

**OPEN-END INVESTMENT FUND
Parex Eastern European Bond 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 Bond 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	7
Custodian bank report	8
Financial statements:	
Statement of assets and liabilities	10
Statement of income and expense	11
Statement of changes in net assets	12
Statement of cash flows	13
Notes	14
Auditors' report	28

AIF Parex Eastern European Bond Fund
Annual report 2008
General information

Name of the fund:	Parex Eastern European Bond Fund
Type of fund:	Open-end investment fund
Registration date of the fund:	28 February 2003
Number of the fund:	06.03.04.098/2
Name of the investment management company:	IPAS Parex Asset Management
Registered office of the investment management company:	Zigfrīda 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:	AS Parex banka
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:	<p><i>Council of the investment management company:</i></p> <p>Chairman of the Council – Nils Melngailis – appointed on 17/04/2009</p> <p>Council Member – Roberts Stugis – appointed on 25/02/2008</p> <p>Council Member – Breiding R. James - appointed on 17/04/2009</p> <p>Council Member – Anatolijs Fridmans - appointed on 17/04/2009</p> <p>Chairman of the Council – Gene Zolotarev – resigned on 25/02/2008</p> <p>Council Member – Gatis Kokins – resigned on 25/02/2008</p> <p>Council Member – Leonīds Jamroziks – resigned on 25/02/2008</p> <p>Council Member – Ēriks Brīvmanis – resigned on 05/06/2008</p> <p>Chairman of the Council – Mārtiņš Jaunarājs – resigned on 18/03/2009</p> <p>Council Member – Glenn Frank Woo - resigned on 18/03/2009</p> <p>Deputy Chairman of the Council – Valdis Birkavs – resigned on 17/04/2009</p> <p>Council Member – Arvīds Sīpols – resigned on 17/04/2009</p> <p>Council Member – Raits Černajs - resigned on 17/04/2009</p> <p>Council Member – Deniss Grigorenko - resigned on 17/04/2009</p> <p><i>Board of the investment management company:</i></p> <p>Chairman of the Board/ President – Roberts Idelsons – appointed on 30/11/2005</p> <p>Board Member – Elena Coleman – appointed on 30/03/2007</p> <p>Board Member – Edgars Makarovs – appointed on 30/03/2007</p> <p>Board Member – Zigurds Vaikulis – appointed on 30/03/2007</p> <p>Board Member – Igors Petrovs - appointed on 22/05/2008</p> <p>Board Member – Sergejs Medvedevs - resigned on 22/05/2008</p> <p>Board Member – Rems Kargins – resigned on 15/01/2009</p> <p><i>Fund Managers (Members of the Investment Committee):</i></p> <p>Edgars Makarovs</p> <p>Andris Kotāns – appointed on 27/10/2008</p> <p>Roberts Idelsons - resigned on 27/10/2008</p> <p>Sergejs Medvedevs - resigned on 27/10/2008</p>

AIF Parex Eastern European Bond Fund**Annual report 2008****General information**

Auditors:

Diāna Krišjāne
Certified Auditor
Certificate No. 124

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

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

The assets of the open-end investment fund Parex Eastern European Bond Fund (hereinafter – the Fund) are managed by the asset management company Parex Asset Management, registered office at Zigrīda 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 open-end investment fund Parex Eastern European Bond Fund (hereinafter – the Fund) is to achieve long-term capital gains through investments mainly in debt securities issued or guaranteed by governments, municipalities, central banks and credit institutions of Eastern European countries, as well as debt securities of corporate entities. The investment portfolio is balanced in terms of investments in different countries, thus enhancing safety of investments and protection against fluctuations of the asset value inherent in investments in only one 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 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%. After such drastic changes on the global markets, it was logical to decrease the ratings both for companies and countries of the region.

In 2008, the Fund's net assets decreased by 11.1% or LVL 1,124,387, reaching LVL 9,018,007 as at the year end. The value per Fund's share declined by LVL 2.13 over the year to LVL 4.32. The Fund's annualised performance was negative, amounting to -33.0% in Latvian lats and -36.2% in US dollars.

