

OPEN-END INVESTMENT FUND
Parex Eastern European Balanced Fund

ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2008
(6th financial year)

PREPARED IN ACCORDANCE WITH
FCMC REGULATIONS ON ANNUAL REPORTS OF INVESTMENT FUNDS
TOGETHER WITH INDEPENDENT AUDITORS' REPORT

Riga, 2009

AIF Parex Eastern European Balanced Fund
Annual report 2008
Table of contents

General information	3
Investment management company report	5
Statement of responsibility of the Board of the investment management company	6
Custodian bank report	7
Financial statements:	
Statement of assets and liabilities	9
Statement of income and expense	10
Statement of changes in net assets	11
Statement of cash flows	12
Notes	13
Auditors' report	30

AIF Parex Eastern European Balanced Fund
Annual report 2008
General information

Name of the fund: Parex Eastern European Balanced Fund
 Type of fund: Open-end investment fund
 Registration date of the fund: 26 September 2003
 Number of the fund: 06.03.04.098/7

Name of the investment management company: Parex Asset Management IPAS
 Registered office of the investment management company: Zīgrīda Annas Meierovica bulvāris 14, Rīga, LV-1050, Latvia
 Registration number of the investment management company: 40003577500
 Licence number of the investment management company: 06.03.07.098/181

Name of the custodian bank: Parex banka AS
 Registered office of the custodian bank: Smilšu iela 3, Rīga, LV-1522, Latvia
 Registration number of the custodian bank: 40003074590

Names and positions of Council Members, Board Members and Fund Managers:

Council of the investment management company:
 Chairman of the Council – Nils Melngailis – appointed on 17/04/2009
 Council Member – Roberts Stūģis – appointed on 25/02/2008
 Council Member – Breiding R. James - appointed on 17/04/2009
 Council Member – Anatolijs Fridmans - appointed on 17/04/2009
 Chairman of the Council – Gene Zolotarev – resigned on 25/02/2008
 Council Member – Gatis Kokins – resigned on 25/02/2008
 Council Member – Leonīds Jamroziks – resigned on 25/02/2008
 Council Member – Ēriks Brīvmanis – resigned on 05/06/2008
 Chairman of the Council – Mārtiņš Jaunarājs – resigned on 18/03/2009
 Council Member – Glenn Frank Woo - resigned on 18/03/2009
 Deputy Chairman of the Council – Valdis Birkavs – resigned on 17/04/2009
 Council Member – Arvīds Sīpols – resigned on 17/04/2009
 Council Member – Raits Černajs - resigned on 17/04/2009
 Council Member – Deniss Grigorenko - resigned on 17/04/2009

Board of the investment management company:
 Chairman of the Board/ President – Roberts Idelsons – appointed on 30/11/2005
 Board Member – Elena Coleman – appointed on 30/03/2007
 Board Member – Edgars Makarovs – appointed on 30/03/2007
 Board Member – Zīgurd Vaikulis – appointed on 30/03/2007
 Board Member – Igors Petrovs - appointed on 22/05/2008
 Board Member – Sergejs Medvedevs - resigned on 22/05/2008
 Board Member – Rems Kargins – resigned on 15/01/2009

Fund Managers (Members of the Investment Committee):
 Edgars Makarovs
 Andris Kotāns – appointed on 27/10/2008
 Kristiana Ķiete - appointed on 27/10/2008
 Roberts Idelsons - resigned on 27/10/2008
 Sergejs Medvedevs - resigned on 27/10/2008

AIF Parex Eastern European Balanced Fund
Annual report 2008
General information

Auditors:

Dāna Krišjāne
Certified Auditor
Certificate No. 124

SIA Ernst & Young Baltic
Muitas iela 1, Riga
Latvia, LV – 1010
Licence No. 17

AIF Parex Eastern European Balanced Fund
Annual report 2008
Investment management company report

The assets of the open-end investment fund Parex Eastern European Balanced Fund (hereinafter – the Fund) are managed by the asset management company Parex Asset Management, registered office at Zīgrīda Annas Meierovica bulvāris 14, Rīga, LV-1050, unified registration number 40003577500, holding licence No. 06.03.07.098/181 to operate as an asset management company (last re-registered on 5 December 2005).

The objective of the Fund is to achieve long-term capital gains through investments in securities issued or guaranteed by governments, municipalities, central banks and credit institutions of Eastern European countries, as well as debt securities and equity shares of corporate entities. The investment portfolio is balanced in terms of investments both in equity shares and debt securities, different currencies and countries, thus ensuring safety of investments and protection against excessive fluctuations of the portfolio inherent to investments in only one class, currency, or country's securities.

The situation on the global markets changed for the worst over the year. Most of the countries entered the recession phase (GDP drop, slowing production and rising unemployment), the inflation pace slowed down, and raw material prices dropped critically. All these factors lead to the global flight from risky assets on both developed and emerging corporate bond and stock markets. The average risk premium for the instruments included in the JP Morgan RUBI index grew by more than 1,250bp, reaching the unprecedented 1,600bp at the year end! Meanwhile, the index decreased by 16%. Stock markets reported even greater drops: for instance, MSCI Emerging Markets Eastern Europe lost 69.6% over the year.

In 2008, the Fund's net assets decreased by 70.5% or LVL 18,754,618, reaching LVL 7,867,912 as at the year end. The highest net asset level was observed at the beginning of the year and then it was falling due to both market losses and reduction of risky investments. The value per Fund's share declined by LVL 3.68 over the year to LVL 6.01. The Fund's annualised performance was negative, amounting to -37.87% in Latvian lats and -37.47% in euros.

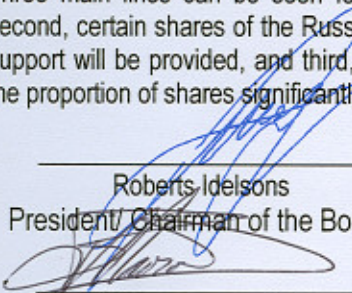
During the reporting year, a range of significant changes was made to the Fund's structure. The proportion of individual shares and shares of investment funds was reduced by 8.2pp and 5.7pp respectively, while that of corporate bonds – by 14.8pp. These changes were aimed at minimising the adverse effect caused by the stock market.

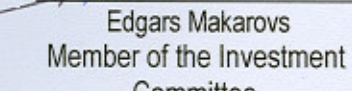
In terms of the country profile, the largest increase concerned the exposure to Russia, Azerbaijan, and Ukraine, by 10.8pp, 7.8pp, and 4.6pp respectively. Meanwhile, the share of Poland and Estonia was reduced, while such markets as Luxembourg in which most of the investment funds are registered, and Romania and Sweden were eliminated. Some changes were a result of the revaluation of the Fund's assets caused by the financial crisis, which considerably affects future prospects of businesses, other changes were caused by the maturity of bonds. The dramatic fall of net assets also had an impact on the Fund's structure.

In the reporting year, the management fee was paid from the Fund's assets in the amount of EUR 414,165, or 1.68% of the average asset value for the year, which does not exceed the maximum expense limit fixed in the Prospectus, i.e. 3.00%.


The year 2009 is likely to be hard for Eastern European bond issuers, as the extremely large debt refinancing problem will have to be solved, or many companies will have to liquidated or transferred to other financially strong players. The next year will be challenging also for bond investors, as there will inevitably be issuers in default.

