

**TRIGON NEW EUROPE SMALL CAP FUND**  
**TRIGON UUS EUROOPA VÄIKEETTEVÖTETE FOND**

**2009 ANNUAL REPORT**  
(Translation of the Estonian original)

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## **Short Description and Contact Details of Trigon New Europe Small Cap Fund**

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### **Name**

Investment fund Trigon New Europe Small Cap Fund

### **Location**

Viru Square 2  
10111 Tallinn  
Estonia

Phone: + 372 6 679 200

Fax: + 372 6 679 221

### **Main activities**

Trigon New Europe Small Cap Fund offers to the unit-holders the opportunity to invest in small and mid-sized companies of the countries that joined the European Union in 2004 and of the countries that are expected to join the EU in the near future. The fund's objective is the long-term growth of assets.

### **Fund Management Company**

AS Trigon Funds

### **Fund managers/s**

Mehis Raud

### **Depositary**

Swedbank AS

### **Auditor**

AS PricewaterhouseCoopers  
Pärnu road 15  
10141 Tallinn  
Estonia

Phone: + 372 6 141 800

Fax: + 372 6 141 900

### **Beginning and end of financial year:**

1 January 2009 – 31 December 2009

## Management Report

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Trigon New Europe Small Cap Fund (hereinafter: the Fund) was launched on May 16, 2005. The Fund is a contractual investment funds that invests into equity securities of small and mid-sized companies located in countries that have joined the European Union in the last six years, the EU accession countries and companies that own substantial business interests in these countries. The Fund is aimed at investors with a medium to long-term investment perspective since equity markets are volatile and the value of the fund unit can change significantly during a short period.

In April 2009 new class of units was issued: the name of Class 4 Unit is Trigon New Europe Small Cap Fund C Unit. The nominal value of Class 4 Unit is 10 euros. The fee structure is similar to the one used for Class 1 Units. The calculation of performance fee for Class 4 Units shall commence as of first subscription with nominal. As of 06.04.2009 no Class 1 and Class 3 Units will be issued.

As of December 31, 2009 the Fund's net asset value was 149.7 million kroons. The fund has four classes of units. The net asset value of the Fund's Class 1 Unit increased by 46.9% for the year, to 70.9396 kroons (31.12.2008: 48.2819 kroons). The net asset value of the Fund's Class 2 (eQ Itä-Euroopan Pienyhtiöt) Unit was 111.7259 kroons (7.1411 euro) (31.12.2008: 76.0376 kroons) at the year-end. The net asset value of the Fund's Class 3 Unit was 60.4424 kroons (31.12.2008: 40.8214 kroons) and the net asset value of the Fund's Class 4 Unit was 236.8082 kroons (15.1359 euros) at the year-end.

The Fund's objective is to keep approximately 90% of its assets invested. As of the end of December 2009, the equities and fund Units made up 91.27% (31.12.2008: 86.5%) of the market value of the Fund's investments, the remaining portion was made up of cash on bank accounts and uncollected amounts for subscribed Units. As of 31 December 2009, the largest equity investments were A&D Pharma 8.51%, Asbisc 6.53%, Bomi 5.93% and Asseco Poland 5.82%. The Fund's investments were diversified between the issuers of eight countries – Poland, Estonia, Croatia, Romania, Bulgaria, Latvia, Slovenia, and Serbia.

As expected at the end of 2008, the equity markets in 2009 showed prevailing volatility. Sharp and widespread fall of financial markets in the beginning of 2009 was followed by one of the sharpest rallies in stock market history. MSCI World Index rose 23.6% (EUR terms). Trigon funds showed returns from 32.6% to 124.3% for the year. In 2010 we expect continuous improvements in real economy of developed markets and in the regions covered by Trigon funds, as well as a slowdown in unemployment rate growth in the first half of the year. We believe that during the last year stock markets already priced in a large part of companies' growth prospects, therefore making further increases more dependent on actual earnings delivery in 2010.

However, markets and sectors covered by our funds still have companies, which benefited from the recession whilst gaining market share from weaker competitors and time of whose prices do not reflect improved market conditions. Therefore, we are moderately optimistic about the markets in 2010.

Mehis Raud,  
AS Trigon Funds  
Member of the Management Board and Fund Manager

## **ANNUAL FINANCIAL REPORT**

### **The Confirmation Regarding the Annual Financial Report by the Management Board of the Fund Management Company**

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The Management Board of the Fund Management Company confirms the correctness and completeness of the financial statements of Trigon New Europe Small Cap Fund for the year 2009 as presented on pages 5 - 18.

The Management Board of the Fund Management Company confirms that:

1. the accounting policies, accounting methods and measurement bases used in preparing the financial statements are in compliance with the Accounting Act, Investment Funds Act and the generally accepted accounting principles;
2. the financial statements present a true and fair view of the financial position of the Fund and the results of its operations;
3. Trigon New Europe Small Cap Fund is a going concern.

