



NEVSKY CAPITAL

June 2009

MONTHLY NEWSLETTER

Issue 30

Nevsky Fund Adviser Commentary

May Performance

% change in \$	Month	YTD	Inception to Date
Nevsky	+7.88	+18.12	+688.33

Since Inception	Annualised % Return	Annualised % Volatility	Sharpe Ratio
Nevsky	+26.9	13.9%	1.92
MSCI GEM	+10.9	25.0%	0.44
MSCI World	-3.4	19.2%	-0.17

Price: \$7,883.3

Source: Northern Trust IFAS (Ireland), Bloomberg

Commentary

May proved to be yet another volatile month, completing a chain of big 'up' or 'down' months that began with the onset of the credit crunch in August 2007.

Fortunately the Fund took a reasonable amount of the up, despite some of the 'cheap' defensive names we own continuing to brutally underperform as outright beta positions in index futures combined with stock specific exposures in China and Russia and long fx positions in Korea and Brazil, to produce decent upside .

Outlook

Markets are very delicately poised. It is becoming harder and harder for bears to deny that at the margin the world is now starting to move from 'second derivative' to actual, *absolutely better*, economic activity data. This is being caused by a combination of demand growth in China and

the increasing confidence created by rising asset prices in the G7 and is beginning to impact the behaviour of consumers and corporates everywhere. As a result the bears have been battered by both rising equity prices (which they are flat or short of) and the collapse in AAA rated sovereign bonds (which they are long of).

However, despite a third consecutive month of equity gains the world is still not remotely out of the woods. This will still be a bear market until economic and financial volatility 'normalises' and with VIX still at 30% and most data releases still double digit in either direction, we potentially still have a long way to go. This high volatility and the fact that balance sheets in the G7 – both public and private – remain perilously weak means global markets remain very vulnerable to new bad news.

There are a number of potential sources. On the one hand the very improvement of the data described above presents a threat to recovery via the accompanying rise in the oil price and the backing up of bond yields, with the biggest threat in this regard remaining the US consumer. Sharply rising gasoline prices, rising unemployment and now rising mortgage rates as well (despite massive MBS purchases of the Fed) are a pretty toxic combination and may create 'ice' (a double dip in consumer spending to create the feared 'W'). On the other hand if the US consumer muddles through the summer and global data continues to strengthen then fears of 'fire' (an unrestrained 'V') could result in a major technical problem for markets via a sharp strengthening of the USD against the Euro and Yen and a further sell-off in the US sovereign bond market.

Continued overleaf

CONTENTS

NEVSKY FUND

Page 2-3

GLOBAL EMERGING MARKETS FUND

Page 4-5

EASTERN EUROPEAN FUND

Page 6

EMERGING ASIA FUND

Page 7

Fund Performance & Dividend History
Page 8-9

Fund Codes
Page 10



NEVSKY Fund

(Nevsky Fund Limited)
LONG / SHORT GLOBAL EQUITY

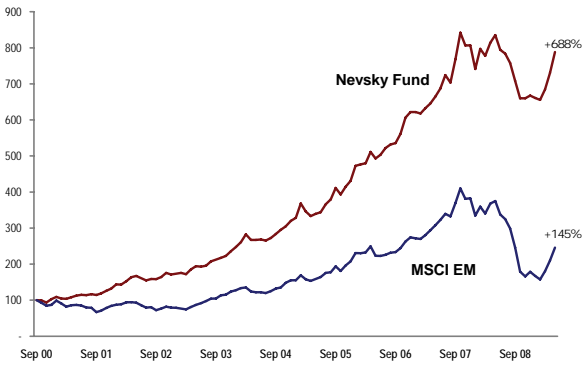
Adviser Commentary – by Martin Taylor / Nick Barnes

With regard to this second risk we will not get there if we get 'ice' first and it is 'ice' that most bears seek. However, if they are wrong and the US consumer does muddle through the summer then 'fire' becomes the key risk going into the Fall. This is because after September the very easy base effect will move even the G7's economic data into very substantial year on year gains. Indeed by January 2010 global industrial production is likely to up by 10-20% yoy. Such positive data could force the Bears to capitulate and drive markets sharply higher in a world still soaked in easy liquidity as – theoretically – there should be no Central Bank tightening for a considerable period given the record output gap that has opened up in the past 18 months.

This is the bull case. However, this won't happen if bond yields continue to back up, choking off any recovery. This means going into the Fall (presuming we haven't been 'iced' first) the behaviour of US core inflation will be absolutely crucial. Thus far core PCE has been very disappointing, remaining at 1.9% despite a 4% fall in GDP, a 30% fall in housing prices and a near doubling in unemployment. All these factors should force it down, with a lag, to 0.5 -1.5%. If they don't the Fed will have to abandon QE and also prematurely tighten, causing a massive further down leg in global markets as 'stagflation' rears its head. This is not our base case. Owners Equivalent Rent (the measure of housing costs in the core PCE and core CPI) should fall steadily over the remainder of this year, as should employment costs. It is though very important to monitor as the impact of unforeseen inflation 'stickiness' would be horrendous.

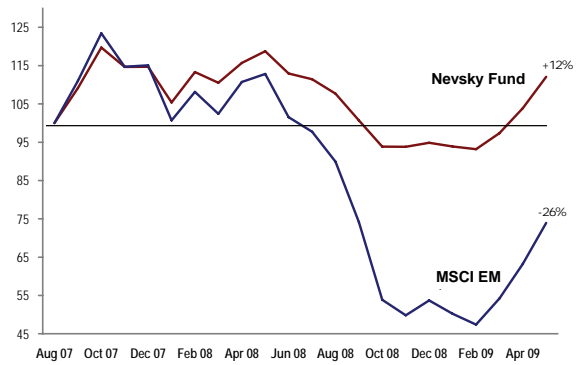
Balancing the potential reward of continued market momentum as data improves, forcing the Bears to capitulate and buy equities, against the risks of both 'fire' and 'ice' means we remain stuck in a 38-48% net long range. We feel it remains very premature to bet your house on any outcome.

