

# Griffin Eastern European Fund, Class B Shares

Sub-fund of Griffin Umbrella Fund plc

All data as at 30 July 2010, in €



Category 'Eastern Europe'



July 2010

NAV per share: €115.55

## Fund manager - Thomas Farthofer - Lead manager since January 2008



**Thomas Farthofer** is the lead manager of this Fund and joined Griffin in October 2007 from the investment arm of BAWAG P.S.K. Group, where he was senior fund manager and Chief Investment Officer for equities. He has more than 12 years' investment experience, the majority of which has been focused on Eastern European equities.

### Investment aim

The Fund aims to provide long-term capital growth through investments primarily in equities and equity related securities within Eastern Europe.

### Investment style

Thomas utilises a top-down process using geographical asset allocation. In doing so he looks at investment themes over a six to twelve month horizon. Portfolio holdings need to have a near-term catalyst. The Fund is part of the Griffin Umbrella Fund plc and is managed in accordance with the UCITS III regulations allowing it to use derivative instruments, for example as a risk reduction tool. In order to include these in our breakdowns, we use delta-adjusted figures, which reflect the exposure including the derivative instruments held by the Fund.

## Thomas' commentary on the Fund for the month of July

**Emerging European equity markets rose in July driven by overall better than expected earnings in the US and the long awaited release of the results of the European Bank Stress Test which did not reveal any negative surprises. Russian stocks also benefited from rising commodity prices, while Central European markets were supported by appreciating currencies. Global risk appetite, earnings announcements in our region and, most of all, the answer to whether oil can finally break the USD 80 resistance level will determine the market direction in the usually rather quiet August.**

Successful bond auctions in the euro area and no significant negative news from the bank stress test helped the euro to appreciate by more than 6% against the US dollar. This was supportive for commodity prices, but also led to appreciating local currencies in Central Europe as debt concerns eased. These developments combined with a positive reading of the German IFO index helped Central European equity markets to outperform their regional peers Turkey and Russia (in euro terms). While the latest IFO numbers clearly were very encouraging, the fact that the subcomponent for the current situation exceeded the expectation component suggests a peak in the near future.

We therefore further reduced our exposure in Poland by taking profits in insurance company **PZU** which trades at rather high multiples and **Asseco Poland** which suffers from low top line growth in the sector and investors' concerns about their acquisition strategy in developed markets.

In Russia we added to our position in **Vimpelcom** which trades at a significant discount to the other leading Russian mobile operator **Mobile Telesystems MTS**. We also increased our holdings in **Mechel** preferred shares which offers exposure to the Russian steel and coal segment, trades at attractive multiples and shows high dividend

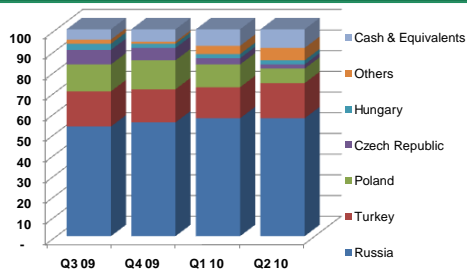
yield. We took some profits in **RusHydro**, waiting for more details regarding their huge capex program.

In the short-term the USD 80 mark for a barrel of oil, that has been a strong resistance in the recent past, might limit the upside for Russian stocks. Longer term we continue to like the investment case: stocks are trading at low multiples, superior domestic growth supported by stable commodity prices and low rates, and the reform agenda is making progress.

Finance Minister Kudrin last month announced the government's plans to raise up to USD 29bn over the next three years through sales of government stakes in a range of companies. On the one hand this will help to bring down the budget deficit, on the other hand it should also help to increase liquidity, transparency and efficiency.

In Turkey, the most recent inflation data came below expectations and suggests that there will be no rate hike before 2011. We currently do not see the upcoming referendum, scheduled for September, as a big political risk and, hence, stick to our constructive stance on Turkish equities.

## Country exposure - historic (%) (delta-adjusted)



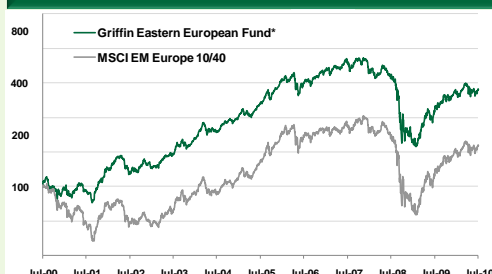
## Country exposure (%) (delta-adjusted)\*

Country	Fund	Index
Russia	55.0	57.6
Turkey	18.0	18.1
Poland	7.0	15.6
Romania	3.0	0.0
Hungary	2.0	4.4
Kazakhstan	2.0	0.0
Czech Republic	1.0	4.3
Austria	1.0	0.0
Others	0.0	0.0
Cash & Equivalents	11.0	0.0

## Sector breakdown (%) (delta-adjusted)\*

Sector	Fund	Index
Banks	25.0	29.0
Energy	21.0	33.1
Telecom	9.0	9.1
Utilities	9.0	7.1
Cross Sector	8.0	0.0
Industrial Conglomerates	5.0	2.2
Metal & Mining	4.0	9.9
Engineering & Construction	2.0	0.2
Others	6.0	9.4
Cash & Equivalents	11.0	0.0

