

**OPEN-END INVESTMENT FUND
Parex Russian Equity Fund**

**ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2009**

(6th financial year)

**PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS
AS ADOPTED BY THE EUROPEAN UNION
TOGETHER WITH INDEPENDENT AUDITORS' REPORT**

Riga, 2010

**AIF “Parex Russian Equity Fund”
Annual report for the year ended 31 December 2009
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AIF "Parex Russian Equity Fund"
Annual report for the year ended 31 December 2009
Information on the investment fund

Name of the fund:	Parex Russian Equity Fund
Type of fund:	Open-end investment fund
Registration date of the fund:	5 March 2004
Number of the fund:	06.03.04.098/13
Name of the investment management company:	"Parex Asset Management" IPAS
Registered office of the investment management company:	Republikas laukums 2a, Riga, LV-1010, 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" JSC
Registered office of the custodian bank:	Republikas laukums 2a, Riga, LV-1522, Latvia
Registration number of the custodian bank:	40003074590
Names and positions of Council Members, Board Members of the investment management company:	<p><i>Council of the investment management company:</i> Chairman of the Council – Nils Melngailis – appointed on 01.04.2009. Council Member – Solvita Deglava – appointed on 26.03.2010. Council Member – Anatolijs Fridmans – appointed on 01.04.2009. Council Member - James R.Breiding – appointed on 01.04.2009. Chairman of the Council – Mārtiņš Jaunarājs – resigned on 30.01.2009. Council Member – Glenn Frank Woo - resigned on 30.01.2009. Council Member – Arvīds Stīpols – resigned on 01.04.2009. Council Member – Raitis Černajs – resigned on 01.04.2009. Council Member – Deniss Grigorenko – resigned on 01.04.2009. Deputy Chairman of the Council – Roberts Stučis – resigned on 26.03.2010.</p> <p><i>Board of the investment management company:</i> 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 – Zigurds Vaikulis – appointed on 30.03.2007. Board Member – Igors Petrovs - appointed on 22.05.2008. Board Member – Rems Kargins – resigned on 15.01.2009.</p>
The related rights and obligations of the management of the investment fund	All the duties of the Council and Boards members stated in the Statutes of the Law of Latvian Republic and Statutes of the investment management company are performed by the Council and Board members.
Names of Fund Managers (investment committee members)	Edgars Makarovs Kristiāna Ķiete – appointed on 09.10.2008 Vitālijs Šostaks – appointed on 10.11.2009 Antons Ļubenko – resigned on 10.11.2009

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Information on the investment fund

The related rights and obligations of the management of the investment fund

All the duties of the Fund managers stated in the Statutes of the Law of Latvian Republic and Statutes of the investment management company and Fund Prospectus are performed by the Fund managers

Auditor:

PricewaterhouseCoopers SIA
Certified audit company licence No. 5
Kr. Valdemāra street 19
LV-1010, Riga

Ilandra Lejiņa
Certified auditor in charge
Certificate No. 168

AIF "Parex Russian Equity Fund"
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Investment management company report

The assets of the open-end investment fund Parex Russian Equity Fund (hereinafter - the Fund) are managed by the asset management company Parex Asset Management, registered office at Republikas laukums 2a, Riga, LV-1010, 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 investment objective of the Fund is to achieve long-term capital gains through investments mainly in equity shares of those companies which are incorporated or operating mainly in the Russian Federation. The Fund generates income from appreciation of shares and dividend payments. The Fund's functional currency is US dollar.

Year 2009 has turned out to be an eventful year for the Russian stock market. Investors' disposition ranged from panic selling to euphoric buying. In the first quarter of the reporting year the Russian stock market suffered heavy losses as investors continued to flee from all risk assets as a result of crisis in 2008. But the disposition changed soon. At the end of March, the stock market recovery has started and continued until the end of the year, with stock market reaching its strongest position ever.

Global expansionary monetary policy implementation and analysts' expectations of a quick recovery of economic, contributed to investors' risk appetite return, which allowed Russia's RTS stock market index to increase by 128.62% during the reporting period. In 2009, the Fund's net assets increased by 70.6%, reaching LVL 4,472,811 as at the end of the reporting year. The Fund's value per share increased over the year by LVL 5.28, reaching LVL 9.57. The Fund's annualised performance amounted to 123.27% in Latvian lats and 126.10% in US dollars, which is the Fund's functional currency.