Three main lines can be seen for new investment opportunities. First, Russian quasi-sovereign segment bonds, second, certain shares of the Russian private sector where the debt burden is not large, and, where necessary, state support will be provided, and third, bonds of certain Kazakhstani issuers. We consider that it is too early to increase the proportion of shares significantly, as there have been no signs that the bear market has reached its lowest level.


 Roberts Idelsons
 President/ Chairman of the Board


 Edgars Makarovs
 Member of the Investment
 Committee

Rīga, 21 April 2009


 Andris Kotāns
 Member of the Investment
 Committee


 Kristiāna Ķiete
 Member of the Investment
 Committee

AIF Parex Eastern European Balanced Fund**Annual report 2008****Statement of responsibility of the Board of the investment management company**

The Board of the investment management company (hereinafter – the Company) is responsible for the preparation of the financial statements of the investment fund Parex Eastern European Balanced Fund (hereinafter – the Fund).

The financial statements set out on pages 9 to 29 are prepared in accordance with the source documents and present fairly the financial position of the Fund as at 31 December 2008 and the results of its operations for the year then ended.

The financial statements are prepared in accordance with laws of the Republic of Latvia, the Regulations of the Financial and Capital Market Commission (FCMC) on Annual Reports of Investment Funds, and International Financial Reporting Standards as adopted in the European Union on a going concern basis. Appropriate accounting policies have been applied on a consistent basis. Prudent and reasonable judgments and estimates have been made by the management in the preparation of the financial statements.

The Board of the Company is responsible for the maintenance of proper accounting records, the safeguarding of the assets of Parex Eastern European Balanced Fund and the prevention and detection of fraud and other irregularities in the Fund. They are also responsible for operating the Fund in compliance with the Law of the Republic of Latvia on Investment Management Companies, regulations of the Financial and Capital Market Commission, and other laws and regulations of the Republic of Latvia.



Roberts Idelsons
President/ Chairman of the Board

Riga,
21 April 2009



CUSTODIAN BANK REPORT

For holders of
OIF "Parex Eastern European Balanced fund"
Investment fund applications

Nr. 2.3.10.- 04/026

With this Parex Bank JSC, which is registered in LR Enterprise register on May 14, 1992 with No. 40003074590 and located at Smilšu str. 3, Riga, certifies, that:

According to the law "On investment companies" of Republic of Latvia, regulations of Financial and Capital Market Commission (FCMC), other requirements of LR legislation and contract with Custodian bank, which is concluded on the September 15th, 2003., Parex Bank JSC, (further in the text - Custodian) carries out functions of custodian bank for the OIF "Parex Eastern European Balanced fund" (further in the text - Fund) founded by IPAS "Parex Asset Management";

Custodian is responsible for fulfilling of Custodian bank contract and requirements of LR legislation related to custodian banks. The main obligations of the Custodian are the following:

- to store assets of the Fund, as well as documents, which confirm title according to the requirements of LR legislation;
- to ensure maintenance of the Fund account, reception and execution of Company's orders, as well as performance of transactions according with requirements of LR legislation and current market practice;
- to ensure the Company with regular reports on assets of the Fund and its value (prices of the securities);
- to follow the correctness of the value of the Fund and its certificates set by the Company and its conformity with LR legislation acts;
- to follow the correctness and legal status of issuing, sales and repurchasing of investment certificates performed by the Company;

Issuing, sales and repurchasing of the investment certificates is performed according to the requirements of the law "On investment companies", fund prospect and Fund management regulations;

Storage of the Fund assets is performed according to the requirements of the law "On investment companies" and Custodian bank contract;

Calculation of the net value of the Fund assets is performed according to the requirements of the law "On investment companies", regulations of Financial and Capital Market Commission (FCMC), Fund prospect and Fund management regulations;



Orders of the Company, as well as transactions with the assets of OIF "Parex Eastern European Balanced fund" are performed according to the requirements of the law "On investment companies", Fund prospect and Fund management regulations and Custodian bank contract .

In the accounting period no mistakes and illegal matters were observed in performance of the Company with Fund assets. Parex bank JSC is very satisfied with co-operation in performing of the functions of Custodian bank.



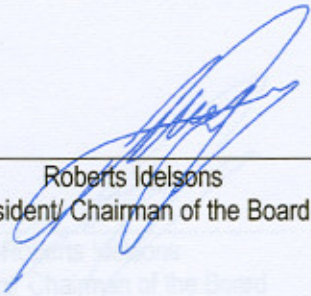
Nils Melngailis
Chairman of the Board, p.p.

Riga, February 16, 2009



AIF Parex Eastern European Balanced Fund
Annual report 2008
Statement of assets and liabilities
(LVL)

Notes		31/12/2008	31/12/2007
	Assets		
3	Demand deposits with credit institutions	1,065,207	2,662,307
	Financial assets held for trading		
4	Debt securities and other fixed income securities	6,950,484	19,240,472
5	Shares and other non-fixed income securities	271,921	4,620,431
6	Derivatives	-	100,815
	Accrued income	-	32,160
	Total assets	8,287,612	26,656,185
	Liabilities		
	Financial liabilities held for trading		
6	Derivatives	(377,428)	-
	Balances due for redemption of investment certificates	(29,284)	-
7	Accrued expense	(12,988)	(33,655)
	Total liabilities	(419,700)	(33,655)
	Net assets	7,867,912	26,622,530

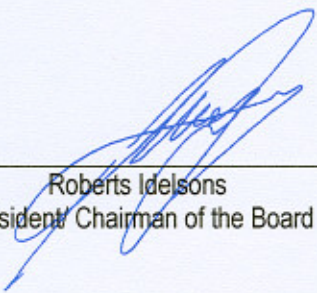


 Roberts Idelsons
 President/ Chairman of the Board

Riga,
 21 April 2009

AIF Parex Eastern European Balanced Fund
Annual report 2008
Statement of income and expense
(LVL)

Notes		2008	2007
	Income		
	Interest income	1,672,568	1,193,859
	Dividend income	15,065	36,935
	Total income	1,687,633	1,230,794
	Expense		
	Remuneration to investment management company	(270,403)	(309,636)
	Remuneration to custodian bank	(32,433)	(36,660)
	Other fund management expense	(3,780)	(547)
	Total expense	(306,616)	(346,843)
	(Decrease) in investment		
9	Foreign currency trading result	52,194	(233,659)
10	Realised (decrease)/ increase in investment value	(1,569,980)	161,561
11	Unrealised (decrease) in investment value	(5,523,603)	(790,791)
	Total (decrease) in investment	(7,041,389)	(862,889)
	Foreign currency revaluation (loss)/ gain	(440,497)	434,934
	(Decrease)/ increase in net assets from investment	(6,100,869)	455,996



 Roberts Idelsons
 President/ Chairman of the Board

Riga,
 21 April 2009

AIF Parex Eastern European Balanced Fund
Annual report 2008
Statement of changes in net assets
(LVL)

	2008	2007
Net assets as at the beginning of the year	26,622,530	13,589,503
(Decrease)/ increase in net assets from investment activities	(6,100,869)	455,996
Transactions with investment certificates:		
<i>Inflow from sale of investment certificates</i>	6,207,392	18,943,988
<i>Outflow of redemption of investment certificates</i>	(18,861,141)	(6,366,957)
(Decrease)/ increase in net assets from transactions with investment certificates	(12,653,749)	12,577,031
(Decrease)/ increase in net assets for the year	(18,754,618)	13,033,027
Net assets as at the end of the year	7,867,912	26,622,530
Issued investment certificates as at the beginning of the year	2,747,241	1,450,628
Issued investment certificates as at the end of the year	1,308,422	2,747,241
Net asset value per investment certificate as at the beginning of the year	9.69	9.37
Net asset value per investment fund's share as at the end of the year	6.01	9.69