/signed/  
Mehis Raud  
AS Trigon Funds  
Member of the Management Board

/signed/  
Heiti Ruisberg  
AS Trigon Funds  
Member of the Management Board

In Tallinn, on February 2nd, 2010

## Balance Sheet

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In EEK

<b>ASSETS</b>	<b>Note</b>	<b>31.12.2009</b>	<b>31.12.2008</b>
<b>Securities</b>			
Shares and units		136 946 188	90 089 105
Derivatives	Note 5	0	4 516 028
<b>Total securities</b>		<b>136 946 188</b>	<b>94 605 132</b>
<b>Deposits</b>			
Cash and bank accounts		12 959 635	14 079 590
<b>Total deposits</b>		<b>12 959 635</b>	<b>14 079 590</b>
<b>Other assets</b>			
Accrued interest on bonds		0	546
Miscellaneous receivables	Note 2	139 401	633 545
<b>Total other assets</b>		<b>139 401</b>	<b>634 091</b>
<b>TOTAL ASSETS</b>		<b>150 045 225</b>	<b>109 318 813</b>
<b>LIABILITIES</b>			
<b>Liabilities</b>			
Accrued expenses (fund management company)	Note 4	258 148	185 934
Accrued expenses (depository)		24 373	21 083
Other payables		81 208	82 578
Unsettled securities transactions		0	4 220 233
Payable for redeemed fund units		7 145	0
<b>Total liabilities</b>		<b>370 873</b>	<b>4 509 828</b>
<b>Net asset value of the fund</b>		<b>149 674 352</b>	<b>104 808 985</b>
<b>TOTAL LIABILITIES AND NET ASSET VALUE</b>		<b>150 045 225</b>	<b>109 318 813</b>

## Statement of investments

In EEK as of 31 December 2009

Name/Issuer	Country code	Maturity	Nominal value	Currency	Quantity	Average acquisition cost per item	Average acquisition cost total	Market value per item	Market value total	Interest	Share in market value of the net assets of the Fund
<b>Shares</b>											
A AND D PHARMA HOLDINGS NV DR	RO		1	EUR	203,942	38.02	7,753,355	62.58	12,763,098		8.51%
ADRS GRUPA D.D. PREF	HR		10	HRK	7,500	431.83	3,238,737	552.64	4,144,807		2.76%
AIK BANKA AD	RS		1,200	RSD	10,230	497.92	5,093,698	402.37	4,116,231		2.74%
AMREST HOLDINGS N.V. SHARE/POL	NL		0	PLN	18,200	274.81	5,001,584	312.34	5,684,563		3.79%
ASBISC ENTERPRISES PLC	CY		1	PLN	633,775	8.41	5,332,247	15.46	9,801,059		6.53%
ASSECO POLAND SA	PL		1	PLN	36,411	204.41	7,442,665	239.78	8,730,522		5.82%
BANCA ROMANA PENTRU DEZ.(RON)	RO		0	RON	94,730	45.07	4,269,416	47.94	4,541,598		3.03%
BETACOM SA	PL		1	PLN	32,710	90.11	2,947,338	31.08	1,016,676		0.68%
BILBORD AD SOFLA	BG		1	BGN	380,000	10.56	4,011,624	9.28	3,525,837		2.35%
BLAGOEVGRAD-BT	BG		1	BGN	4,343	828.66	3,598,862	280.04	1,216,193		0.81%
BOMI SA	PL		0	PLN	188,275	49.61	9,339,553	47.23	8,892,548		5.93%
BZ WBK	PL		10	PLN	7,000	615.82	4,310,766	723.71	5,065,981		3.38%
HYDROTOR SA	PL		2	PLN	41,111	185.33	7,618,930	124.55	5,120,563		3.41%
ING BANK SLASKI SA SHARE	PL		1	PLN	2,004	2,387.37	4,784,281	2,971.03	5,953,936		3.97%
KRKA	SI		0	EUR	3,224	877.26	2,828,283	1,000.69	3,226,212		2.15%
LIEPAJAS METALURGS	LV		1	LVL	93,699	44.63	4,182,051	24.67	2,311,861		1.54%
LUKA ADRIATIC PROPERTY I	EE		10	EUR	51,307	158.02	8,107,498	132.95	6,821,135		4.55%
MERCOR SA	PL		0	PLN	54,978	81.17	4,462,419	69.67	3,830,139		2.55%
MOSTOSTAL SIEDLCE SA	PL		1	PLN	469,108	14.57	6,836,341	15.12	7,093,739		4.73%
SELENA FM SA	PL		0	PLN	86,602	42.29	3,662,748	61.59	5,333,961		3.55%
SIF BANAT CRISANA(RO)	RO		0	RON	1,282,800	3.21	4,122,597	4.17	5,345,831		3.56%
SIF TRANSILVANIA (RON)	RO		0	RON	2,105,000	1.37	2,887,785	2.51	5,278,844		3.52%
SILVANO FASHION GROUP A-AKTSIA	EE		10	EEK	556,200	6.89	3,834,914	12.20	6,788,059		4.52%
TALEX SA	PL		1	PLN	68,903	46.63	3,212,810	43.23	2,978,831		1.99%
TRAKCJA POLSKA S.A.	PL		1	PLN	464,736	14.76	6,857,774	15.85	7,363,962		4.91%
<b>Total shares</b>							<b>125,738,277</b>		<b>136,946,188</b>		<b>91.27%</b>
<b>Total securities</b>							<b>125,738,277</b>		<b>136,946,188</b>		<b>91.27%</b>
<b>Deposits</b>											
DEMAND DEPOSIT	EE			EEK					12,959,635		8.64%
<b>Total deposits</b>									<b>12,959,635</b>		<b>8.64%</b>
<b>Total investments</b>							<b>125,738,277</b>		<b>149,905,823</b>		<b>99.91%</b>
<b>Other Assets</b>											
Miscellaneous receivables (subscriptions receivable)									139,401		0.09%
<b>Total other assets</b>									<b>139,401</b>		<b>0.09%</b>
<b>Total assets of the Fund</b>									<b>150,045,225</b>		<b>100.00%</b>