During the reporting period the Fund's structure was not significantly changed. The Manager of the Fund had made fundamental changes in asset structure already in 2008, paying more attention to the Fund's overall liquidity and the placement of free capital. Upon commencement of the risk asset liquidation, prices of oil were exposed to a large selling pressure, as the result oil prices were unreasonably low at the beginning of the 2009. Seeing the growth potential the Company used the free capital to increase the exposure in energy sector, which at the end of the year amounted to 34.1% of the Fund's assets. In its investment decisions the Company continued to give preference to the raw material industry and utility service providers, comprising 15.7% and 12.2% of the Fund's total assets respectively. Meanwhile investments into telecommunications service sector were decreased by 1.2 percentage points as compared to the previous year, the total portion reaching 8.1% of the Fund's assets. Portion of investments made in other sectors maintained at approximately the same levels as at the beginning of the period. A large part of the Fund's income was generated from investments in energy resources sector, utilities providers and food trading industries.

In the reporting year, the management fee was paid from the Fund's assets in the amount of USD 182,999, or 2.52% of the average asset value for the year, which does not exceed the maximum expense limit fixed in the Prospectus, i.e. 4.00%.

Since the end of the reporting year no significant events had occurred that could leave an impact on the Fund's value. Year 2010 has commenced peacefully and without shocks.

The increased liquidity created by world countries' governments and central banks, was one of the key factors in the 2009, which contributed to the high demand for risk assets, including the Russian equities. Looking forward, it is unlikely that monetary incentives for the next 3-6 months will be terminated – recovery of the global economy is currently based on these. Maintaining demand for risky assets at the same level, further cash inflow to the Russian stock market is expected. Despite the moderately positive view on this market, the possibility of market fluctuation risks, which can significantly affect the Fund's value, could not be eliminated.

 Roberts Idelsons
 President/ Chairman of the Board

 Edgars Makarovs
 Member of the Investment
 Committee

 Vitālijs Šostaks
 Member of the Investment
 Committee

 Kristiāna Kīete
 Member of the Investment
 Committee

Riga,
 28 April 2010

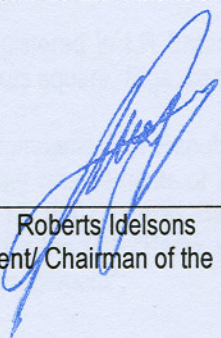
AIF "Parex Russian Equity Fund"
Annual report for the year ended 31 December 2009
Statement of responsibility of the Board of the investment management company

The Board of the investment management company (hereinafter - the Company) is responsible for the preparation of the financial statements of the investment fund Parex Russian Equity Fund (hereinafter - the Fund).

The financial statements set out on pages 9 to 24 are prepared in accordance with the source documents and present fairly the financial position of the Fund as at 31 December 2008 and 31 December 2009 and the results of its operations for the respective periods then ended.

The financial statements are prepared in accordance with International Financial Reporting Standards as adopted in the European Union, as set out in the Regulations of the Financial and Capital Market Commission (FCMC) on Annual Reports of Investment Funds, 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 Russian Equity 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,
28 April 2010

CUSTODIAN BANK REPORT

For holders of
OIF "Parex Russian Equity fund"
Investment fund applications

2.25.7.-01/05

With this Parex Bank JSC, which is registered in LR Enterprise register on May 14, 1992 with No. 40003074590 and located at 2a Republikas square, 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 April 13, 2007., Parex Bank JSC, (further in the text - Custodian) carries out functions of custodian bank for the OIF "Parex Russian Equity 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 Russian Equity 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.



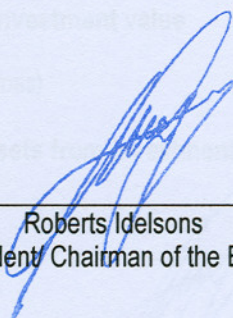
Nils Melngailis
Chairman of the Board, p.p.

Riga, February 16, 2010



AIF "Parex Russian Equity Fund"
Annual report for the year ended 31 December 2009
Statement of financial position
(LVL)

Notes	31.12.2009.	31.12.2008.
Assets		
3	Demand deposits with credit institutions 319,095	639,504
4	Financial assets held for trading Shares 4,162,784	2,132,100
	Total assets 4,481,879	2,771,604
Liabilities		
5	Accrued liabilities (9,068)	(5,946)
	Total liabilities (9,068)	(5,946)
	Net assets 4,472,811	2,765,658

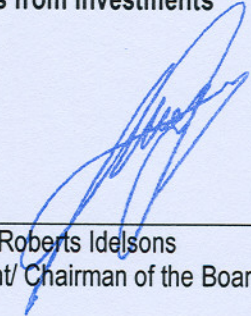


 Roberts Idelsons
 President/ Chairman of the Board

Riga,
 28 April 2010

AIF "Parex Russian Equity Fund"
Annual report for the year ended 31 December 2009
Statement of comprehensive income
(LVL)