During the reporting year, the Fund experienced both the record high assets and the unprecedented fall in value. The first half of the year was rather quiet, while the end of the year was full of shocks. The annual analysis shows that Latvia accounted for the largest decrease in investments – by 9.24 percentage points (pp), while the following exposures were increased: Ukraine (+5.86pp), Russia (+3.89pp), Azerbaijan (+3.2pp), and Georgia (+2.0pp). Croatian, Polish, Lithuanian and Estonian issuers are no longer featured in the Fund's structure, which is mainly owing to the maturity of the bonds.

As regards the industry profile, the proportions of oil and gas and food production were reduced most significantly, by 5.3pp and 3.1pp respectively. Moreover, the Fund no longer has securities maturing over the reporting year. The largest investment sectors remain the same, only with a slight increase of their respective proportions in the total assets. Bonds issued by commercial banks amounted to 48.2% of the total Fund's assets, which is by 4.9pp more than at the beginning of the year. Metallurgy accounts for the second largest share in the Fund's assets - 19.1% - with the increase by 9.6pp. These changes were introduced over the last months of the year, as the panic prevailing on the market brought about more attractive investment opportunities.

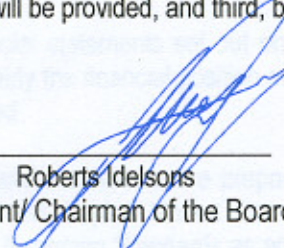
The Central Bank of Russia failed to keep the national currency in the required corridor at the end of the year, and the gradual devaluation of the Russian rouble was commenced. The Russian rouble weakened more than 18% against the euro-dollar dual currency basket from the middle of November to the end of the year. The devaluation continued also after the year end, and the rouble lost 11% more by the beginning of March. This event has produced an adverse effect on the Fund's investments in rouble bonds. The rouble exposure has been reduced significantly owing to the active actions of the Fund Manager; however, it should be noted that low market liquidity has encumbered this process.

In the reporting year, the management fee was paid from the Fund's assets in the amount of USD 508,943, or 1.70% of the average asset value for the year, which does not exceed the maximum expense limit fixed in the Prospectus, i.e. 3.00%.

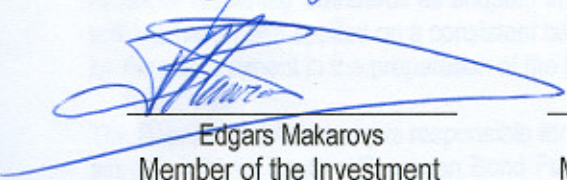
The year 2009 is likely to be hard for Eastern European bond issuers, as the extremely large debt refinancing problem will have to be solved, or many companies will have to be liquidated or transferred to other financially strong players. The next year will be challenging also for bond investors, as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

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


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, or, where necessary, state support will be provided, and third, bonds of certain Kazakhstani issuers.



Roberts Idelsons
President/ Chairman of the Board



Edgars Makarovs
Member of the Investment
Committee



Andris Kotāns
Member of the Investment
Committee

Riga,
21 April 2009

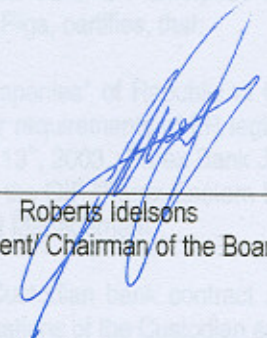
AIF Parex Eastern European Bond Fund
Annual report 2008
Statement of responsibility of the Board of the investment management company

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 Bond Fund (hereinafter – the Fund).

The financial statements set out on pages 10 to 27 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 Bond 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 Bond 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 February 13th, 2003., Parex Bank JSC, (further in the text - Custodian) carries out functions of custodian bank for the OIF "Parex Eastern European Bond 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 Bond 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 Bond Fund
Annual report 2008
Statement of assets and liabilities
(LVL)

Notes	31/12/2008	31/12/2007
Assets		
3	764,632	1,599,707
4	8,502,855	8,557,112
	9,267,487	10,156,819
Liabilities		
5	(216,949)	(2,253)
6	(14,851)	(12,172)
	(17,680)	-
	(249,480)	(14,425)
	9,018,007	10,142,394
	(7,310,289)	(291,029)
	(1,028,417)	(102,706)
	(5,371,893)	(626,757)