### Distribution of investments, 31.12.2009

In EEK	Amount	Share
Securities entered into the stock exchange lists	130 125 053	86.72%
Other securities	6 821 135	4.55%
Cash, deposits, miscellaneous receivables and accrued income	13 099 037	8.73%
<b>Total</b>	<b>150 045 225</b>	<b>100.00%</b>

In EEK as of 31 December 2008

Name/Issuer	Country code	Maturity	Nominal value	Currency	Quantity	Average acquisition cost per item	Average acquisition cost total	Market value per item	Market value total	Interest	Share in market value of the net assets of the Fund
<b>Shares</b>											
AMBRA SA	PL		1	PLN	634,857	48.81	30,987,647	5.96	3,784,098		3.46%
AMICA WRONKI SA	PL		2	PLN	53,458	52.25	2,793,086	28.55	1,526,221		1.40%
ASBISC ENTERPRISES PLC	CY		1	PLN	200,000	19.81	3,961,785	6.17	1,233,872		1.13%
AUTOMOTIVE COMPONENTS EUROPE	PL		0	PLN	211,221	76.98	16,259,295	6.68	1,411,356		1.29%
BETACOM SA	PL		1	PLN	75,852	85.63	6,494,829	30.94	2,346,991		2.15%
BLAGOEVGRAD-BT	BG		1	BGN	4,343	828.66	3,598,862	247.97	1,076,947		0.99%
BULGARIA REAL ESTATE FUND	BG		1	BGN	341,615	10.36	3,539,669	6.79	2,319,997		2.12%
BZ WBK	PL		10	PLN	8,800	414.27	3,645,549	420.66	3,701,769		3.39%
CASH FLOW SH	PL		1	PLN	235,823	34.37	8,105,309	11.31	2,668,021		2.44%
EESTI EHITUS AS	EE		10	EEK	65,690	47.97	3,151,107	15.96	1,048,412		0.96%
FLAMINGO	RO		0	RON	8,511,700	1.74	14,785,666	0.11	951,355		0.87%
GRAAL S.A.	PL		10	PLN	51,194	126.26	6,463,596	29.99	1,535,440		1.40%
HYDROTOR SA	PL		2	PLN	51,147	196.43	10,046,759	109.80	5,615,718		5.14%
IMPEL SA	PL		5	PLN	71,897	50.79	3,651,628	28.47	2,047,193		1.87%
KERNEL HOLDING SA SHARE	LU		0	PLN	62,378	49.61	3,094,642	46.70	2,912,885		2.66%
KOGENERACJA S.A.	PL		5	PLN	6,948	209.11	1,452,896	197.61	1,372,990		1.26%
LC SOFIA PROPERTY FUND	GB		1	GBP	670,000	18.91	12,669,095	2.54	1,698,500		1.55%
LIEPAJAS METALURGS	LV		1	LVL	58,699	58.20	3,416,046	25.38	1,490,027		1.36%
NORMA	EE		10	EEK	248,114	80.22	19,904,679	40.68	10,093,278		9.23%
PAGED SA	PL		2	PLN	141,074	108.12	15,252,409	18.38	2,592,264		2.37%
PANEVEZIO STATYBOS TRISTAS	LT		1	LTL	104,297	41.87	4,366,618	6.79	708,542		0.65%
POL-MOT WARFAMA SA	PL		1	PLN	79,247	15.69	1,243,076	3.64	288,829		0.26%
POLSKI KONCERN NAFTORNY ORLEN	PL		1	PLN	40,000	96.81	3,872,515	97.68	3,907,389		3.57%
POLSKY KONCERN MIESNY DUDA	PL		1	PLN	451,549	12.00	5,418,213	4.56	2,057,183		1.88%
PROSPER SA	PL		1	PLN	194,103	68.77	13,349,207	20.31	3,942,511		3.61%
SIF MOLDOVA (RON)	RO		0	RON	648,500	5.51	3,575,445	2.07	1,342,511		1.23%
SIF MUNTENIA (RON)	RO		0	RON	857,300	5.75	4,927,719	2.42	2,074,725		1.90%
SIF TRANSILVANIA (RON)	RO		0	RON	1,193,500	4.61	5,496,808	1.06	1,264,379		1.16%
SILVANO FASHION GROUP A-AKTISIA	EE		10	EEK	456,200	7.03	3,207,798	7.98	3,640,371		3.33%
TALEX SA	PL		1	PLN	15,174	65.34	991,441	52.96	805,639		0.74%
TELL S.A ORD SH	PL		1	PLN	23,066	74.24	1,712,480	26.58	612,995		0.56%
TEO LT AB	LT		1	LTL	887,269	7.67	6,803,142	5.25	4,661,392		4.26%
TRIGON ADRIATIC PROPERTY I	EE		10	EUR	54,307	158.02	8,581,557	164.45	8,930,597		8.17%
UNIMA 2000 SA	PL		1	PLN	75,957	57.73	4,385,376	12.68	963,166		0.88%
WANDALEX SA	PL		1	PLN	332,598	23.64	7,862,700	9.30	3,093,660		2.83%
ZEMAITIJOS PIENAS	LT		1	LTL	144,548	10.96	1,584,506	2.56	369,882		0.34%
<b>Total shares</b>							<b>250,653,155</b>		<b>90,089,105</b>		<b>82.41%</b>
<b>Derivatives</b>											
FX OPTIONS EUR/PLN@3.55 7JAN9	EE	07/01/2009	1	EUR			453,720		4,516,028		4.13%
<b>Total derivatives</b>							<b>453,720</b>		<b>4,516,028</b>		<b>4.13%</b>
<b>Total securities</b>							<b>251,106,875</b>		<b>94,605,133</b>		<b>86.54%</b>
<b>Deposits*</b>											
DEMAND DEPOSIT	EE			EEK					3,666,156		3.35%
OVERNIGHT DEPOSIT-HANSAPANK(EUR)	EE	01/01/2009		EUR				10,413,434	10,413,980	1.89%	9.53%
<b>Total deposits</b>								<b>10,413,434</b>	<b>14,080,136</b>		<b>12.88%</b>
<i>* Accrued interest on deposits has been added in amount of 545.87 kroons, which is recognised in the balance sheet on line "Accrued income".</i>											
<b>Total investments</b>							<b>261,520,309</b>		<b>108,685,269</b>		<b>99.42%</b>
<b>Other Assets</b>											
Miscellaneous receivables (uncollected amounts for unsettled trades)									633,545		0.58%
<b>Total other assets</b>									<b>633,545</b>		<b>0.58%</b>
<b>Total assets of the Fund</b>									<b>109,318,813</b>		<b>100.00%</b>