Nevsky Fund USD performance since inception vs MSCI Global emerging markets index in % terms (rebased to 100)



Source: Bloomberg

Nevsky Fund USD performance since credit crunch started (August 2007) vs MSCI Global emerging markets index (MXEF) in % terms (rebased to 100)



Source: Bloomberg



NEVSKY Fund

(Nevsky Fund Limited)
LONG / SHORT GLOBAL EQUITY

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

	NAV per share	1 Yr	3 Yr	5 Yr
Class A	\$7,883.30	-5.63%	+59.85%	+195.15%
Class B	€2,734.48	-7.72%	+52.39%	+173.23%
Class C	£927.18	-7.11%	-	-
Class D	NOK11,488.90	-	-	-

Above rolling returns are cumulative.

Net Sector Allocation as % of Fund NAV

Consumer Discretionary	-
Consumer Staples	-
Energy	7.6
Financials	11.6
Health Care	-
Industrials	-
Information Technology	0.3
Materials	0.7
Telecommunication Services	2.5
Utilities	1.2
Bonds	-
Commodities	0.7
Index Future	19.2

Geographic Allocation Exposure as % of Fund NAV

	Net	Long	Short
Austria	-	-	-
Brazil	4.8	4.8	-
China	16.3	16.3	-
Czech Republic	0.9	0.9	-
Hungary	0.2	0.2	-
India	3.3	3.3	-
Kazakhstan	-	-	-
Mexico	0.4	0.4	-
Other	-	-	-
Russia	7.5	7.5	-
S&P Future	-1.6	-	-1.6
South Korea	5.8	5.9	-0.1
Taiwan	5.4	5.4	-
Turkey	0.3	0.3	-
United States	-1.7	-	-1.7
Western Europe	1.7	1.7	-
Equity Net Long	43.2	46.6	-3.4
Asia	-1.4	-	-
EMEA	-0.8	-	-
Other	10.8	-	-
USD	49.0	-	-
Euro	-1.5	-	-
Currency Total	56.1		
Gold	0.7	-	-
Commodity Total	0.7		
Total	100.0		

Return History %

US\$	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
09	-1.00	-0.76	+4.46	+6.68	+7.88								+18.12
08	-8.12	+7.54	-2.47	+4.71	+2.62	-4.90	-1.33	-3.33	-6.52	-6.81	-0.20	+1.12	-17.27
07	+0.02	-0.66	+2.38	+2.05	+3.04	+3.31	+5.44	-2.88	+9.14	+9.68	-4.21	+0.01	+29.77
06	+9.69	+0.84	+0.67	+6.46	-3.47	+2.08	+3.68	+1.85	+0.80	+4.74	+7.96	+2.59	+44.24
05	+2.61	+12.04	-6.05	-3.66	+1.86	+1.25	+6.54	+3.66	+8.34	-4.38	+5.34	+4.07	+34.60
04	+5.02	+5.50	+8.29	-5.61	+0.10	+0.61	-1.26	+2.70	+4.06	+4.08	+3.16	+5.15	+35.88
03	+1.41	+1.14	-1.94	+7.63	+4.66	-0.54	+1.30	+6.27	+2.38	+2.27	+2.49	+5.72	+37.62
02	+8.61	-0.15	+6.70	+7.20	+2.22	-3.69	-4.07	+2.73	-0.33	+3.81	+6.80	-2.46	+29.72
01	+6.22	-4.01	-0.81	+4.28	+3.90	+2.04	-0.65	+2.13	-1.80	+3.83	+6.10	+4.86	+28.67
00										-0.65	-5.96	+9.78	+2.57

The above performance history relates to the Fund's base currency share class only. The full share class history for Class B (€) is available in the monthly Newsletter on Page 9. Note: NAV per share monthly return calculated net of fees. Source: Northern Trust IFAS (Ireland) Ltd.

Fund Objective

The investment objective of the Company is to maximise absolute returns by investing both long and short in the securities of global issuers in both developed and emerging markets, but with an historic emphasis on emerging markets. The fund also takes active positions, both long and short, in equity futures, currencies, commodities and fixed income.

Fund Size (Mn)

Share Classes

Launch Price

Minimum

Dealing

Domicile

Listing

Unit type

Charges

Initial Charge

Management Fee

Performance Fee

\$2,052.7

US\$ (base) / € / £ (hedged)

\$1,000 on 29 September 2000

€1,000 on 30 April 2004

£1,000 on 30 May 2008

NOK 10,000 on 3 Feb 2009

\$/€/NOK 100,000 or £ equiv.

Monthly

Cayman Islands

Irish Stock Exchange

Roll-Up (\$/€/NOK) /

Distribution £

Up to 5%

2% p.a.

20% HWM

Manager Nevsky Capital Holdings Ltd

Investment Adviser Nevsky Capital LLP

Prime Brokers

Morgan Stanley & Co. Intl; Goldman Sachs &

Co Intl; Deutsche Bank AG

Administrator

Northern Trust International Fund

Administration Services (Ireland) Ltd

Contact: Maureen Barrett

Tel: +353 (0)1 434 5059

Fax: +353 (0)1 670 1185

Nevsky Capital LLP is authorised and regulated by the Financial Services Authority

NEVSKY
CAPITAL