 Roberts Idelsons
 President/ Chairman of the Board

Riga,
21 April 2009

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

Notes	2008	2007	
Income			
	<u>10,142,300</u>	<u>8,518,500</u>	
7	Interest income	1,399,698	653,328
	Other income	2,295	-
	Total income	1,401,993	653,328
	Expense		
	Remuneration to investment management company	(226,344)	(113,593)
	Remuneration to custodian bank	(26,932)	(13,525)
	Other fund management expense	(2,536)	(332)
	Total expense	(255,812)	(127,450)
	(Decrease) in investment		
8	Foreign currency trading result	29,883	61,826
9	Realised (decrease)/ increase in investment value	(1,690,697)	3,484
10	Unrealised (decrease) in investment value	(5,655,478)	(316,939)
	Total (decrease) in investment	(7,316,292)	(251,629)
	Foreign currency revaluation gain/ (loss)	1,098,418	(902,606)
	(Decrease) in net assets from investment	(5,071,693)	(628,357)



 Roberts Idelsons
 President/ Chairman of the Board

Riga,
21 April 2009

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

	<u>2008</u>	<u>2007</u>
Net assets as at the beginning of the year	10,142,395	6,818,596
(Decrease) in net assets from investment activities	(5,071,693)	(628,357)
Transactions with investment certificates:		
<i>Inflow from sale of investment certificates</i>	17,695,322	8,064,429
<i>Outflow of redemption of investment certificates</i>	(13,748,016)	(4,112,274)
Increase in net assets from transactions with investment certificates	3,947,306	3,952,155
(Decrease)/ increase in net assets for the year	(1,124,387)	3,323,798
Net assets as at the end of the year	<u>9,018,008</u>	<u>10,142,395</u>
Issued investment certificates as at the beginning of the year	1,571,327	984,722
Issued investment certificates as at the end of the year	2,085,608	1,571,327
Net asset value per investment certificate as at the beginning of the year	6.45	6.92
Net asset value per investment fund's share as at the end of the year	<u>4.32</u>	<u>6.45</u>

The accompanying notes form an integral part of these financial statements.

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

	<u>2008</u>	<u>2007</u>
Interest income	1,289,235	609,783
Investment management (expense)	(256,145)	(124,887)
(Acquisition) of financial assets	(16,555,305)	(6,904,453)
Disposal of financial assets	9,826,993	3,889,617
Foreign currency conversion result	851,883	(77,545)
(Decrease) in cash from operating activities	<u>(4,843,339)</u>	<u>(2,607,485)</u>
Inflow from sale of investment certificates	17,695,322	8,064,429
Outflow of redemption of investment certificates	(13,730,336)	(4,112,274)
Increase in cash from financing activities	<u>3,964,986</u>	<u>3,952,155</u>
Increase/ (decrease) in cash	<u>(878,353)</u>	<u>1,344,670</u>
Cash as at the beginning of the year	1,599,707	329,880
Result of revaluation of cash denominated in foreign currencies	<u>43,278</u>	<u>(74,843)</u>
Cash as at the end of the year	<u>764,632</u>	<u>1,599,707</u>

The accompanying notes form an integral part of these financial statements.

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

1. General information

Name of the fund:	Parex Eastern European Bond Fund
Type of the fund:	Open-end investment fund
Fund's business activity:	Investments in debt securities issued or guaranteed by governments, municipalities, central banks and credit institutions of Eastern European countries, as well as debt securities of corporate entities, with the investment portfolio being balanced in terms of investments in different currencies and countries
Name of the investment management company:	IPAS Parex Asset Management, 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 Bond 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.

Foreign currency translation

The Fund's functional currency is US dollars 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:

Currency	31/12/2008	31/12/2007
USD	0.495	0.484
RUB	0.0171	0.0197

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.

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

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 and Riga Stock Exchange financial information on the bid prices of respective 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 and profit purposes, the Fund engages as a party to contracts for forward foreign exchange rate and currency swap instruments. For the accounting purposes, all derivatives are classified as held-for-trading.

Subsequent to initial recognition and measurement, outstanding forward foreign exchange rate 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 rate contracts and currency swap instruments are recognised in the statement of income and expense as foreign currency revaluation result or profit from foreign currency trading.

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.

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.

3. Demand deposits and deposits with credit institutions

	31/12/2008	31/12/2007	% of total assets as at 31/12/2008
Demand deposits with credit institutions - AS Parex banka	764,632	1,599,707	8.48%
Total demand deposits and deposits with credit institutions	764,632	1,599,707	8.48%

The Fund receives interest on demand deposits at fixed rates.