Notes	2009	2008
Income		
6	26,109	19,926
	61,969	102,323
	88,078	122,249
Expenses		
	(73,024)	(146,591)
	(5,856)	(11,354)
	(2,812)	(3,261)
	(81,692)	(161,206)
Increase / (decrease) in investment value		
7	870,197	(1,522,557)
8	2,040,797	(6,651,491)
	2,910,994	(8,174,048)
	(93,414)	709,498
	2,823,966	(7,503,507)



 Roberts Idelsons
 President/ Chairman of the Board

Riga,
28 April 2010

AIF "Parex Russian Equity Fund"
Annual report for the year ended 31 December 2009
Statement of changes in net assets
(LVL)

	2009	2008
Net assets as at the beginning of the reporting period	2,765,658	9,409,722
Increase / (decrease) in net assets from investment activities	2,823,966	(7,503,507)
Transactions with investment certificates:		
<i>Inflow from sale of investment certificates</i>	2,212,971	6,074,210
<i>Outflow on redemption of investment certificates</i>	(3,329,784)	(5,214,767)
(Decrease) / increase in net assets from transactions with investment certificates	(1,116,813)	859,443
Increase/ (decrease) in net assets for the reporting period	1,707,153	(6,644,064)
Net assets as at the end of the reporting period	4,472,811	2,765,658
Issued investment certificates as at the beginning of the reporting period	645,011	612,101
Issued investment certificates as at the end of the reporting period	467,210	645,011
Net asset value per investment certificate as at the beginning of the reporting period	4.29	15.37
Net asset value per investment certificate as at the end of the reporting period	9.57	4.29

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

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Statement of cash flows
(LVL)

	<u>2009</u>	<u>2008</u>
Interest income	26,109	19,926
Dividend income	61,969	102,323
Investment management expense	(78,664)	(171,861)
Acquisition of financial assets	(1,898,344)	(3,734,215)
Disposal of financial assets	2,676,882	2,509,949
Foreign currency conversion result	(476)	(9,165)
Increase/ (decrease) in cash from operating activities	<u>787,476</u>	<u>(1,283,043)</u>
Inflow from sale of investment certificates	2,212,971	6,074,210
Outflow on redemption of investment certificates	(3,329,784)	(5,214,767)
(Decrease) / increase in cash from financing activities	<u>(1,116,813)</u>	<u>859,443</u>
Decrease in cash during the reporting period	<u>(329,337)</u>	<u>(423,600)</u>
Cash as at the beginning of the reporting period	639,504	1,062,165
Result of revaluation of cash denominated in foreign currencies	<u>8,928</u>	<u>939</u>
Cash as at the end of the reporting period	<u><u>319,095</u></u>	<u><u>639,504</u></u>

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

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Notes
(LVL)

1. General information

Name of the fund:	Parex Russian Equity Fund
Type of the fund:	Open-end investment fund
Fund's business activity:	Investments mainly in equity shares of corporate entities incorporated or mainly operating in Russia.
Name of the investment management company:	“Parex Asset Management” IPAS Republikas laukums 2a, Riga, LV-1010, Latvia

2. Summary of significant accounting policies

Basis of preparation

The financial statements of AIF Parex Caspian Sea Equity Fund have been prepared in accordance with International Financial Reporting Standards as adopted in the European Union, as set out in the Regulations of the Financial and Capital Market Commission (hereinafter - FCMC) on Annual Reports of Investment Funds.

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 2009 through 31 December 2009.

Critical accounting estimates and judgements

The preparation of the financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires investment management company's management to exercise its judgement in the process of applying the Fund's accounting policies. IFRS requires that in preparing the financial statements, the management makes estimates and assumptions that affect the reported amounts of assets and liabilities and required disclosure at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Income and expense recognition

Interest income and expense items are recognised on an accruals basis.

Interest income and expense are recognized in the income statement by taking into account the effective interest rate of assets/liabilities. Interest income and expense include amortization of discount or premium or other differences between the accounting amount of an initial interest bearing instrument and its amount at the moment of its redemption, calculated by the effective interest rate method. In the case of impaired interest income bearing asset, calculation of interest is continued by applying the effective interest rate method.

Dividend income is recognised when dividends are received.

Remuneration to investment management company of the Fund and the custodian bank are calculated monthly at a fixed rate of the Fund's assets and are recognized in the income statement on an accruals basis.

Foreign currency translation

The Fund's functional currency is USA dollar 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 lat, which is the presentation currency of the Fund.