## Performance - 10 year rolling (%)



## Top 10 long positions (%) (delta-adjusted)

Position	Country	Fund	Index
Sberbank	Russia	7.7	8.3
Lukoil	Russia	6.2	8.5
PKO	Poland	4.6	2.5
Mobile Telesystems	Russia	3.9	3.5
Garanti Bankasi	Turkey	3.8	3.5
Rosneft	Russia	3.7	3.4
Gazprom	Russia	3.4	9.0
VTB	Russia	3.1	1.3
Novatek	Russia	2.6	2.2
Rushydro	Russia	2.6	1.8
<b>TOTAL</b>		<b>41.6</b>	<b>44.0</b>

## Portfolio overview (delta-adjusted)

	July	June
Net equity exposure (% of NAV)	89	91
Number of long positions	57	62
Number of short exposure positions	6	0
Futures & Options (% of NAV)	6	8

"Futures and Options as a % of NAV" above excludes currency options and futures.

\*Index Hedge positions have been broken down into their underlying member countries and included into the corresponding Country exposure data; in the Sector breakdown they appear as a separate sector under the name "Cross Sector".

\*Index" in the breakdowns on this page refers to the MSCI EM Europe 10/40, in Euro (total return).

Performance data source: Bloomberg. NAV to NAV, in Euro, total return, net of fees, excluding any initial charge. Index: 31.01.2001-31.12.2008: MSCI EM Europe, in Euro (Price Index). From 1.1.2009 MSCI EM Europe 10/40, in Euro (total return). Past performance is no guarantee of future returns. Please note that the performance figures of the Fund shown on this page represent the Class A Shares until the launch of the Class B Shares on 27 November 2009, at which point the Class B Shares became the only share class available for subscriptions. Class A Shares are closed to new subscriptions.

**Performance since 2005 (%)**

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
<b>2010</b>	2.7	-3.9	11.7	1.8	-6.1	-3.8	5.0						6.4
<b>2009</b>	-8.0	-3.7	10.8	21.4	13.0	-4.8	11.7	5.0	4.8	1.7	0.4	7.7	73.3
<b>2008</b>	-16.5	1.9	-7.5	5.1	10.3	-7.0	-3.7	-7.1	-19.1	-27.2	-10.4	-9.9	-63.9
<b>2007</b>	0.5	-1.6	4.2	0.4	0.5	5.8	3.3	-5.2	4.2	5.5	-3.7	2.6	17.0
<b>2006</b>	8.5	3.4	-3.3	5.4	-12.4	-1.1	6.2	3.6	-3.2	5.9	2.6	7.2	23.0
<b>2005</b>	3.7	9.5	-5.0	-3.8	5.5	5.0	7.1	6.2	10.7	-9.2	12.7	4.4	54.6
<b>2004</b>	7.4	7.4	10.4	-5.7	-0.7	2.4	-2.8	4.6	5.7	2.9	1.6	1.8	39.5

Please note that the performance figures of the Fund shown on this page represent the Class A Shares until the launch of the Class B Shares on 27 November 2009, at which point the Class B Shares became the only share class available for subscriptions. Class A Shares are closed to new subscriptions.

**Performance summary**

	Fund	Index
1 month	5.0	6.7
3 months	-5.2	-2.6
YTD	6.4	13.3
Since launch	947.6	371.8
Since launch annualised	21.9	14.0

**Rolling Year performance**

July - July %	Fund	Index
2005 - 06	32.3	40.3
2006 - 07	32.6	16.1
2007 - 08	-15.9	-12.7
2008 - 09	-36.8	-39.3
2009 - 10	28.8	42.0

**Risk characteristics**

Fund	since inception	5 years
Alpha % p.a.		7.9 -0.4
Beta		0.8 0.9
Sharpe Ratio p.a.		0.7 0.0
Standard deviation % p.a.		27.5 31.5

Index: 7.10.1998-31.12.2008: MSCI EM Europe, in Euro. (price return)  
 From 1.1.2009 MSCI EM Europe 10/40, in Euro (total return)  
 Please note that past performance is not a reliable indicator of future performance.

**Fund facts, Class B Shares**

Launch date	27.11.2009
Fund size	(Classes A & B) € 294.9m
Base currency	Euro
Minimum investment	€5,000 (initial) €500 (subsequent)
Savings Plan	Only through investment platforms
Dividends	Re-invested
Management fee	1.75% per annum

**Initial charge** Up to 5%  
**Performance fee** 20% of the Class B NAV per share percentage outperformance in any financial year against the MSCI EM Europe 10/40 Index Price Return (EUR). The calculation period for the first year runs from 31 December 2009 to 30 September 2010 and then annually to 30 September.

**Dealing** Daily  
**Dealing deadline** 17:00 Irish time, two days before dealing day

**WKN** A0YFBX  
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**Euroclear NAV publications** 47029988  
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**Registration for public distribution** Austria, Germany, Sweden, Switzerland

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