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

4. Debt securities and other fixed income securities

	31/12/2008	31/12/2007	Annual yield before maturity as at 31/12/2008	% of total assets as at 31/12/2008
Credit institution bonds	4,347,239	3,361,229	45.76%	48.21%
<i>Non-OECD credit institution bonds (excluding Latvia)</i>	4,049,242	3,136,415	48.03%	44.91%
<i>Latvian credit institution bonds</i>	297,997	224,814	14.88%	3.30%
Corporate bonds	4,155,616	4,941,359	70.86%	46.08%
<i>Non-OECD corporate bonds (excluding Latvia)</i>	3,699,398	4,242,247	75.62%	41.02%
<i>OECD corporate bonds</i>	-	143,997	0.00%	0.00%
<i>Latvian corporate bonds</i>	456,218	555,115	32.30%	5.06%
Government bonds	-	254,524	0.00%	0.00%
<i>Non-OECD government bonds (excluding Latvia)</i>	-	254,524	0.00%	0.00%
Total debt securities and other fixed income securities	8,502,855	8,557,112	58.03%	94.29%

All debt securities and other fixed income securities are classified as held-for-trading securities. All fixed income securities are listed, except securities with the book value of LVL 925,840 (2007: LVL 1,183,602).

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 total assets as at 31/12/2008
Financial instruments traded on regulated markets		12,981,629	7,577,015	84.02%
Latvian issuers:		882,755	687,389	7.63%
ELKO GRUPA (LV0000800589)	4,000	283,015	277,920	3.08%
BALTIKUMS (LV0000800324)	2,500	175,982	174,536	1.94%
BALTIKUMS (LV0000800407)	1,900	133,347	123,461	1.37%
APEX INVESTMENTS (LV0000601201)	100	61,402	63,838	0.71%
CAPITAL DEPARTMENT STORE (LV0000800761)	325,850	229,009	47,634	0.53%
Russian issuers:		6,018,968	3,724,973	41.30%
URSA BANK (XS0254342347)	1,000	502,271	491,040	5.44%
NORILSK NICKEL (XS0201869251)	750	388,027	358,216	3.97%
SEVERSTAL (XS0376189857)	1,000	270,802	285,554	3.17%
NIZHNEKAMSKNEFTEKHIM INC (XS0238468457)	1,500	700,181	279,565	3.10%
GAZ-FINANS (RU000A0GNLKO)	18,000	358,547	257,298	2.85%
MEGAFON (XS0207360115)	500	267,061	248,778	2.76%
RUSSIAN STANDARD BANK (XS0308286078)	1,000	456,959	200,592	2.22%
TMK (XS0269513213)	5	274,181	198,368	2.20%
EUROCHEM MINERAL & CHEMICAL CO (XS0289850538)	750	340,728	186,240	2.07%
LOCKO-BANK (XS0289054750)	600	294,063	147,225	1.63%
TMK (XS0373732063)	5	242,946	144,031	1.60%
MIG-FINANS (RU000A0JNLB3)	10,000	199,246	139,750	1.55%
URALVAGONZAVOD-FINANS (RU000A0GGF09)	8,000	168,105	126,715	1.41%
ROSINTER RESTAURANTS (RU000A0GJ905)	14,500	283,364	126,665	1.40%
PROMSVYAZBANK (XS0272236489)	500	222,734	121,773	1.35%
PROMSVYAZBANK (XS0231242115)	375	168,193	118,968	1.32%
RBC INFORMATION SYSTEMS (RU000A0JPPA1)	15,200	308,804	116,862	1.30%
INTERNATIONAL INDUSTRIAL BANK (XS0309114311)	400	281,122	96,675	1.07%
AMURMETALL (RU000A0GN9D1)	10,000	193,286	76,020	0.84%
INCOM-LADA (RU000A0JPAS5)	5,000	98,348	4,638	0.05%
Ukrainian issuers:		4,022,745	1,874,287	20.78%
INTERPIPE (XS0310283709)	1,400	660,415	329,849	3.66%
MHP SA (USL6366MAA10)	1,250	568,424	252,785	2.80%