Riga,
21 April 2009

AIF Parex Eastern European Balanced Fund
Annual report 2008
Statement of cash flows
(LVL)

Notes	2008	2007
Interest income	1,462,502	1,025,018
Dividend income	15,065	36,935
Investment management expense	(327,282)	(332,024)
Acquisition of financial assets	(7,114,285)	(17,866,681)
Disposal of financial assets	17,211,519	5,659,056
Foreign currency conversion result	(248,352)	758,212
Increase/ (decrease) in cash from operating activities	10,999,167	(10,719,484)
Inflow from sale of investment certificates	6,207,392	18,943,988
Outflow of redemption of investment certificates	(18,831,857)	(6,366,957)
(Decrease)/ increase in cash from investing activities	(12,624,465)	12,577,031
(Decrease)/ increase in cash	(1,625,298)	1,857,547
Cash as at the beginning of the year	2,662,307	876,891
Result of revaluation of cash denominated in foreign currencies	28,198	(72,131)
Cash as at the end of the year	1,065,207	2,662,307

AIF Parex Eastern European Balanced Fund
Annual report 2008
Notes
(LVL)

1. General information

Name of the fund:	Parex Eastern European Balanced Fund
Type of the fund:	Open-end investment fund
Fund's business activity:	Investments in securities issued or guaranteed by governments, municipalities, central banks and credit institutions of Eastern European countries, as well as debt securities and equity shares of corporate entities. The base currency of the Fund is euro (EUR), and the maximal amount of investments in equity shares constitutes 50% of the Fund's value
Name of the investment management company:	Parex Asset Management IPAS Zigfrīda Annas Meierovica bulvāris 14, Rīga, LV 1050, Latvia

2. Summary of significant accounting policies

Basis of preparation

The financial statements of AIF Parex Eastern European Balanced Fund have been prepared in accordance with laws of the Republic of Latvia, the Regulations of the Financial and Capital Market Commission (hereinafter - FCMC) on Annual Reports of Investment Funds, and International Financial Reporting Standards as adopted in the European Union.

The financial statements are prepared on a historical cost basis, as modified for the measurement at fair value of held-for-trading securities.

The monetary unit used in the financial statements is lat (LVL), the monetary unit of the Republic of Latvia. The financial statements cover the period 1 January 2008 through 31 December 2008.

Income and expense recognition

Interest income and expense items are recognised on an accrual basis. Interest income is recognised according to the effective interest method.

Dividend income is recognised upon receipt.

Foreign currency translation

The Fund's functional currency is the euro but, according to the FCMC requirements, the Fund ensures accounting also in Latvian lats. These financial statements are prepared based on transaction accounting in Latvian lats.

Transactions denominated in foreign currencies are recorded in Latvian lats at the official exchange rate established by the Bank of Latvia at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Latvian lats at the official exchange rate established by the Bank of Latvia at the last day of the reporting period. Any gain or loss resulting from a change in exchange rates is included in the statement of income and expense as gain or loss from the revaluation of foreign currency positions.

The exchange rates established by the Bank of Latvia (LVL to 1 foreign currency unit) and mainly applied when preparing the statement of assets and liabilities of the Fund can be specified as follows:

<u>Currency</u>	<u>31/12/2008</u>	<u>31/12/2007</u>
USD	0.495	0.484
CZK	0.0266	0.0265
EEK	0.0449	0.0449
RUB	0.0171	0.0197

AIF Parex Eastern European Balanced Fund
Annual report 2008
Notes
(LVL)

2. Summary of significant accounting policies (cont'd)

Since 1 January 2005, the Bank of Latvia has stated a fixed currency exchange rate for the Latvian lat against the euro, i.e. 0.702804. From this moment the Bank of Latvia will also ensure that the market rate will not differ from the official rate by more than 1%. Therefore, the Fund's future profit or loss due to fluctuations of the euro exchange rate will not be material as far as the Bank of Latvia maintains the above mentioned fixed rate.

Cash

Cash comprises Fund's demand deposits with credit institutions.

Investments in securities

All investments in securities are classified as held-for-trading securities, i.e. securities are acquired for generating a profit from short-term fluctuations in price or dealer's margin.

Held-for-trading securities are initially recognised at cost and subsequently re-measured at fair value based on available market prices. The result of re-measuring held-for-trading securities at fair value is included in the statement of income and expense as increase/ (decrease) in investment.

Securities are revaluated on the basis of Bloomberg's financial information on the bid prices of securities. Unlisted securities are evaluated on the basis of the custodian bank's information on transactions, but in case such information is not available, respective securities are evaluated at their amortised cost. Securities purchase and sale transactions are recognised on the date of settlements. The cost of securities sold is defined on a FIFO (first in, first out) basis.

Derivatives

For currency risk management purposes, the Fund engages as a party to contracts for forward foreign exchange and currency swap instruments. For the accounting purposes, all derivatives are classified as held-for-trading and accounted for as follows:

Subsequent to initial recognition and measurement, outstanding forward foreign exchange contracts are carried in the balance sheet at their fair value. The fair value of these instruments is recognised in the statement of assets and liabilities under designated assets and liabilities caption *Derivatives*. The notional amounts of these financial instruments are reported in the notes to the financial statements.

Gains or losses from changes in assets and liabilities arising on forward foreign exchange contracts are recognised in the statement of income and expense as foreign currency revaluation result.

Fair values of financial assets and liabilities

The fair value of financial assets and liabilities represents the amount at which an asset could be exchanged or a liability settled on an arm's length basis. Where, in the opinion of the Fund management, the fair values of financial assets and liabilities differ materially from their carrying amounts, such fair values are separately disclosed in the notes to the financial statements.

Taxes

The Fund's income is subject to income tax in the country of its origin. Basically, the Fund's income is exempt from income taxes. The Fund is not a Latvian corporate income tax payer, and upon annulment of the Fund's investment certificates, no income tax is charged on increase in value.

AIF Parex Eastern European Balanced Fund
Annual report 2008
Notes
(LVL)

3. Demand deposits with credit institutions

	31/12/2008	31/12/2007	% of Fund's net assets as at 31/12/2008
Demand deposits with credit institutions, AS Parex banka	1,065,207	2,662,307	13.54%
Total demand deposits with credit institutions	1,065,207	2,662,307	13.54%

The Fund receives interest on demand deposits at fixed rates.

4. Debt securities and other fixed income securities

	31/12/2008	31/12/2007	Annual yield to maturity as at 31/12/2008	% of Fund's net assets as at 31/12/2008
Credit institution bonds:	4,281,245	13,744,984	42.02%	54.41%
Non-OECD credit institution bonds (excluding Latvia)	3,316,224	11,563,539	43.89%	42.15%
Latvian credit institution bonds	810,732	2,016,762	33.33%	10.30%
OECD credit institution bonds	154,289	164,683	47.60%	1.96%
Corporate bonds:	2,669,239	5,065,671	39.74%	33.93%
Non-OECD corporate bonds (excluding Latvia)	2,036,768	3,218,243	40.84%	25.89%
Latvian corporate bonds	537,529	1,115,517	33.18%	6.83%
OECD corporate bonds	94,942	731,911	53.26%	1.21%
Government bonds:	-	429,817	-	-
Non-OECD government bonds (excluding Latvia)	-	429,817	-	-
Total debt securities and other fixed income securities	6,950,484	19,240,472	41.14%	88.34%

All debt securities and other fixed income securities are classified as held-for-trading securities.