**Distribution of investments, 31.12.2008**

In EEK	Amount	Share
Securities entered into the stock exchange lists	81 158 508	74.2%
Other securities	13 446 624	12.3%
Cash, deposits, miscellaneous receivables and accrued income	14 713 681	13.5%
<b>Total</b>	<b>109 318 813</b>	<b>100.0%</b>

## Income Statement

In EEK

	Note	01.01- 31.12.2009	01.01-31.12.2008
<b>I. Net gain on investments</b>			
1.1. On equities and units			
1.1.1. Sales profit/loss		-124 678 682	-313 787 990
1.1.2. Unrealised profit/loss		171 771 961	-137 285 523
1.1.3. Dividends		5 084 012	7 303 766
1.2. On Bonds			
1.2.1 Sales profit/loss		0	-4 304 290
1.2.2 Unrealised profit		0	360 192
1.2.3. Interest income		0	118 498
1.3. On deposits			
1.3.1 Interest income on deposits		42 556	584 223
1.4. On derivatives			
1.4.1 Sales profit		3 786 211	9 131 859
1.4.2 Unrealised profit/loss		-4 062 308	6 417 577
<b>Total net gain on investments</b>		<b>51 943 749</b>	<b>-431 461 688</b>
<b>II. Other income</b>			
2.1. Foreign exchange gains/loss		-410 913	11 212 404
2.2. Other income		0	108 541
<b>Total other income</b>		<b>-410 913</b>	<b>11 320 944</b>
<b>TOTAL INCOME</b>		<b>51 532 836</b>	<b>-420 140 744</b>
<b>EXPENSES</b>			
<b>III. Operating expenses</b>			
3.1. Management fees	Note 4	2 409 328	9 583 232
3.2. Performance fees	Note 4	39 616	0
3.3. Depositary charges		236 206	938 949
3.4. Transaction fees	Note 3	149 200	340 977
3.5. Other expenses		3 078	38 385
<b>Total operating expenses</b>		<b>2 837 428</b>	<b>10 901 543</b>
<b>TOTAL EXPENSES</b>		<b>2 837 428</b>	<b>10 901 543</b>
<b>NET RESULT OF THE FUND</b>		<b>48 695 408</b>	<b>-431 042 287</b>

## Statement of Movements in the Fund's Assets

In EEK

	Note	01.01- 31.12.2009	01.01-31.12.2008
<b>Fund's net asset value at the beginning of the period</b>		<b>104 808 985</b>	<b>762 504 794</b>
Cash received from issuing units		5 794 014	9 486 532
Cash paid for redeeming units		9 610 394	235 951 912
Total issue and redemption fees paid to fund manager		13 661	188 141
Fund's net profit for the period		48 695 408	-431 042 287
<b>Fund's net asset value at the end of the period</b>		<b>149 674 351</b>	<b>104 808 985</b>
Number of units outstanding		1 999 337.534	2 073 863.372
Class 1		1 796 791.924	1 870 286.063
Class 2 (eQ Itä-Euroopan Pienyhtiöt unit)		176 692.283	175 989.146
Class 3		20 711.314	27 588.163
Class 4		5 142.013	
<b>Fund unit's net asset value at the end of the period</b>			
Class 1	Note 6	70.9396	48.2819
Class 2 (eQ Itä-Euroopan Pienyhtiöt unit)	Note 6	111.7259	76.0376
Class 3	Note 6	60.4424	40.8214
Class 4	Note 6	236.8082	