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

Financial instrument	Amount	Acquisition value	Carrying amount as at 31/12/2008	% of total assets as at 31/12/2008
AZOVSTAL IRON & STEEL WORKS (XS0244470570)	1,250	590,155	244,755	2.71%
ALFA BANK UKRAINE (XS0279930449)	700	354,802	222,996	2.47%
UKRSOTSBANK (XS0286235774)	850	391,088	214,223	2.38%
PRIVATBANK (XS0285182266)	1,250	552,225	193,854	2.15%
FIRST UKRAINIAN INTERNATIONAL BANK (XS0287015787)	800	378,571	152,932	1.70%
ALFA BANK UKRAINE (XS0311816234)	500	244,221	143,518	1.59%
UKRSIBBANK (XS0278743710)	600	282,844	119,375	1.32%
Azerbaijani issuers:		564,380	578,127	6.40%
TECHNIKABANK (LV0000800746)	7,500	343,380	365,561	4.04%
BANK RESPUBLIKA (XS0375345872)	5	221,000	212,566	2.36%
Kazakhstani issuers:		993,503	516,466	5.74%
BANK CENTERCREDIT (XS0243010443)	750	376,342	209,236	2.32%
TEMIR BANK (XS0248327834)	300	163,116	139,360	1.55%
KAZAKHGOLD GROUP (XS0273371632)	500	280,216	88,868	0.99%
TEMIR BANK (XS0276177861)	400	173,829	79,002	0.88%
Georgian issuers:		499,278	195,773	2.17%
BANK OF GEORGIA (XS0283756624)	1,000	499,278	195,773	2.17%
Other financial instruments		1,203,642	925,840	10.27%
Latvian issuers:		245,981	66,826	0.74%
PILSETMAJU INSTITUTS URBAN ART (LV0000800753)	350	245,981	66,826	0.74%
Azerbaijani issuers:		398,884	387,404	4.30%
RABITABANK (LV0000800597)	500	242,284	245,186	2.72%
MUGAN BANK (LV0000800514)	300	156,600	142,218	1.58%
Georgian issuers:		228,000	237,169	2.63%
BANK OF GEORGIA (XS0368537782)	2	228,000	237,169	2.63%
Russian issuers:		330,777	234,441	2.60%
TRANSPORTATION INVESTMENTS HOLDING (XS0305264813)	500	236,992	139,686	1.55%
RBC INFORMATION SYSTEMS (XS0256816496)	2	93,785	94,755	1.05%
Total debt securities and other fixed income securities		14,185,271	8,502,855	94.29%

5. 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 total assets as at 31/12/2008		
	Notional amount	Fair value	Notional amount	Fair value			
	Assets	Liabilities	Assets	Liabilities			
Currency swap instruments	1,740,816	-	(207,346)	1,323,592	-	(2,253)	(2.30)%
Forward foreign exchange instruments	702,804	-	(9,603)	-	-	-	(0.11)%
Total derivatives	2,443,620	-	(216,949)	1,323,592	-	(2,253)	(2.41)%

All the contracts are concluded with AS Parex banka.

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

6. Accrued expense

	31/12/2008	31/12/2007
Accrued commission fees payable to investment management company	12,157	10,713
Accrued commission fees payable to custodian bank	1,464	1,284
Accrued fees payable for professional services	1,230	175
Total accrued expense	14,851	12,172

7. Interest income

	2008	2007
Interest income from debt securities and other fixed income securities	1,368,085	628,713
Interest income from demand deposits with credit institutions	31,613	24,615
Total interest income	1,399,698	653,328

8. 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.

9. Realised (decrease)/ increase in investment value

	2008	2007
Income from sale of investments	9,921,665	4,121,551
Acquisition value of investments sold	(11,766,474)	(4,102,148)
(Increase) in value of investments sold, recognised in the previous periods	154,112	(15,919)
Total realised (loss)/ gain on sale of investments	(1,690,697)	3,484

10. Unrealised (decrease) in investment value

	2008	2007
From debt securities and other fixed income securities	(5,655,478)	(316,939)
Total unrealised (decrease) in investment value	(5,655,478)	(316,939)

11. 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	8,557,112	16,555,305	(11,082,320)	450,850	(5,978,092)	8,502,855
Derivatives	(2,253)	-	-	(214,696)	-	(216,949)
Total assets	8,554,859	16,555,305	(11,082,320)	236,154	(5,978,092)	8,285,906

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

12. 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.

