



EASTERN EUROPEAN Fund

(Traditional Funds plc)
UCITS III EASTERN EUROPEAN EQUITY

S&P RATED
AAA

Manager Commentary - by Martin Taylor / Nick Barnes

The fund rose by 25.4% over the course of the month, outperforming a 24.3% rise in the MSCI Emerging Europe Index. The region as a whole outperformed both emerging and developed markets as the global outlook and investor risk appetite continued to improve. The region remains a very high beta play on the outlook for global growth.

The Russian market was the largest contributor to this performance (+31.7%) as oil rose from \$50 to \$65 per barrel over the course of the month. The fund has continued to increase its Russian weighting and, given the funds already significant exposure to large cap oil and gas names and the UCITS limits on maximum position sizes in individual stocks, this has been achieved partly through increasing exposure to the RTS Index Futures that we first took an initial position in during April.

This increase in Russia was predominantly funded by a reduction in Turkey where the fund is now once again neutral despite strong recent earnings releases in the banking sector. As an importer of almost 100% of its energy needs, the Turkish external balance is disproportionately hurt by rising oil prices.

After a strong April, Poland was a significant underperformer in May, rising by only 3.7%. We continue to be underweight the market given the unattractive company valuations although the Zloty does look increasingly attractive given it's recent failure to rally along with other emerging currencies.

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 29 May 2009

\$ Class	NAV per share	May 2009	YTD	1 Yr Fund	1 Yr Index	3 Yr Fund	3 Yr Index	5 Yr Fund	5 Yr Index
	\$55.23	+25.35%	+58.12%	-46.06%	-54.38%	-6.36%	-26.48%	+106.61%	+57.01%

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 31.12.08 although this was not a dealing day.

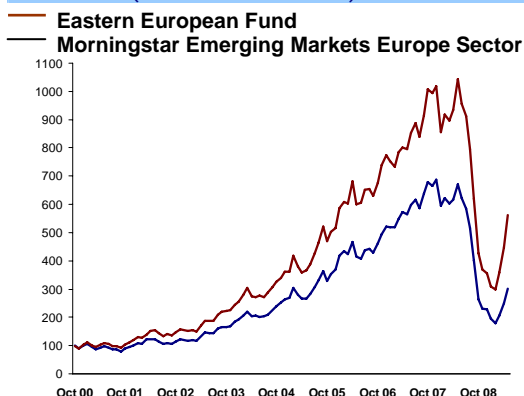
Geographic Allocation %

	Fund	Index	Relative
Czech Republic	6.7	6.0	0.7
Hungary	6.1	4.9	1.2
Kazakhstan	4.4	-	4.4
Poland	3.4	10.2	-6.8
Russia	60.1	65.8	-5.7
Turkey	12.4	13.1	-0.7
Cash	0.3	-	-
Total	100.0		

Sector Allocation %

Energy	44.3
Financials	19.0
Health Care	0.8
Index Future	6.6
Materials	5.4
Telecommunication	16.7
Utilities	6.9
Cash	0.3
Total	100.0

NAV per share Price Performance 31.10.00 (rebased to \$100) to 29.05.09*



*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	+22.1%
Volatility (Standard Deviation)	31.3%
Information Ratio	1.57

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)	\$157.8
Share Classes	US\$ (base)
Launch Price	\$10
Launch Date	13 October 2000
Minimum	\$35,000
Dealing	Daily
Domicile	Irish
Legal Status	UCITS III (FSA recognised)
Listing	Irish Stock Exchange
Unit type	Distribution†

Charges

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

Investment Manager
Nevsky Capital LLP
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Nevsky Capital Holdings Ltd
Custodian
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Administrator
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NEVSKY CAPITAL



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<http://www.nevskycapital.com/downloads/disclosures.htm>

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For further information please contact:

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