

## Trigon Balkan Fund

Monthly Update - August 2010

### Portfolio Manager's Comment / Mehis Raud

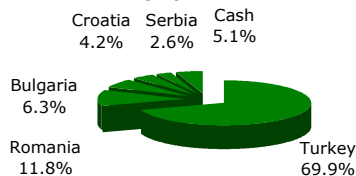
Trigon Balkan Fund advanced by 2.9% in August outperforming the Turkish general index, which gained 1.7%. Although YTD the Fund has gained 17.4% while the Turkish index is up by 25.4%, the Fund has strongly outperformed all the other Balkan market indices: Bulgarian SOFIX (down 9% YTD), Serbian BELEX (down 14.4%) and Romanian BET (up 6.9% YTD). The Fund trades at 1.37x P/B and 11.1x 2010 expected earnings.

In August most of the companies in the fund reported their Q2 results. Two of our top holdings Alkim Alkali and Anadolu Cam, both from industrial sector, posted strong set of results. Anadolu Cam, bottling monopoly in Turkey and the market leader in Russia, profited from increasing demand in Russia and continuously low soda ash prices. Q2 revenues increased by 14% and operating profit by 86%. The company is trading at 4.8x 2010E EV/EBITDA and 8x expected earnings. Alkim increased the revenue in 1H of 2010 by 16.2% and EBITDA by 4.6%. The Company is trading at an attractive 2010E 4.6x EV/EBITDA multiple which in our opinion does not take into valuation the upcoming 36% capacity increase in mining and 175% capacity increase in paper segment.

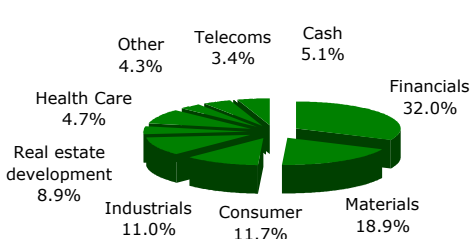
In August we increased the share invested to Anadolu Sigorta, a non-life insurance company in Turkey. Anadolu has 11.8% market share being second largest player in the sector. Anadolu Sigorta's 20% holding in Anadolu Hayat (leading pension fund provider) and company's 269 mln TRY net cash holding make up to 90% of the company's market cap! Even on a non-adjusted basis company trades at 0.78x gross premiums which is extremely cheap considering that Turkish insurance penetration is 6x lower compares to developed world.

Most of the Balkan Fund portfolio is allocated to consumer demand driven companies that on top of having very good growth outlook have also extremely strong balance sheets. We believe that the Balkan markets with the lowest leverage of households in the region and on average the lowest GDP per capita measures have enormous long-term catch up potential vs. the other regional markets and developed countries. On top of it Balkan markets trade at a wide discount to New European and Emerging world markets.

#### Geographic allocation

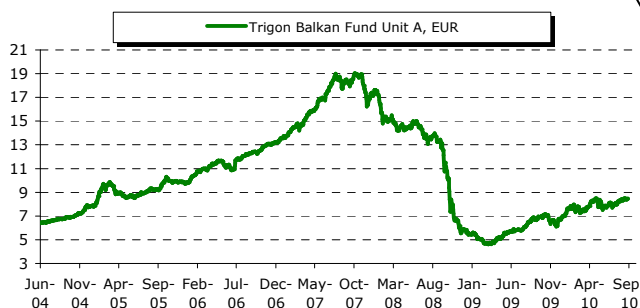


#### Sector allocation



Issued by Trigon Capital. Funds authorized and regulated by Estonian Financial Supervision Authority. The Fund units are held in electronic form with OMX Exchanges. NAV movements can be followed in: Bloomberg, Telerate, Telekurs, OMX, Wall Street Journal Europe, www.morningstar.fi, www.trigoncapital.com

**Disclaimer:** Past performance of the fund is not a guarantee of future results of the fund. The unit price of the fund and income there from can go down as well as up. Investors may not get back the full amount invested. The risk factors are described in further detail in the prospectus of the fund.



### Investment objectives

Trigon Balkan Fund invests in listed equity securities of the countries that joined the European Union in 2007 and European Union candidate countries that are expected to join the union in the next accession wave. The Fund focuses on Croatia, Bulgaria, Romania, Serbia and Turkey.

The Fund's investment style is active management and stock-picking to identify attractively valued equities. Trigon's investment team visits companies that we invest in. When making investments, Trigon prefers undervalued stocks with solid growth and good dividend yield. The fund is opened daily and UCITS compliant.

Performance 31.08.10	Unit A	Unit C	Unit B (inst)
Year-to-Date	17.4%	13.8%	18.0%
1 month	2.9%	2.9%	3.0%
3 months	10.1%	10.1%	10.3%
6 months	16.2%	14.4%	16.7%
1 year	23.8%	18.9%	24.8%
2 years	-36.4%		-35.2%
3 years	-54.2%		
4 years	-31.1%		
Since launch	32.5%	50.9%	-26.0%
Launch of unit	Jun-04	Apr-09	Aug-06

\*Performance net of fees

Fund information	31-Aug-10
Management company	AS Trigon Funds
Fund launch	June 4, 2004
Domicile	Estonia
Fund auditor	PricewaterhouseCoopers
Public marketing	Estonia, Finland, Sweden
Dealing	Daily (16.00 CET)
Fund size, EUR m	12.6
Number of positions	27

