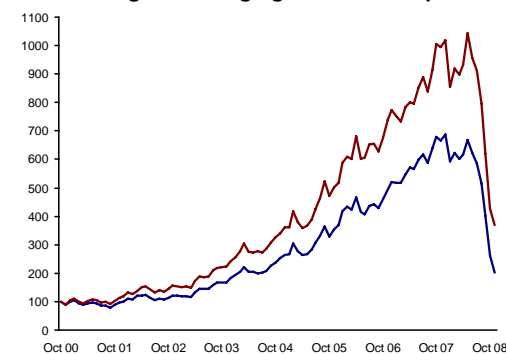
	Fund	Index	Relative
Austria	3.3	-	3.3
Czech Republic	13.7	8.0	5.7
Hungary	6.2	5.5	0.7
Kazakhstan	5.0	-	5.0
Poland	6.7	15.1	-8.4
Russia	49.7	58.4	-8.7
Turkey	11.4	13.0	-1.6
Cash	4.1	-	-
<b>Total</b>	<b>100.0</b>		

### Sector Allocation %

Energy	40.4
Financials	17.6
Health Care	2.8
Materials	1.4
Telecommunication	22.5
Utilities	11.3
Cash	4.1
<b>Total</b>	<b>100.0</b>

### NAV per share Price Performance 31.10.00\* (rebased to \$100) to 28.11.08

— Eastern European Fund  
— Morningstar Emerging Markets Europe Sector



\*Although the official launch was 13th October 2000, the fund did not reach its target level of investment until the end of the month.  
Source: Morningstar

### \$ Statistics Since Inception

Annualised Return	<b>+17.3%</b>
Volatility (Standard Deviation)	<b>28.8%</b>
Information Ratio	<b>1.41</b>

Note: NAV per share monthly return calculated net of fees.  
Benchmark: MSCI Emerging Europe Index. Prior to April 2008 the benchmark was FTSE BEMI Greater Eastern Europe Index (Russia 50% diluted). Source: Northern Trust IFAS (Ireland) Ltd, Pertrac.

### Fund Objective

The investment objective of the fund is to achieve capital appreciation through investment in Eastern European markets.

† this fund will apply for distributor status annually.

‡ 20% of any absolute outperformance of the MSCI Emerging Europe Index with a high watermark.

### Fund Size (Mn)

Share Classes	\$95.9
Launch Price	US\$ (base)
Launch Date	\$10
Minimum	13 October 2000
Dealing	\$35,000
Domicile	Daily
Legal Status	Irish
Listing	UCITS III (FSA recognised)
Unit type	Irish Stock Exchange Distribution†

### Charges

Initial Charge	Up to 5%
Management Fee	1.75% p.a.
Performance Fee	20%‡

### Investment Manager

Nevsky Capital LLP  
Sub-Distributor  
Nevsky Capital Holdings Ltd  
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Administrator  
Northern Trust International Fund Administration Services (Ireland) Ltd  
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<http://www.nevskycapital.com/downloads/disclosures.htm>

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