All fixed income securities are listed, except for securities with the book value of LVL 779,132 (2007: LVL 3,151,323).

The table below presents debt securities by the issuer's country of residence:

Financial instrument	Amount	Acquisition value	Carrying amount as at 31/12/2008	% of Fund's net assets as at 31/12/2008
Financial instruments traded on regulated markets		11,005,500	6,171,352	78.43%
Latvian issuers:		2,264,792	1,281,435	16.29%
ELKO GRUPA (LV0000800589)	4,000	279,716	277,920	3.53%
BALTIKUMS (LV0000800407)	3,000	210,841	194,938	2.48%
PRIVATBANK (LV0000800332)	2,500	176,285	176,932	2.25%
BALTIKUMS (LV0000800324)	2,500	179,053	174,536	2.22%
PAREX BANKA (XS0253533318)	700	488,733	148,566	1.89%
APEX INVESTMENTS (LV0000601201)	228	140,845	145,551	1.85%
PAREX BANKA (LV0000800696)	8,000	562,243	115,760	1.47%
CAPITAL DEPARTMENT STORE (LV0000800761)	323,100	227,076	47,232	0.60%
Russian issuers:		4,185,647	2,400,168	30.49%
TNK-BP FINANCE SA (XS0325013034)	1,000	491,971	312,984	3.97%
RUSSIAN STANDARD BANK (XS0267953387)	500	368,111	269,076	3.42%
RASPADSKAYA (XS0301347372)	950	423,153	256,731	3.26%
URSA BANK (XS0254342347)	500	278,724	245,520	3.12%
NIZHNEKAMSKNEFTEKHIM INC (XS0238468457)	13	603,775	242,290	3.08%
APHEX SA (XS0263303512)	5	353,685	212,197	2.70%
INTERNATIONAL INDUSTRIAL BANK (XS0309114311)	750	529,904	181,266	2.30%
LOCKO-BANK (XS0289054750)	600	319,200	147,225	1.87%
TMK (XS0373732063)	5	225,500	144,031	1.83%
SEVERSTAL (XS0376189857)	450	121,861	128,499	1.63%
PROMSVYAZBANK (XS0272236489)	500	215,289	121,773	1.55%

AIF Parex Eastern European Balanced Fund
Annual report 2008
Notes
(LVL)

Financial instrument	Amount	Acquisition value	Carrying amount as at 31/12/2008	% of Fund's net assets as at 31/12/2008
ROSINTER RESTORANTS (RU000A0GJ905)	10,000	202,482	87,355	1.11%
VTB CAPITAL (XS0290520260)	75	51,992	51,221	0.65%
Kazakhstani issuers:		1,354,277	749,374	9.53%
KAZKOMMERTSBANK (XS0248696873)	500	324,655	210,749	2.68%
BANK CENTERCREDIT (XS0243010443)	750	366,574	209,236	2.66%
BANK TURANALEM (XS0269267000)	700	496,182	190,029	2.42%
TEMIR BANK (XS0248327834)	300	166,866	139,360	1.77%
Ukrainian issuers:		1,595,516	767,005	9.75%
INTERPIPE (XS0310283709)	890	417,483	209,690	2.67%
MHP SA (USL6366MAA10)	1,000	445,012	202,228	2.57%
AZOVSTAL IRON & STEEL WORKS (XS0244470570)	1,000	494,975	195,804	2.49%
ALFA BANK UKRAINE (XS0279930449)	500	238,046	159,283	2.02%
Azerbaijani issuers:		404,136	407,532	5.18%
BANK RESPUBLIKA (XS0375345872)	5	221,000	212,566	2.70%
TECHNIKABANK (LV0000800746)	4,000	183,136	194,966	2.48%
Polish issuers:		531,286	249,231	3.17%
GETIN FINANCE (XS0299283126)	250	176,492	154,289	1.96%
ZLOMREX INTERNATIONAL FINANCE (XS0283393998)	500	354,794	94,942	1.21%
Georgian issuers:		564,436	205,561	2.61%
BANK OF GEORGIA (XS0283756624)	1,050	564,436	205,561	2.61%
Lithuanian issuers:		105,410	111,046	1.41%
HANNER (LT1000402065)	150	105,410	111,046	1.41%
Other financial instruments		1,044,528	779,132	9.91%
Latvian issuers:		245,981	66,826	0.85%
PILSETMAJU INSTITUTS URBAN ART (LV0000800753)	350	245,981	66,826	0.85%
Azerbaijani issuers:		547,134	529,623	6.74%
MUGAN BANK (LV0000800514)	600	310,134	284,437	3.62%
RABITABANK (LV0000800597)	500	237,000	245,186	3.12%
Bulgarian issuers:		87,851	76,267	0.97%
STROYRENT EOOD (EE4300093820)	125	87,851	76,267	0.97%
Russian issuers:		118,496	69,843	0.89%
TRANSPORTATION INVESTMENTS HOLDING (XS0305264813)	250	118,496	69,843	0.89%
Estonian issuers:		45,066	36,573	0.46%
BIG PANK (EE3300081801)	100	45,066	36,573	0.46%
Total debt securities and other fixed income securities		12,050,028	6,950,484	88.34%

AIF Parex Eastern European Balanced Fund
Annual report 2008
Notes
(LVL)

5. Shares and other non-fixed income securities

	31/12/2008	31/12/2007	% of Fund's net assets as at 31/12/2008
Equity shares	271,921	3,100,646	3.46%
OECD equity shares	128,972	1,310,522	1.64%
Non-OECD equity shares (excluding Latvia)	107,333	1,456,533	1.37%
Latvian equity shares	35,616	333,591	0.45%
Investment certificates of investment funds	-	1,519,785	-
OECD investment funds	-	1,172,662	-
Non-OECD (Lithuanian) investment funds	-	347,123	-
Total shares and other non-fixed income securities	271,921	4,620,431	3.46%

All shares and other non-fixed income securities are classified as held-for-trading securities. All shares are listed, except for shares with the book value of LVL 122 (2007: LVL 122).

The table below presents shares by the issuer's country of residence:

Financial instrument	Amount	Acquisition value	Carrying amount as at 31/12/2008	% of Fund's net assets as at 31/12/2008
Financial instruments traded on regulated markets		787,836	271,799	3.46%
Latvian issuers:		160,973	35,616	0.45%
OLAINE CHEMICAL AND PHARMACEUTICAL PLANT (OLAINES ĶĪMISKI - FARMACEITISKĀ RŪPNĪCA)	56,504	145,278	21,472	0.27%
GRINDEKS	4,379	15,695	14,144	0.18%
Czech issuers:		135,882	128,972	1.64%
CESKE ENERGETICKE ZAVODY	6,000	135,882	128,972	1.64%
Georgian issuers:		321,221	43,559	0.55%
BANK OF GEORGIA	20,000	321,221	43,559	0.55%
Estonian issuers:		0	25,674	0.33%
TALLINNA KAUBAMAJA	14,350	0	20,967	0.27%
MERKO EHITUS	2,500	0	4,707	0.06%
Lithuanian issuers:		38,257	16,402	0.21%
PIENO ZVAIGZDES	40,000	38,257	16,402	0.21%
Ukrainian issuers:		131,128	15,414	0.20%
CENTERENERGO	50,000	131,128	15,414	0.20%
Bulgarian issuers:		375	6,162	0.08%
CHIMIMPORT AD RIGHTS	1,666	0	6,041	0.08%
INDUSTRIAL HOLDING BULGARIA RIGHTS	13,770	0	0	0.00%
TRACE GROUP HOLD	9	375	121	0.00%
Other financial instruments		116	122	0.00%
Lithuanian issuers:		116	122	0.00%
ZEMAITIJOS PIENO INVESTICIJA ORS	600	116	122	0.00%
Total shares		787,952	271,921	3.46%

As at the year end, the Fund had no investment certificates of investment funds or similar securities.