	Unit A (retail)	Unit C (retail)	Unit B (inst)
<b>NAV in EUR</b>	<b>8.47</b>	<b>15.09</b>	<b>4.73</b>
12 months High	8.52	15.15	4.74
12 months Low	6.11	11.28	2.92
Management fee, annual	2.0%	2.0%	1.25%
Incentive fee	20% of return that exceeds 3.5% p.a.	20% of return that exceeds 3.5% p.a.*	15% of return that exceeds 8% p.a.
Subscription fee*	n/a	2.0%	n/a
Redemption fee	1.5%	1.5%	none
Minimum subscription	n/a	none	n/a
Stock code/ISIN	EE3600072419	EE3600102364	EE3600083515
Bloomberg code	TRIWAVE ET	TRBALKC ET	TRIWAVB ET

\* C units can be subscribed as of 6th of April 2009 and calculation of performance fee has commenced after launch of C unit with nominal 10 EUR. As of 6th of April 2009 it is not possible to subscribe A and B units.

**Trigon Balkan Fund**  
Monthly Update - August 2010

**Monthly performance (Unit A)**

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2010	7.6%	-6.1%	7.1%	8.4%	-9.1%	2.4%	4.5%	2.9%				
2009	-6.5%	-7.6%	1.5%	10.8%	8.1%	2.5%	5.6%	10.6%	2.1%	-5.8%	-6.5%	17.3%
2008	-13.7%	-0.1%	-4.2%	-0.6%	3.9%	-7.1%	-1.4%	-3.0%	-23.5%	-34.9%	-11.2%	-7.7%
2007	4.8%	2.1%	5.3%	4.0%	6.4%	5.9%	4.7%	-1.4%	0.3%	2.3%	-10.4%	3.3%
2006	8.1%	3.1%	3.9%	1.6%	-3.0%	3.9%	3.3%	1.8%	1.7%	4.4%	0.9%	2.9%
2005	21.1%	3.8%	-10.1%	-3.3%	0.1%	4.8%	1.7%	3.1%	5.9%	-1%	0.2%	-0.4%
2004	-	-	-	-	-	2.3%	1.8%	1.5%	2.6%	4.4%	8.4%	0.2%

\*Performance net of fees

**Risk Management report**

	1M	3M	6M	1Y	2Y	3Y	4Y	5Y
Volatility (daily)	16.2%	26.9%	23.8%	21.5%	26.6%	23.3%	20.6%	18.8%
Volatility (monthly)				28.2%	39.9%	34.1%	30.7%	28.1%

Turnover (12m) 177%

**Downside Risk Analysis**

Negative months / total	24/75	32%
Worst calendar month	-34.9%	
Worst calendar quarter	-53.8%	

**Upside Risk Analysis**

Positive months / total	51/75	68%
Best calendar month	21.1%	
Best calendar quarter	31.4%	

**Market Cap allocation**

Micro Cap (up to 150 mio EUR)	33.3%
Small Cap I (150 - 500 mio EUR)	21.6%
Small Cap II (500 mio - 1bn EUR)	12.0%
Mid Cap (1 - 3 bn EUR)	16.6%
Blue Chip (more than 3 bn EUR)	11.4%
Others	0.0%

**Monthly Return Contribution Analysis**

Serbia	0.00%	Energy	0.00%
Turkey	1.80%	Health Care	0.12%
Croatia	0.00%	Telecoms	0.33%
Bulgaria	1.17%	IT	0.00%
Austria	0.03%	Utilities	0.00%
Romania	-0.12%	Materials	1.71%
Other	0.00%	Consumer	0.69%
		Industrials	0.12%
		Real Estate	-0.13%
		Financials	0.05%
		Other	-0.01%
<i>Total return net of fees</i>	2.9%		2.9%

**Disclaimer:** Past performance of the fund is not a guarantee of future results of the fund. The unit price of the fund and income there from can go down as well as up. Investors may not get back the full amount invested. The risk factors are described in further detail in the prospectus of the fund.

**Geographic allocation**

	Aug-10	Feb-10	Aug-09
Croatia	4.2%	4.6%	6.8%
Austria			6.6%
Romania	11.8%	5.9%	17.8%
Bulgaria	6.3%	6.4%	13.9%
Serbia	2.6%	3.0%	3.0%
Turkey	69.9%	75.7%	45.0%
Cash	5.1%	4.4%	7.0%

**Sector allocation**

	Aug-10	Feb-10	Aug-09
Financials	32.0%	31.5%	16.4%
Consumer	11.7%	10.6%	6.6%
Industrials	11.0%	11.7%	12.9%
Energy	0.0%	0.0%	2.4%
Telecoms	3.4%	3.1%	9.7%
IT	0.0%	0.0%	3.6%
Materials	18.9%	27.7%	12.6%
Utilities	0.0%	0.0%	3.3%
Health Care	4.7%	3.9%	13.3%
Other	4.3%	1.3%	3.0%
Real Estate	8.9%	5.8%	9.1%
Cash	5.1%	4.4%	7.0%

**10 largest holdings**

BANK ASYA	9.5%	Turkey
Anadolu Sigorta	6.9%	Turkey
Alkim Alkali Kimya	6.7%	Turkey
Reysas	6.0%	Turkey
Anadolu Cam Sanayii AS	5.4%	Turkey
Garanti Bankasi	5.1%	Turkey
Selcuk	4.7%	Turkey
Hurriyet Gazetecilik Ve Matb	4.5%	Turkey
Sif 2	4.3%	Romania
Anadolu Hayat Emeklilik	4.2%	Turkey