13. Fair values of financial assets and liabilities

The Company's management believes that the carrying amounts of financial assets and liabilities 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	764,632	-	764,632
Financial assets held for trading			
Debt securities and other fixed income securities	8,502,855	3,386,490	5,116,365
Total assets	9,267,487	3,386,490	5,880,997
Liabilities			
Financial liabilities held for trading			
Derivatives	(216,949)	-	(216,949)
Balances due for redemption of investment certificates	(17,680)	-	(17,680)
Accrued expense	(14,851)	-	(14,851)
Total liabilities	(249,480)		(249,480)
Net assets	9,018,007	3,386,490	5,631,517

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

14. 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.

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

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.

Changes in market value of fixed income securities and interest income (2008, LVL)

Currency	Changes in base rates, bp	Changes in annual interest income	Changes in market value	Effect of changes in base rates on the total Fund's value
RUB	200	-	(5 508)	(5 508)
USD	100	-	(150 113)	(150 113)
EUR	100	2 508	(16 189)	(13 682)
Total		2 508	(171 810)	(169 302)

Changes in market value of fixed income securities and interest income (2008, LVL)

Currency	Changes in base rates, bp	Changes in annual interest income	Changes in market value	Effect of changes in base rates on the total Fund's value
RUB	-200	-	5 508	5 508
USD	-50	-	75 057	75 057
EUR	-100	(2 508)	16 189	13 682
Total		(2 508)	96 754	94 246

Changes in market value of fixed income securities and interest income (2008, LVL)

Currency	Changes in base rates, bp	Changes in annual interest income	Changes in market value	Effect of changes in base rates on the total Fund's value
RUB	200	0,00%	-0,06%	-0,06%
USD	100	0,00%	-1,75%	-1,75%
EUR	100	0,03%	-0,19%	-0,16%
Total		0,03%	-2,00%	-1,97%

Changes in market value of fixed income securities and interest income (2008, LVL)

Currency	Changes in base rates, bp	Changes in annual interest income	Changes in market value	Effect of changes in base rates on the total Fund's value
RUB	-200	0,00%	0,06%	0,06%
USD	-50	0,00%	0,88%	0,88%
EUR	-100	-0,03%	0,19%	0,16%
Total		-0,03%	1,13%	1,10%

Changes in market value of fixed income securities and interest income (2007, LVL)

Currency	Changes in base rates, bp	Changes in annual interest income	Changes in market value	Effect of changes in base rates on the total Fund's value
USD	200	-	(208 947)	(150 113)
EUR	50	-	(15 161)	(13 682)
Total		-	(224 108)	(163 795)

Changes in market value of fixed income securities and interest income (2007, LVL)

Currency	Changes in base rates, bp	Changes in annual interest income	Changes in market value	Effect of changes in base rates on the total Fund's value
USD	-200	-	208 947	150 113
EUR	-50	-	15 161	13 682
Total		-	224 108	163 795

Changes in market value of fixed income securities and interest income (2007, LVL)

Currency	Changes in base rates, bp	Changes in annual interest income	Changes in market value	Effect of changes in base rates on the total Fund's value
USD	200	-	-2,06%	-1,48%
EUR	50	-	-0,15%	-0,13%
Total		-	-2,21%	-1,61%

Changes in market value of fixed income securities and interest income (2007, LVL)

Currency	Changes in base rates, bp	Changes in annual interest income	Changes in market value	Effect of changes in base rates on the total Fund's value
USD	-200	-	2,06%	1,48%
EUR	-50	-	0,15%	0,13%
Total		-	2,21%	1,61%

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.

The effect of changes in currency exchange rates on the Fund's value is shown in the table below. Changes in currency exchange rates represent annualised standard deviation of the respective exchange rate calculated on the basis of the data for the year 2008.