AIF Parex Eastern European Balanced Fund
Annual report 2008
Notes
(LVL)

6. Derivatives

The below table presents the notional amounts and fair values of forward foreign exchange and currency swap instruments. The notional amount of foreign exchange transactions is stated on the basis of amounts receivable arising thereon.

	31/12/2008			31/12/2007			% of Fund's net assets as at 31/12/2008
	Notional amount	Fair value		Notional amount	Fair value		
		Assets	Liabilities		Assets	Liabilities	
Foreign exchange transactions							
Currency swap instruments	2,672,797	-	(291,465)	7,191,419	98,914	-	(3.71)%
Forward foreign exchange instruments	1,010,067	-	(85,963)	1,044,186	1,901	-	(1.09)%
Total derivatives	3,682,864	-	(377,428)	8,235,605	100,815	-	(4.80)%

All the contracts are concluded with AS Parex banka.

7. Accrued expense

	31/12/2008	31/12/2007
Accrued commission fees payable to investment management company	10,473	29,794
Accrued commission fees payable to custodian bank	1,285	3,510
Accrued fees payable for professional services	1,230	351
Total accrued expense	12,988	33,655

8. Interest income

	2008	2007
Interest income from debt securities and other fixed income securities	1,639,167	1,135,463
Interest income from demand deposits with credit institutions	33,401	58,396
Total interest income	1,672,568	1,193,859

9. Foreign currency trading result presents the results of forward foreign exchange and currency swap transactions which were made during the reporting year with a view to generate a profit.

10. Realised (decrease)/ increase in investment value

	2008	2007
Income from sale of investments	17,306,892	5,712,777
Acquisition value of investments sold	(18,436,997)	(5,336,399)
(Decrease) in value of investments sold, recognised in the prior reporting periods	(439,875)	(214,817)
Total (decrease)/ realised increase in investment value	(1,569,980)	161,561

AIF Parex Eastern European Balanced Fund
Annual report 2008
Notes
(LVL)

11. Unrealised (decrease) in investment value

	2008	2007
From shares and other non-fixed income securities	(660,535)	237,158
From debt securities and other fixed income securities	(4,863,068)	(1,027,950)
Total unrealised (decrease) in investment value	(5,523,603)	(790,792)

12. Change in investment assets during the reporting year

	31/12/2007	Increase during the reporting year	Decrease during the reporting year	Foreign currency revaluation result	Fair value revaluation result	31/12/2008
Financial assets held for trading						
Debt securities and other fixed income securities	19,240,472	6,552,055	(14,889,577)	335,124	(4,287,590)	6,950,484
Shares and other non-fixed income securities	4,620,431	562,230	(3,718,881)	(25,032)	(1,166,827)	271,921
Derivatives, net	100,815	-	-	(478,243)	-	(377,428)
Total assets	23,961,718	7,114,285	(18,608,458)	(168,151)	(5,454,417)	6,844,977

13. Pledged assets

During the reporting year, no guarantees or collaterals have been issued by the Fund, neither has it pledged or otherwise caused any encumbrance or lien on its assets.

14. Fair values of financial assets and liabilities

According to the Company's estimates, the carrying amounts of deposits with credit institutions, held-for-trading fixed income securities, equity shares, deposits, and derivatives approximate to their fair values. The fair value is determined according to the market quotation method, based on available quotes of stock exchanges and brokers.

The table below shows the fair value of the Fund's assets and liabilities as at 31 December 2008:

	Carrying amount	Quoted market prices	Valuation technique - observable market inputs
Assets			
Demand deposits with credit institutions	1,065,207	-	1,065,207
Financial assets held for trading			
Debt securities and other fixed income securities	6,950,484	2,399,401	4,551,083
Shares and other non-fixed income securities	271,921	271,921	-
Total assets	8,287,612	2,671,322	5,616,290

AIF Parex Eastern European Balanced Fund
Annual report 2008
Notes
(LVL)

14. Fair values of financial assets and liabilities (cont'd)

	Carrying amount	Quoted market prices	Valuation technique - observable market inputs
Liabilities			
Financial liabilities held for trading			
Derivatives	(377,428)	-	(377,428)
Balances due for redemption of investment certificates	(29,284)	-	(29,284)
Accrued expense	(12,988)	-	(12,988)
Total liabilities	(419,700)	-	(419,700)
Net assets	7,867,912	2,671,322	5,196,590

As at 31 December 2007, all the Fund's assets and liabilities were measured at fair value.

15. Risk management

Risks are inherent in the investment process. The risk management process includes risk identification, risk measurement, and directly risk management. The Fund is exposed to market risk (i.e. currency risk, interest rate risk, and price risk), credit risk, liquidity risk and other risks (including operational risk). The investment strategy of the Fund is aimed at minimising the aforementioned risks; however, the Company cannot guarantee that these risks can be completely avoided in the future.

Risk management structure

Risk identification and measurement are the responsibility of an independent unit – the Risk Management Division which prepares and presents information about risks to the Fund Manager who decides specifically whether it would be necessary to minimise risks. The risk measurement process employs several models based on historical data and adjusted to consider for the current economic situation. Specific models are used to forecast changes in risk factors in ordinary and extraordinary market situations.

To mitigate the investment risks, the Fund Manager follows the risk diversification and hedging principles. The Fund Manager acquires sufficient information on potential or current investment objects, as well as supervises the financial and economic position of issuers of the securities in which the Fund's property has been or is to be invested.

The Company, when developing the Fund's investment strategy and stating limits, performs an analysis of the Fund's investments by maturity, geographic and currency profile, as well as assesses the risks inherent to each of the above factors. The Fund Manager acts in strict compliance with the Fund Prospectus, Fund Management Regulations, as well as regulations and restrictions imposed by legislation of the Republic of Latvia.

Market risk

Market risk is a risk that the Fund's value will reduce as a result of changes in any of the following market factors: securities prices, exchange rates, interest rates, etc.

Interest rate risk

The price risk related to fixed income securities (bonds) is to a great extent dependent on fluctuations of market interest rates and changes in the issuer's credit quality. Market interest rate fluctuations affect the attractiveness of securities, as, in fact, it is an alternative source of interest income. With market interest rates growing, the prices of fixed income securities are dropping, and vice versa. Meanwhile, the increase (decrease) in market interest rates produces a positive (negative) effect on coupon rates of fixed income securities bearing interest at floating rates (when the coupon is fixed as a base rate, like Euribor or Libor, plus a margin). After the revaluation (i.e. when a new interest rate is adopted), the coupon rate of such securities increases (decreases), which results in a respective increase (decrease) in interest income.