## **Notes to the Financial Statements**

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### **NOTE 1 Accounting Principles**

The financial statements of Trigon New Europe Small Cap Fund have been prepared in Estonian kroon in accordance with the Accounting Act, the Investment Funds Act and the generally accepted accounting principles.

#### **Cash and bank**

The balance sheet item cash and bank includes cash on demand deposit, overnight deposits and term deposits.

#### **Accounting for transactions with securities**

Transactions with securities are accounted for on a trade date basis. Interest income from fixed income securities is recorded on accrual basis. Realised gains and losses from sales of securities are taken into account using the FIFO method.

#### **Issue of units**

Units shall only be issued publicly. The issue of Units is executed by the Fund Management Company pursuant to the rules set out in legislation. The issue of Units is restricted neither by time nor by volume.

The Fund has four classes of Units (hereinafter: "Class 1", "Class 2", "Class 3" and "Class 4").

A Unit shall be issued only upon the collection of an amount equalling the Unit's net asset value. Upon the issue of a fractional unit, cash shall be collected equalling that fraction of the Unit's net asset value.

The Unit's issue price is the net asset value of the Unit of the respective class calculated on the banking day following the purchase order and may also include an issue fee or intermediary's transaction cost.

As of 06.04.2009 no Class 1 and Class 3 Units will be issued. Class 4 Unit was launched on April 6, 2009.

The Unit's issue fee is:

- a) In case of Class 2 Units, there is no issue fee. The unit holder bears the intermediary's transaction cost, which is a maximum of 3.0% of the net asset value of the Unit of the respective class;
- b) In case of Class 4 Units, a maximum of 2.0% of the net asset value of the Unit of the respective class.

A Unit is deemed to be issued at the time of making the respective entry in the registry of Units.

#### **Redemption of Units**

At the request of the Unit holder, the Fund Management Company shall redeem the Unit.

The Unit's redemption price is the net asset value of the Unit of the respective class calculated on the banking day following the day of the redemption order and may also include a redemption fee or intermediary's transaction cost.

The Unit's redemption fee is:

- a) In case of Class 1 Units, a maximum of 1,5% of the net asset value of the Unit of the respective class;
- b) In case of Class 2 Units, there is no redemption fee. The fund holder shall bear the intermediary's transaction cost which at a maximum is 0.5% of the net asset value of the Unit of the respective class but not less than 20 euro per transaction;
- c) In case of Class 2 Units, there is no redemption fee;
- d) In case of Class 4 Units, a maximum of 1.5% of the net asset value of the Unit of the respective class.

Upon the redemption of a Unit, a monetary payment from the Fund's assets is made to the Unit holder's bank account related to the securities account. The payments shall be made in the order of the applications submitted. The payment may be halted pursuant to the procedure prescribed in the rules and regulations of the Fund.

The Unit shall be considered as redeemed from the time of making a respective entry in the registry of Units.

#### **Issue and redemption fees**

Upon the issue and redemption of a Unit, the Management Company has the right to charge issue and redemption fees which are collected in the Fund's bank account.

#### **Exchange of Units**

The Unit holder has the right to exchange the Units held by him for the Units of another Fund managed by the Fund Management Company. Units shall not be exchanged for the Units of another class of the Fund.

To exchange Units, the Unit holder shall give an order through his account operator to exchange Units in the form prescribed by the account operator. Upon the exchange of Units, no payments are made to the Unit holder. According to the number and net asset value of exchangeable Units, the Units are redeemed and the Units of another Fund are issued according to the net asset value of the Units of another Fund. The basis for the exchange of Units is the net asset value of the Unit calculated on the banking day following the day of receiving an exchange order. No redemption and issue fees are charged upon exchanging Units.

#### **Calculation of the net asset value of the investment fund**

The net asset value of the Fund is determined pursuant to the Investment Funds Act, established by the Ministry of Finance "Regulation for determining the net asset value of investment funds", internal rules and regulations of AS Trigon Funds (Fund Management Company) as well as the Fund's rules.

The Fund's net asset value is determined on the basis of the market value of the Fund's asset less the Fund's liabilities. The total net asset value of the Units of a particular class is derived by subtracting the liabilities of the Fund unit of a particular class from the market value of securities and other rights of the Fund unit of a particular class.

The net asset value of a Unit is derived by dividing the total net asset value of the Units of a particular class into the number of Units of the same class issued and not redeemed by the time of the calculation.

The Fund's assets and liabilities are accounted for in Estonian kroons. The net asset value of Class 1 and Class 3 Unit is expressed in kroons. The net asset value of Class 2 and Class 4 Unit is expressed in euro.