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

Currency	Share in the Fund (% of assets)	Change of currency rate against USD	Effect on the Fund's value
USD	95,06%	0,0%	0,00%
EUR	-4,47%	14,0%	-0,62%
RUB	9,40%	9,4%	0,88%
Total	100,00%		0,26%

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

	USD	EUR	RUB	AZN	Total
Assets					
Demand deposits with credit institutions	764,392	-	-	240	764,632
Financial assets held for trading					
Debt securities and other fixed income securities	6,804,017	850,890	847,948	-	8,502,855
Total assets	7,568,409	850,890	847,948	240	9,267,487
Liabilities					
Financial liabilities held for trading					
Derivatives	1,035,441	(1,252,390)	-	-	(216,949)
Accrued expense	(13,621)	(1,230)	-	-	(14,851)
Balances due for redemption of investment certificates	(17,680)	-	-	-	(17,680)
Total liabilities	1,004,140	(1,253,620)	-	-	(249,480)
Net assets	8,572,549	(402,730)	847,948	240	9,018,007
<i>Net long position</i>	95.06%	(4.47)%	9.40%	0.00%	100.00%

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

	USD	EUR	Other	Total
Assets				
Demand deposits with credit institutions	1,465,485	4,839	129,383	1,599,707
Financial assets held for trading				
Debt securities and other fixed income securities	5,334,068	1,623,955	1,599,089	8,557,112
Total assets	6,799,553	1,628,794	1,728,472	10,156,819
Liabilities				
Financial liabilities held for trading				
Derivatives	1,323,592	(1,325,845)	-	(2,253)
Accrued expense	(12,172)	-	-	(12,172)
Total liabilities	1,311,420	(1,325,845)	-	(14,425)
Net assets	8,110,973	302,949	1,728,472	10,142,394
<i>Net long position</i>	79.97%	2.99%	17.04%	100.0%

As at 31 December 2007, other currencies were presented as follows: RUB – LVL 1,135,003 (2006: - LVL 598,628), AZN – LVL 593,469 (2006: LVL 0).

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

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	-	-	-	-	-	764,632	-	764,632
Debt securities and other fixed income securities	-	-	358,216	2,383,513	2,958,570	329,849	2,472,707	8,502,855
Total assets	-	-	358,216	2,383,513	2,958,570	1,094,481	2,472,707	9,267,487

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.

- 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	1,599,707	-	-	-	1,599,707
Debt securities and other fixed income securities	205,148	2,969,832	2,637,078	2,745,054	8,557,112
Total assets	1,804,855	2,969,832	2,637,078	2,745,054	10,156,819

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

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	Other non-OECD countries	Total
Assets			
Demand deposits with credit institutions	764,632	-	764,632
Financial assets held for trading			
Debt securities and other fixed income securities	754,215	7,748,640	8,502,855
Total assets	1,518,847	7,748,640	9,267,487
Liabilities			
Financial liabilities held for trading			
Derivatives	(216,949)	-	(216,949)
Accrued expense	(14,851)	-	(14,851)
Balances due for redemption of investment certificates	(17,680)	-	(17,680)
Total liabilities	(249,480)	-	(249,480)
Net assets	1,269,367	7,748,640	9,018,007

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	1,599,707	-	-	1,599,707
Financial assets held for trading				
Debt securities and other fixed income securities	779,929	143,997	7,633,186	8,557,112
Total assets	2,379,636	143,997	7,633,186	10,156,819
Liabilities				
Financial liabilities held for trading				
Derivatives	(2,253)	-	-	(2,253)
Accrued expense	(12,172)	-	-	(12,172)
Total liabilities	(14,425)	-	-	(14,425)
Net assets	2,365,211	143,997	7,633,186	10,142,394

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

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	1,269,367	2,365,210	14.08%
Russia	3,959,414	4,058,727	43.91%
Ukraine	1,874,287	1,513,014	20.78%
Azerbaijan	965,531	761,387	10.71%
Kazakhstan	516,466	598,106	5.73%
Georgia	432,942	281,833	4.80%
Estonia	-	110,059	0.00%
Croatia	-	169,071	0.00%
Lithuania	-	140,990	0.00%
Poland	-	143,997	0.00%
Total	9,018,007	10,142,394	100.00%

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	4,347,239	4,392,101	48.21%
Metallurgy	1,725,661	970,333	19.14%
Chemical industry	465,805	285,898	5.17%
Software and related services	277,920	211,603	3.08%
Machine-building industry	266,465	252,781	2.95%
Production of cars and car parts	257,298	142,428	2.85%
Agriculture	252,785	-	2.80%
Telecommunications	248,778	105,637	2.76%
Mass media	211,617	-	2.35%
Transportation	139,686	-	1.55%
Consumer services	126,665	99,055	1.40%
Construction	66,826	170,666	0.74%
Real estate	63,838	67,209	0.71%
Retail of food and consumer goods	47,634	140,990	0.53%
Distribution	4,638	-	0.05%
Energy resources	-	147,346	0.00%
Financial services	-	110,059	0.00%
Public utilities	-	199,951	0.00%
Gas and oil	-	541,581	0.00%
Production of food and consumer goods	-	313,068	0.00%
Textile production	-	151,882	0.00%
Government bonds	-	254,524	0.00%
Total	8,502,855	8,557,112	94.29%

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

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.