The tables below show a potential effect of changes in market interest rates in certain currencies on the Fund's value. Interest income changes are calculated on an annual basis. The actual changes of the Fund's value may differ from the below calculations and such a difference might be significant.

AIF Parex Eastern European Balanced Fund
Annual report 2008
Notes
(LVL)

15. Risk management (cont'd)

Changes in fixed income securities' prices and interest income (year 2008, LVL)

Currency	Changes in base rate, bp	Changes in interest income	Changes in market value	Total effect of base rate changes
RUR	200	-	(303)	(303)
USD	100	-	(50 080)	(50 080)
EUR	100	3 795	(22 993)	(19 198)
Total		3 795	(73 376)	(69 581)

Changes in fixed income securities' prices and interest income (year

Currency	Changes in base rate, bp	Changes in interest income	Changes in market value	Total effect of base rate changes
RUR	200	0.00%	0.00%	0.00%
USD	100	0.00%	-0.63%	-0.63%
EUR	100	0.05%	-0.29%	-0.24%
Total		0.05%	-0.93%	-0.88%

Changes in fixed income securities' prices and interest income (year 2007, LVL)

Currency	Changes in base rate, bp	Changes in interest income	Changes in market value	Total effect of base rate changes
USD	200	-	(233 777)	(233 777)
EUR	50	6 034	(93 415)	(87 381)
Total		6 034	(327 192)	(321 158)

Changes in fixed income securities' prices and interest income (year

Currency	Changes in base rate, bp	Changes in interest income	Changes in market value	Total effect of base rate changes
USD	200	0.00%	-0.88%	-0.88%
EUR	50	0.02%	-0.35%	-0.33%
Total		0.02%	-1.23%	-1.21%

Changes in fixed income securities' prices and interest income (year 2008, LVL)

Currency	Changes in base rate, bp	Changes in interest income	Changes in market value	Total effect of base rate changes
RUR	-200	-	303	303
USD	-50	-	25 040	25 040
EUR	-100	(3 795)	22 993	19 198
Total		(3 795)	48 336	44 541

Changes in fixed income securities' prices and interest income (year 2007, LVL)

Currency	Changes in base rate, bp	Changes in interest income	Changes in market value	Total effect of base rate changes
USD	-200	-	233 777	233 777
EUR	-50	(6 034)	93 415	87 381
Total		(6 034)	327 192	321 158

Changes in fixed income securities' prices and interest income (year 2008, % of assets)

Currency	Changes in base rate, bp	Changes in interest income	Changes in market value	Total effect of base rate changes
RUR	-200	0.00%	0.00%	0.00%
USD	-50	0.00%	0.32%	0.32%
EUR	-100	-0.05%	0.29%	0.24%
Total		-0.05%	0.61%	0.56%

Changes in fixed income securities' prices and interest income (year 2007, % of assets)

Currency	Changes in base rate, bp	Changes in interest income	Changes in market value	Total effect of base rate changes
USD	-200	0.00%	0.88%	0.88%
EUR	-50	-0.02%	0.35%	0.33%
Total		-0.02%	1.23%	1.21%

Equity price risk

Changes in equity prices depend on the following two groups of factors: changes in stock indexes of a respective country (for instance, DAX (German stock index)) and the financial position of the issuer (prospects of earnings profit), where the first factor is usually referred to as systematic risk and the second – as specific risk. Systematic risk is managed on the basis of forecasts of the overall economic development in specific geographic regions and industries. Specific risk management is performed by conducting a detailed analysis of the issuer's financial position and profitability, as well as other factors affecting the equity price, based on the published issuer's reports and mass media information. Equity price deviations and correlations are also a matter of particular focus, making it possible to calculate the total risk exposure for all shares of the portfolio on the basis of only equity price history. At the end of the reporting year, the proportion of the share portfolio in the Fund's assets was insignificant, and its effect on the Fund's performance was minimal.

Currency risk

Currency risk arises when the nominal value of Fund's securities or other instruments differs from the Fund's currency (euros). Exchange rate fluctuations may result in a gain or loss, depending on the trend of the fluctuations and the Fund's currency position. The Fund's exposure to currency risk is managed effectively by entering into currency forward and swap transactions, which results in closing of the existing positions and minimisation of potential risk losses.

AIF Parex Eastern European Balanced Fund
Annual report 2008
Notes
(LVL)

15. Risk management (cont'd)

The table below shows the Fund's assets and liabilities by currency profile as at 31 December 2008.

	LVL	USD	EUR	Other	Total
Assets					
Demand deposits with credit institutions	-	18,062	1,047,145	-	1,065,207
Financial assets held for trading					
Debt securities and other fixed income securities	-	3,927,213	2,899,343	123,928	6,950,484
Shares and other non-fixed income securities	35,616	58,973	-	177,332	271,921
Total assets	35,616	4,004,248	3,946,488	301,260	8,287,612
Liabilities					
Financial liabilities held for trading					
Derivatives	-	(4,060,292)	3,682,864	-	(377,428)
Balances due for redemption of investment certificates	-	-	(29,284)	-	(29,284)
Accrued expense	-	-	(12,988)	-	(12,988)
Total liabilities	-	(4,060,292)	3,640,592	-	(419,700)
Net assets	35,616	(56,044)	7,587,080	301,260	7,867,912
<i>Net long/ (short) position</i>	<i>0.45%</i>	<i>(0.71)%</i>	<i>96.43%</i>	<i>3.83%</i>	<i>100.00%</i>

As at 31 December 2008, other currencies are distributed as follows: EEK – LVL 62,247, LTL – LVL 16,524, CZK – LVL 128,972, BGN – LVL 6,162, GBP – LVL 0, and RUB – LVL 87,355.

At the end of the reporting year, most of the Fund's assets (more than 96%) were in the euro; therefore, the Fund's exposure to currency risk is insignificant, as the Fund's measurement currency is the euro.

The table below shows the Fund's assets and liabilities by currency profile as at 31 December 2007.

	LVL	USD	EUR	Other	Total
Assets					
Demand deposits with credit institutions	-	16,454	1,994,925	650,928	2,662,307
Financial assets held for trading					
Debt securities and other fixed income securities	574,877	6,139,995	11,505,407	1,020,193	19,240,472
Shares and other non-fixed income securities	333,591	907,892	1,159,535	2,219,413	4,620,431
Derivatives	-	(8,134,789)	8,235,604	-	100,815
Accrued income				32,160	32,160
Total assets	908,468	(1,070,448)	22,895,471	3,922,694	26,656,185

AIF Parex Eastern European Balanced Fund
Annual report 2008
Notes
(LVL)

15. Risk management (cont'd)

	LVL	USD	EUR	Other	Total
Liabilities					
Accrued expense	-	-	(33,655)	-	(33,655)
Total liabilities	-	-	(33,655)	-	(33,655)
Net assets	908,468	(1,070,448)	22,861,816	3,922,694	26,622,530
<i>Net long/ (short) position</i>	3.41%	(4.01%)	85.87%	14.73%	100.00%

As at 31 December 2007, other currencies are presented as follows: EEK – LVL 437,657, LTL – LVL 285,966, PLN – LVL 291,336, SEK – LVL 623,776, CZK – LVL 434,783, BGN – LVL 262,161, GBP – LVL 131,931, RUB – LVL 270,757, and AZN – LVL 1,184,327.