The determination of the Fund's assets by types of assets is performed as follows:

1. Valuation of cash and deposits
  - 1.1. The value of cash and deposits shall be determined on the basis of their book value, which is their fair value.
  - 1.2. Interest on deposits calculated on an accrual basis but not collected is accounted for as accrued income as of valuation day. Valuation day is the day, as of fund's net asset value is calculated.
2. Valuation of assets denominated in foreign currencies and principles used for choosing exchange rates
  - 2.1. Foreign currencies and assets denominated in a foreign currency shall be restated in Estonian kroons on the basis of the latest ask price of the valuation date as established by the depositary of the fund, AS Swedbank. Should the Swedbank not determine the ask price for the respective foreign currency for the valuation date, Swedbank may use the exchange rate of the following morning.
3. Valuation of listed equity securities with valid quotation
  - 3.1. The value of a listed security with a valid quotation shall be determined on the basis of the closing price of the valuation date. If there is no closing price of the valuation date, the value shall be determined on the basis of the average price (mid price) of the valuation date. If the average price is also not available, the last official selling price (bid price) will be used.
  - 3.2. If fund units owners' justified interests require making an exception, the fund manager may take closing, average or bid price from any of the last 20 business days preceding to the valuation date, if it is necessary to give fair value to listed security.
  - 3.3. The quotation of the security is deemed not valid, if there has been no transaction with that security on any stock exchange on which the security has been listed within the last 20 business days.
4. The principles of choosing the stock exchanges based on which the quotes of the value of securities shall be determined.
  - 4.1. If a security is listed on several stock exchanges, the value of the security shall be determined on the basis of the closing price of the country of location of the issuer of such security.
  - 4.2. If a security is not traded on the stock exchange of the country of location of the issuer, or it is not sufficiently active or the necessary price is not available, the value of the security shall be determined on the basis of the latest known closing price on other stock exchanges on which the security is listed.
  - 4.3. The main criteria in choosing stock exchange are the liquidity of the particular security on that stock exchange.
5. Valuation of listed debt securities
  - 5.1. The value of listed debt security shall be determined as the average price of ask and bid quotations of brokers, which are accepted by the exchange information supplier.
  - 5.2. If there are no quotations or if Fund Management Company estimates that they are not expressing the fair value of debt instrument, the fair value of the debt instrument shall be determined on the basis of yield curve method.
  - 5.3. If the determined price is used in accordance with 5.2., then at least once a month this price has to be compared with the listed securities market's average price and has to be adjusted in case the difference exceeds 0.2%

6. Valuation of unlisted equity securities
  - 6.1. The value of unlisted securities is assessed based on the price data given by an independent certified evaluator. The last trade price of the assessment day should be used. If this price is not available, the mid price of the security should be used (average of ask and bid price). If this price is also not available, the average price provided by an independent certified evaluator should be used.
  - 6.2. If it is impossible to apply methods specified in Item 6.1, the valuation shall be performed on the basis of fair value assessed by the Fund Management Company.
  - 6.3. The fair value of a security will be assessed by the Fund's investment committee. The fair value of security is the price, which can be used to sell the security to the counterparties that are independent and competent. This price is assessed reasonably, in good faith and taking into account the best interests of unit holders.
  - 6.4. The Fund Managers or a Middle-Office Specialist will make a proposal for the investment committee to value or revalue a certain unlisted security.
  - 6.5. The investment committee shall base its decision on some or all of the following circumstances, but is not limited to the list:
    - latest prices of the transactions conducted with the share;
    - volumes of the latest transactions conducted with the share;
    - latest issue price of the share;
    - issuer's financial results;
    - other material news regarding the issuer.The investment committee shall motivate its decision in writing if required by Financial Supervision Authority.
7. Valuation of fund units and shares
  - 7.1. Fund units and shares that are listed on the regulated market shall be determined according to point 3.
  - 7.2. Mutual fund shares that are unlisted on the regulated market shall be determined according to last known redemption price or if this price is not available then according to fund's NAV.
8. Valuation of derivative instruments
  - 8.1. Derivative instruments that are listed on the regulated market shall be determined according to point 3.
  - 8.2. Value of currency forward shall be determined by the valuation date spot rate and forward points, interpolated to maturity of currency forward.
  - 8.3. Derivative instruments that are not listed on the regulated market shall be determined on the basis of Black & Scholes model and all the necessary inputs for the calculation are determined by the Fund Management Company.
9. Valuation of structured securities and deposits
  - 9.1. To calculate the value of a structured bond or deposit, the bond or the deposit is divided into components (e.g. deposit plus option). The value of each component is determined in accordance with the established rules. Different components are combined to calculate the total value of the structured security or deposit.
10. Valuation of other assets
  - 10.1. Added up under accrued income and prepaid expenses is income that has been recorded on accrual basis, but has not yet been received e.g. dividends receivable, interests receivable and other receivables, as well as prepaid expenses.
  - 10.2. To determine the market value of other receivables, these receivables have to be valued on the amounts that are likely to be received.

### **Recognition of financial liabilities**

All financial liabilities (liabilities payable for fund management company or depositary or other borrowings) are initially recognised at the proceeds received, net of transaction costs incurred. After initial recognition, financial liabilities are measured at amortised cost.