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

	On demand	Within 1 month	1 - 3 months	3 – 6 months	6 - 12 months	1-5 years	More than 5 years and undated	Total
Assets								
Demand deposits with credit institutions	764,632	-	-	-	-	-	-	764,632
Financial assets held for trading								
Debt securities and other fixed income securities	-	-	332,242	824,169	1,028,358	6,038,521	279,565	8,502,855
Total assets	764,632	-	332,242	824,169	1,028,358	6,038,521	279,565	9,267,487
Liabilities								
Financial liabilities held for trading								
Derivatives	-	-	-	(216,949)	-	-	-	(216,949)
Accrued expense	-	(14,236)	-	(615)	-	-	-	(14,851)
Balances due for redemption of investment certificates	-	(17,680)	-	-	-	-	-	(17,680)
Total liabilities	-	(31,916)	-	(217,564)	-	-	-	(249,480)
Net assets	764,632	(31,916)	332,242	606,605	1,028,358	6,038,521	279,565	9,018,007

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

	On demand	Within 1 month	1 - 3 months	3 – 6 months	6 - 12 months	1-5 years	More than 5 years and undated	Total
Assets								
Demand deposits with credit institutions	1,599,707	-	-	-	-	-	-	1,599,707
Financial assets held for trading								
Debt securities and other fixed income securities	-	40,856	170,666	434,894	1,428,653	5,987,738	494,305	8,557,112
Total assets	1,599,707	40,856	170,666	434,894	1,428,653	5,987,738	494,305	10,156,819
Liabilities								

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

	On demand	Within 1 month	1 - 3 months	3 – 6 months	6 - 12 months	1-5 years	More than 5 years and undated	Total
Financial liabilities held for trading								
Derivatives	-	-	-	(2,253)	-	-	-	(2,253)
Accrued expense	-	(11,997)	(175)	-	-	-	-	(12,172)
Total liabilities	-	(11,997)	(175)	(2,253)	-	-		(14,425)
Net assets	1,599,707	28,859	170,491	432,641	1,428,653	5,987,738	494,305	10,142,394

15. 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	6,889	2,090	0.33%
Investment certificates held by other persons	2,078,719	1,569,237	99.67%
Investment certificates issued as at the year end	2,085,608	1,571,327	100.00%

16. 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 5) are concluded with AS Parex banka. During the reporting year, the Fund had no investments in bonds issued by AS Parex banka. As at 31 December 2007, the carrying value of such investments was LVL 120,097.

The remuneration paid to the investment management company during the reporting year is disclosed in the statement of income and expense.

During the reporting year, related parties acquired 16,775.7787 investment certificates (2007: 1,277.8423 certificates) and sold back 11,821.2810 investment certificates (2007: 3,330.0916 certificates).

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

17. Dynamics of net asset value

	31/12/2008	31/12/2007	31/12/2006
Net assets (LVL)	9,018,007	10,142,394	6,818,596
Number of investment certificates	2,085,608	1,571,327	984,722
Value of investment fund's shares (LVL)	4.32	6.45	6.92
Performance on investment fund's shares*	(32.89)%	(6.79)%	(4.29)%

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

	31/12/2008	31/12/2007	31/12/2006
Net assets (USD)**	18,183,475	21,488,056	12,738,886
Number of investment certificates	2,085,608	1,571,327	984,722
Value of investment fund's shares (USD)	8.72	13.68	12.94
Performance on investment fund's shares*	(36.18)%	5.72%	6.84%

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

** The net asset value in US dollars 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 Bond Fund

Report on the Financial Statements

We have audited 2008 financial statements of opened-end investment fund Parex Eastern European Bond Fund (hereinafter – the Fund), which are set out on pages 9 through 27 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.

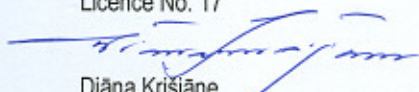
Opinion

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 – 6 of the accompanying 2008 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