Credit risk

Credit risk is a risk that the Fund's value will decrease from counterparty's or issuer's non-performance or default. Only safe and reliable counterparties are selected for transactions involving the Fund's assets. The Fund Manager monitors the solvency position of the counterparties on a regular basis, analyses their credit rating and financial position, as well as mass media information.

Credit quality of the Fund's assets is managed on the basis of the credit ratings granted by international rating agencies Standard & Poor's, Moody's, and Fitch. In addition, a detailed analysis is performed on the issuer's financial statements, financial position and future prospects. The table below shows the issuers of securities and credit institutions in which the Fund has deposits by credit ratings.

The Fund's assets and liabilities are classified by credit ratings as follows:

- High investment rating: AAA (Standard & Poor's); Aaa (Moody's Investors Service); AAA (Fitch);
- Average investment rating: AA+ - A- (Standard & Poor's); Aa1 - A3 (Moody's Investors Service); AA+ - A- (Fitch);
- Low investment rating: BBB+ - BBB- (Standard & Poor's); Baa1 - Baa3 (Moody's Investors Service); BBB+ - BBB- (Fitch);
- Average rating: BB+ - BB- (Standard & Poor's); Ba1 - Ba3 (Moody's Investors Service); BB+ - BB- (Fitch);
- Low rating: B+ - B- (Standard & Poor's); B1 - B3 (Moody's Investors Service); B+ - B- (Fitch)
- Speculative rating: CCC+ - D (Standard & Poor's); Caa1 - C (Moody's Investors Service); CCC+ - D (Fitch).

The table below shows the Fund's assets and liabilities by credit ratings as at 31 December 2008.

	High investment rating	Average investment rating	Low investment rating	Average rating	Low rating	Speculative rating	Not rated	Total
Assets								
Demand deposits with credit institutions	-	-	-	-	-	1,065,207	-	1,065,207
Debt securities and other fixed income securities	-	-	51,221	2,052,988	2,052,444	568,958	2,224,873	6,950,484
Shares and other non-fixed income securities	-	-	-	-	-	-	271,921	271,921
Total assets			51,221	2,052,988	2,052,444	1,634,165	2,496,794	8,287,612

In 2008, the rating structure was revised and divided into smaller categories. The distribution of the Fund's assets and liabilities as at 31 December 2007 is shown according to the previous criteria:

AIF Parex Eastern European Balanced Fund
Annual report 2008
Notes
(LVL)

15. Risk management (cont'd)

- High quality financial instruments: AAA – BBB- (Standard & Poor's); Aaa – Baa3 (Moody's Investors Service); AAA – BBB- (Fitch);
- Average quality financial instruments: BB+ - BB- (Standard & Poor's); Ba1 - Ba3 (Moody's Investors Service); BB+ - BB- (Fitch);
- Low quality financial instruments: B+ - B- (Standard & Poor's); B1 - B3 (Moody's Investors Service); B+ - B- (Fitch) and lower ratings.

The table below shows the Fund's assets and liabilities by credit ratings as at 31 December 2007.

	High quality	Average quality	Low quality	Not rated	Total
Assets					
Demand deposits with credit institutions	2,662,307	-	-	-	2,662,307
Debt securities and other fixed income securities	2,824,477	7,895,867	3,337,551	5,182,577	19,240,472
Shares and other non-fixed income securities	326,356	38,359	-	4,255,716	4,620,431
Derivatives	100,815	-	-	-	100,815
Accrued income	-	-	-	32,160	32,160
Total assets	5,913,955	7,934,226	3,337,551	9,470,453	26,656,185

The issuer's industry and geographic position are additional credit risk factors, which can affect the price of the issuer's securities or the issuer's solvency. Therefore, it is vital to identify concentration risk, i.e. to which extent the Fund's value depends on changes in specific regions or industries. Credit risk concentration by geographic profile (based on the country most affecting the issuer's solvency) and industry profile is presented in the table below.

The table below shows the Fund's assets and liabilities by geographic profile as at 31 December 2008.

	Latvia	OECD countries	Other non-OECD countries	Total
Assets				
Demand deposits with credit institutions	1,065,207	-	-	1,065,207
Financial assets held for trading				
Debt securities and other fixed income securities	1,348,261	249,231	5,352,992	6,950,484
Shares and other non-fixed income securities	35,616	128,972	107,333	271,921
Total assets	2,449,084	378,203	5,460,325	8,287,612
Liabilities				
Financial liabilities held for trading				
Derivatives	(377,428)	-	-	(377,428)
Balances due for redemption of investment certificates	(29,284)	-	-	(29,284)
Accrued expense	(12,988)	-	-	(12,988)
Total liabilities	(419,700)	-	-	(419,700)
Net assets	2,029,384	378,203	5,460,325	7,867,912

AIF Parex Eastern European Balanced Fund
Annual report 2008
Notes
(LVL)

15. Risk management (cont'd)

The table below shows the Fund's assets and liabilities by geographic profile as at 31 December 2007.

	Latvia	OECD countries	Other non-OECD countries	Total
Assets				
Demand deposits with credit institutions	2,662,307	-	-	2,662,307
Financial assets held for trading				
Debt securities and other fixed income securities	3,132,281	896,594	15,211,597	19,240,472
Shares and other non-fixed income securities	333,591	2,483,184	1,803,656	4,620,431
Derivatives	100,815	-	-	100,815
Accrued income			32,160	32,160
Total assets	6,228,994	3,379,778	17,047,413	26,656,185
Liabilities				
Accrued expense	(33,655)	-	-	(33,655)
Total liabilities	(33,655)	-	-	(33,655)
Net assets	6,195,339	3,379,778	17,047,413	26,622,530

The table below shows the Fund's assets and liabilities by country profile.

Country	Carrying amount as at 31/12/2008	Carrying amount as at 31/12/2007	% of Fund's net assets as at 31/12/2008
Latvia	2,029,384	7,158,469	25.79%
Russia	2,470,011	6,325,313	31.40%
Azerbaijan	937,155	1,305,715	11.91%
Ukraine	782,419	1,405,599	9.94%
Kazakhstan	749,374	2,342,279	9.52%
Georgia	249,120	633,616	3.17%
Poland	249,231	1,498,094	3.17%
Czech Republic	128,972	434,783	1.64%
Lithuania	127,570	956,027	1.62%
Bulgaria	82,429	639,007	1.05%
Estonia	62,247	766,676	0.79%
Finland	-	189,297	0.00%
Croatia	-	507,214	0.00%
Romania	-	697,755	0.00%
Austria	-	51,002	0.00%
Great Britain	-	131,931	0.00%
Hungary	-	194,568	0.00%
Sweden	-	623,776	0.00%
Luxembourg	-	761,409	0.00%
Total	7,867,912	26,622,530	100.00%

AIF Parex Eastern European Balanced Fund
Annual report 2008
Notes
(LVL)

15. Risk management (cont'd)

The table below shows the Fund's securities portfolio by industry profile.