The amortised cost of the short-term liabilities normally equals their nominal value; therefore short-term liabilities are stated in the balance sheet in their redemption value.

Financial liabilities are classified as short-term when their due date is within 12 months after the balance sheet date or the Company does not have an unconditional right to defer payment for later than 12 months after the balance sheet date.

### **Recognition of income and expenses**

Income and expenses are reported on the accrual basis.

#### 1. Recognition of management and performance fees

Management fee rates paid to the Fund Management Company are:

- a. Class 1 Units: a maximum of 2.0% per annum of the market value of the Fund's assets.
- b. Class 2 Units: a maximum of 2.0% per annum of the market value of the Fund's assets.
- c. Class 3 Units: a maximum of 1.25% per annum of the market value of the Fund's assets.
- d. Class 4 Units: a maximum of 2.0% per annum of the market value of the Fund's assets.

The management fee is deducted daily from the market value of the Fund's assets and is paid in the month following the calculation.

In addition, the Management Company shall be paid a performance fee based on the performance of Class 1, Class 2, Class 3 and Class 4 Unit. The Management Company has the right to receive the performance fee when the Unit's net asset value exceeds the highest ever month-end level plus the minimum required rate of return of 3.5% in case of Class 1, Class 2 and Class 4 Units and 8% of Class 3 Units on an annual basis. The rate of the performance fee is 15% of the growth of the Unit's net asset value over the highest ever month-end level plus the required minimum rate of return of 3.5% or 8% on an annualised basis. The performance fee is recalculated daily on the basis of the 365-day year and is paid out based on the month-end during the following month. The Management Board of the Fund Management Company may decide to use a lower rate of management and performance fees.

2. The Depositary shall be paid a fee for its services. The maximum annual rate of the depositary fee is 0.16% of the market value of the assets of the Fund but not less than 3 000 kroons per month. If the value of the assets of the Fund exceeds 150 million Estonian kroons, the fee on the assets exceeding this limit shall be 0.14%. If the value of the assets of the Fund exceeds 500 million Estonian kroons, the fee on the assets exceeding this limit shall be 0.13%. VAT shall be added to the abovementioned rates of depositary fee. The depositary fee is deducted daily from the market value of the Fund's assets and is paid in the month following the calculation.

#### 3. Recognition of transactions costs

- 3.1. Commission fees and transaction costs which arose in acquiring and disposing securities but not yet paid are calculated on an accrual basis, are paid in the month following the

calculation, are reported in the income statement line "Transaction costs" and are not included within the cost of securities.

- 3.2. Commissions, which arose and were paid in the acquisition of securities, but are not clearly identifiable, are included within the cost of securities.
- 3.3. Transaction costs are calculated on an accrual basis.

4. Recognition of income and expenses relating to the main operations

The net proceeds from the revaluation of investments are reported in the income statement items "Unrealised gains/losses" grouped by types of investments (equities and units, bonds, etc.). Until 2008 the Foreign exchange rate changes between the purchase and sales dates were deducted from the sales profit/loss and were reported in the income statement items "Foreign exchange gains" or "Foreign exchange losses".

**NOTE 2 Miscellaneous receivables**

In EEK

	<b>31.12.2009</b>	<b>31.12.2008</b>
Unsettled securities transactions	0	633 545
Uncollected amounts for subscribed units	139 401	0
<i>Total</i>	<i>139 401</i>	<i>0</i>

**NOTE 3 Transaction fees**

In 2009, transaction fees totaled 149 200 (01.01-31.12.08: 340 977) kroons. Transaction fees were made up of the fees charged by the depositary for making transactions, transaction fees for sub-depositaries and correspondence banks as well as fees charged for executing payment orders.

During 2009, a total of 149 200 (01.01-31.12.08: 340 977) transactions were performed at Trigon New Europe Small Cap Fund, the volume of transactions was 395 736 268 (01.01-31.12.08: 821 166 547) kroons.

**NOTE 4 Related parties**

For the purpose of these financial statements, the following entities are considered as related parties: AS Trigon Funds (Fund Management Company), AS Trigon Securities (parent company of the Fund Management Company) and other funds managed by AS Trigon Funds: Trigon Balkan Fund, Trigon New Europe Value Fund, Trigon Top Picks Fund, Trigon Emerging Financials Fund and Trigon Emerging Agri-Sector Fund.

Trigon New Europe Small Cap Fund paid to the Fund Management Company management fees in total amount 2 409 328 (01.01-31.12.08: 9 583 232) kroons, performance fees in total 39 616 kroons (01.01-31.12.08: 0 kroons) and issue and redemption fees in total 13 661 (01.01-31.12.08: 188 141) kroons. As of 31 December 2009, the payable to the Fund Management Company totalled 258 148 (31.12.2008: 185 934) kroons. In the financial year, Trigon New Europe Small Cap Fund performed transactions with the other Funds managed by AS Trigon Funds in the total amount of 1 092 020 (01.01-31.12.08: 5 187 309) kroons.

## NOTE 5 Derivatives

As of 31 December 2009 there were no derivatives in Trigon New Europe Small Cap Fund.