Industry	Carrying amount as at 31/12/2008	Carrying amount as at 31/12/2007	% of Fund's net assets as at 31/12/2008
Commercial banks	4,324,804	14,025,817	54.97%
Metallurgy	772,966	676,784	9.82%
Gas and oil	312,984	1,389,509	3.98%
Software and related services	277,920	457,035	3.53%
Energy resources	256,731	176,982	3.26%
Real estate	256,597	264,280	3.26%
Chemical industry	242,290	189,468	3.08%
Agriculture	202,228	-	2.57%
Public utilities	144,386	252,651	1.84%
Construction	143,093	394,725	1.82%
Consumer services	87,355	198,109	1.11%
Transportation	69,843	141,640	0.89%
Retail of food and consumer goods	68,199	602,561	0.87%
Pharmacy	35,616	257,957	0.45%
Production of food and consumer goods	16,524	956,363	0.21%
Capital goods	10,869	146,954	0.14%
Government bonds	-	429,817	0.00%
Telecommunications	-	767,288	0.00%
Textile production	-	105,148	0.00%
Furniture production	-	10,169	0.00%
Mass media	-	97,453	0.00%
Raw materials	-	131,931	0.00%
Financial services	-	668,477	0.00%
Total	7,222,405	22,341,118	91.80%

Liquidity risk

Liquidity risk is a risk that the Fund will have difficulties in meeting its financial obligations. The Fund Manager strives to maintain such an asset structure which would ensure a possibility of selling securities in due time and with no significant losses. The maturity profile of the Fund's assets and liabilities is provided below.

AIF Parex Eastern European Balanced Fund
Annual report 2008
Notes
(LVL)

15. Risk management (cont'd)

The table below shows the Fund's assets and liabilities by maturity profile as at 31 December 2008.

	Within 1 month	1 - 3 months	3 – 6 months	6 - 12 months	1-5 years	More than 5 years	Total
Assets							
Demand deposits with credit institutions	1,065,207	-	-	-	-	-	1,065,207
Financial assets held for trading							
Debt securities and other fixed income securities	-	301,627	1,181,265	428,359	4,549,668	489,565	6,950,484
Shares and other non-fixed income securities	271,921	-	-	-	-	-	271,921
Total assets	1,337,128	301,627	1,181,265	428,359	4,549,668	489,565	8,287,612
Liabilities							
Financial liabilities held for trading							
Derivatives	(377,428)	-	-	-	-	-	(377,428)
Balances due for redemption of investment certificates	(29,284)	-	-	-	-	-	(29,284)
Accrued expense	(12,373)	-	(615)	-	-	-	(12,988)
Total liabilities	(419,085)	-	(615)	-	-	-	(419,700)
Net assets	918,043	301,627	1,180,650	428,359	4,549,668	489,565	7,867,912

The table below shows the Fund's assets and liabilities by maturity profile as at 31 December 2007.

	Within 1 month	1 - 3 months	3 – 6 months	6 - 12 months	1-5 years	More than 5 years	Total
Assets							
Demand deposits with credit institutions	2,662,307	-	-	-	-	-	2,662,307
Financial assets held for trading							
Debt securities and other fixed income securities	95,301	811,126	1,977,736	2,557,402	12,788,681	1,010,226	19,240,472
Shares and other non-fixed income securities	4,620,431	-	-	-	-	-	4,620,431
Derivatives	62,580	-	-	38,235	-	-	100,815
Accrued income	32,160						32,160
Total assets	7,472,779	811,126	1,977,736	2,595,637	12,788,681	1,010,226	26,656,185

AIF Parex Eastern European Balanced Fund
Annual report 2008
Notes
(LVL)

15. Risk management (cont'd)

	Within 1 month	1 - 3 months	3 - 6 months	6 - 12 months	1-5 years	More than 5 years	Total
Liabilities							
Accrued expense	(33,304)		(351)	-	-	-	(33,655)
Total liabilities	(33,304)		(351)	-	-	-	(33,655)
Net assets	7,439,475	811,126	1,977,385	2,595,637	12,788,681	1,010,226	26,622,530

16. Information on holders of investment certificates

The below table specifies the proportion of investment certificates held by related parties out of total investment certificates issued:

	31/12/2008	31/12/2007	% of total certificates as at 31/12/2008
Investment certificates held by related parties	1,188	12,570	0.09%
Investment certificates held by other persons	1,307,234	2,734,671	99.91%
Investment certificates issued as at the year end	1,308,422	2,747,241	100%

17. Related party disclosures

The majority of the Fund's investments are acquired with the mediation of the custodian bank AS Parex banka. AS Parex banka receives remuneration as the custodian bank, as disclosed in the statement of income and expense. In addition, the Fund's cash resources (see also Note 3) are held and derivative contracts (see also Note 6) are concluded with AS Parex banka.

The remuneration paid to the investment management company during the reporting year is disclosed in the statement of income and expense (see also Note 7).

During the reporting year, related parties acquired 481.5348 investment certificates (2007: 2,277.682 certificates) and sold back 8, 538.2823 investment certificates (2007: 8,672.1467 certificates).

During the reporting year, the Fund had an investment in bonds issued by AS Parex banka. As at 31 December 2008, the carrying value of this investment was LVL 264,326 (2007: LVL 1,044,791). In the reporting year, the Fund had no investments in an investment fund managed by a related investment management company (2007: LVL 347,123).

Transactions with related parties were made on an arm's length basis.

AIF Parex Eastern European Balanced Fund
Annual report 2008
Notes
(LVL)

18. Dynamics of net asset value

	31/12/2008	31/12/2007	31/12/2006
Net assets (LVL)	7,867,912	26,622,530	13,589,504
Number of investment certificates	1,308,422	2,747,241	1,450,628
Value of investment fund's shares (LVL)	6.01	9.69	9.37
Performance on investment fund's shares*	(37.87)%	3.44%	10.47%
Net assets (EUR)**	11,226,710	37,753,058	19,302,412
Number of investment certificates	1,308,422	2,747,241	1,450,628
Value of investment fund's shares (EUR)	8.58	13.74	13.31
Performance on investment fund's shares*	(37.47)%	3.23%	10.27%

* Performance is calculated supposing that a year consists of 365 days.

** The net asset value in euros is determined, based on exchange rates fixed at financial markets at the end of each day.

INDEPENDENT AUDITORS' REPORT

To the holders of investment certificates of OIF Parex Eastern European Balanced fund

Report on the Financial Statements

We have audited 2008 financial statements of opened-end investment fund Parex Eastern European Balanced fund (hereinafter – the Fund), which are set out on pages 9 through 29 of the accompanying 2008 Annual Report and which comprise the statements of assets and liabilities as at 31 December 2008, the statement of income and expenses, changes in net assets and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Investment management company's Parex Asset Management management is responsible for the preparation and fair presentation of these financial statements in accordance with the Regulations of the Financial and Capital Market Commission on Preparation of Financial Statements of Investment Funds. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

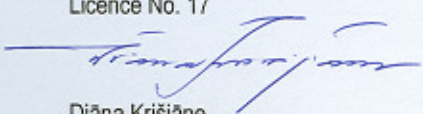
Opinion

In our opinion, the financial statements referred to above give a true and fair view of the financial position of the Fund as at 31 December 2008, and of the results of their operations and their cash flows for the year then ended in accordance with the Regulations of the Financial and Capital Market Commission on Preparation of Financial Statements of Investment Funds.

Report on Compliance of the Management's Report

Furthermore, we have read the Management's Report for the year ended 31 December 2008 (included on page 5 of the accompanying 2007 Annual Report) and have not noted any material inconsistencies between the financial information included in it and the financial statements for the year ended 31 December 2008.

SIA Ernst & Young Baltic
Licence No. 17



Diāna Krišjāne
Chairperson of the Board
Latvian Sworn Auditor
Certificate No. 124
Rīga, 21 April 2009