In EEK as of 31 December 2008

Type of Instrument	Issuer of Instrument	Underlying asset name and quantity	Exercise date	Premium / price of Instrument	Exercise price		Market value		Equity of the issuer of derivative instrument
					Per item	Total	Per item	Total	
Put option	AS Hansapank	PLN PUT 7 100 000	07/01/2009	29,000.00 EUR	3.55 EUR	2,000,000.00 EUR	2.26	4,516,027.58 EEK	29,468,700,000 EEK
<b>Total</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>29,000.00 EUR</b>	<b>X</b>	<b>2,000,000.00 EUR</b>	<b>X</b>	<b>4,516,027.58 EEK</b>	<b>X</b>

## NOTE 6 Developments in net asset value

In EEK

Date	Fund's net asset value	Fund unit net asset value			
		Class 1 Unit	Class 2 Unit (eQ Itä-Euroopan Pienyhtiöt unit)	Class 3 Unit	Class 4 Unit
31.12.2005	696 180 519	109.05	170.77	-	-
31.12.2006	1 111 198 976	135.8407	214.5604	111.7752	-
31.12.2007	762 504 794	139.3751	219.4953	116.7334	-
31.12.2008	104 808 985	48.2819	76.0376	40.8214	-
31.12.2009	149 674 352	70.9396	111.7259	60.4424	236.8082

## NOTE 7 Impact of the economic crisis and information on less-liquid stocks

The Fund Management Company has evaluated the impacts of the global economic crisis and the related liquidity crisis on the Fund's business activity. The management estimates that the most significant short-and long-term threats include:

- due to low liquidity of financial markets, the Fund's asset prices may decrease;
- due to high volatility and lower liquidity of financial markets it may be difficult to assess the Fund's assets fair value.

The management is unable to reliably predict the effect of the economic crisis on the Fund's activities and financial position. The management believes that all the necessary measures have been taken to support the sustainability and growth of the Company/the Group in current circumstances.

Under indefinite circumstances the fund managers pay special attention to companies' balance sheet and liquidity. During the last three years, the management avoided investing into companies with high liabilities and can confirm that the share of companies with short-term refinancing needs is relatively small compared to the total amount of assets under fund management.

Due to investors' high risk aversion, the fund manager pays great attention to funds' liquidity. 5-10% of the funds' assets are held in deposits and a certain part of the funds' assets is invested into highly liquid equities.

Shown in the table, the investments of Trigon New Europe Small Cap Fund are relatively illiquid and with large spread. The daily volume of transactions can be highly variable. The table of less

liquid stocks shows the share price, year end stock transaction price, as well as market ask and bid price, which were used in the calculation of net asset value.

Observing the movement of shares during the period of 15.12.2009-15.01.2010 it can be seen that the prices given to the shares remain approximately in the same range as the prices used in the portfolio at the year end. As the prices in the portfolio will be used in making transactions with these shares, the Fund Management Company believes, that the price information provided in the table is a good indicator to reflect the market price of the companies' shares.

Instrument	Currency	Price in portfolio (local currency)	Last trade price in year 2009	Date of last trade done	Bid Price	Ask Price	Date of Ask/Bid	Number of transactions 15.10.2009-15.01.2010	Number of securities sold/purchased 15.10.2009-15.01.2010	Highest price 15.12.2009-15.01.2010	Lowest price 15.12.2009-15.01.2010
A&D Pharma Holding	EUR	4.00	4.00	31.12.2009	3.50	4.00	31.12.2009	123	711,849	4.00	3.50
Betacom	PLN	8.16	8.16	31.12.2009	8.06	8.39	30.12.2009	408	70,181	8.93	7.71
Liepajas Metalurgs	LVL	1.12	1.12	30.12.2009	1.12	1.25	30.12.2009	138	59,483	1.45	1.01

## NOTE 8 Future perspectives

In 2010 we will continue investing into companies with low level of debt. A majority of the Fund's investments do not require short-term loan refinancing however in cases where it is needed the bank agreements have already been established. In addition, in 2010 more emphasis will be placed on companies and sectors, which have considerably lower penetration in a respective country or a region as compared to developed countries. In the long run, this should enable the companies and sectors to offer higher sales and profit growth as compared to the overall market.

Similar to the last year the main focus in making investments will be placed on the liquidity of a stock in order to be able to realize some of the investments in a short period of time and without significant problems. Fund's less liquid positions are sold during periods of market rallies, in order to maintain a sufficient level of liquidity and to be prepared for more severe conditions in the market.

In 2010 special emphasis will be placed on regional currencies, as the movements can significantly affect the unit-holders' investments. In 2009 we kept the regional currency positions uncovered. Also in the beginning of 2010 we have left the currency positions unhedged. During 2010 the use of currency hedging will be decided according to market situations as well as taking into account the cost of hedging.

Due to the improved market sentiment the local investors have once again started to show interest for shares of small cap companies. On the negative side, the foreign investors still consider the New Europe market to be risky. The management believes, that in the long run small and mid-sized companies have a great potential to increase sales and profits, which sooner or later will be reflected in the price of the shares.

**Independent Auditor's Report**

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