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 comprehensive income as gain or loss from the revaluation of foreign currency positions.

**AIF “Parex Russian Equity Fund”
Annual report for the year ended 31 December 2009**

**Notes
(LVL)**

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>31.12.2009</u>	<u>31.12.2008</u>
USD	0.489	0.495
SEK	0.0678	0.0635

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.

Financial instruments

Financial instruments are classified in the following categories: financial assets at fair value through profit or loss and held to maturity. The classification depends on the purpose of financial instrument acquisition. The management determines classification of financial instruments at their original recognition.

Financial assets and liabilities at fair value through profit or loss

Financial instruments at fair value through profit or loss include assets held for trading. Fund does not have any financial assets that are designated as at fair value through profit and loss.

Financial instruments held to maturity

Financial instruments held to maturity are with fixed or determinable payments and fixed maturity that the Plan has the positive intention and ability to hold to maturity. Assets held to maturity comprise debt securities with fixed income.

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 comprehensive income 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 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.

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.

On 1 December 2009 Saeima has approved changes to the law “On the personal income tax”, stating that starting with 1 January 2010 capital gains are subject to 15% tax charge. For investment funds capital gain is a difference between selling price and purchase price of investment certificates. In accordance with transition norms of the law “On the personal income tax”, in order to calculate income from sale of investment certificates purchased before endorsement of

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(LVL)

the law (before 01.01.2010) one has to apportion difference between selling and purchase value to the number of months investment held and multiply this by number of months investment held from 01.01.2010 until the settlement date. Changes in the law are applicable only to private persons being residents of the Republic of Latvia.

Adoption of new or revised standards and interpretations

Certain new IFRSs became effective from 1 January 2009. Listed below are those new or amended standards or interpretations which are relevant to the Fund's operations and the nature of their impact on the Fund's accounting policies.

IAS 1, Presentation of Financial Statements, revised in September 2007. The main change in IAS 1 is the replacement of the income statement by a statement of comprehensive income which includes all non-owner changes in equity. Alternatively, entities are allowed to present two statements: a separate income statement and a statement of comprehensive income. The Fund has elected to present a single statement of comprehensive income. The revised IAS 1 also introduces a requirement to present a statement of financial position (balance sheet) at the beginning of the earliest comparative period whenever the entity restates comparatives due to reclassifications, changes in accounting policies, or corrections of errors. The revised IAS 1 had an impact on the presentation of the Fund's financial statements but had no impact on the recognition or measurement of specific transactions and balances.

Improving Disclosures about Financial Instruments - Amendment to IFRS 7, Financial Instruments: Disclosures, issued in March 2009. The amendment requires enhanced disclosures about fair value measurements and liquidity risk. The entity is required to disclose an analysis of financial instruments using a three-level fair value measurement hierarchy. The amendment requires disclosure of remaining contractual maturities of financial derivatives if the contractual maturities are essential for an understanding of the timing of the cash flows. An entity will further have to disclose a maturity analysis of financial assets it holds for managing liquidity risk, if that information is necessary to enable users of its financial statements to evaluate the nature and extent of liquidity risk. The enhanced disclosures are included in these financial statements.

Certain new IFRSs became effective from 1 January 2009. Listed below are those new or amended standards or interpretations which are not relevant to the Fund's operations and policies.

- IAS 23, Borrowing Costs, revised in March 2007.
- Puttable Financial Instruments and Obligations Arising on Liquidation—IAS 32 and IAS 1 Amendment.
- Vesting Conditions and Cancellations—Amendment to IFRS 2, Share-based Payment.
- IFRS 8, Operating Segments.
- IFRIC 13, Customer Loyalty Programmes.
- IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'.
- Embedded Derivatives - Amendments to IFRIC 9 and IAS 39, issued in March 2009.
- IFRIC 15, Agreements for the Construction of Real Estate.
- IFRIC 16, Hedges of a Net Investment in a Foreign Operation.
- Improvements to International Financial Reporting Standards (issued in May 2008). The amendments did not have an impact on the policies of the Fund.

Certain new standards and interpretations have been published that become effective for the accounting periods beginning on or after 1 July 2009 or later periods and which are not early adopted by the Fund.

- IAS 27, Consolidated and Separate Financial Statements (revised January 2008; effective for annual periods beginning on or after 1 July 2009).
- Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate—IFRS 1 and IAS 27 Amendment, issued in May 2008.
- Eligible Hedged Items—Amendment to IAS 39, Financial Instruments: Recognition and Measurement (effective with retrospective application for annual periods beginning on or after 1 July 2009).
- IFRS 1, First-time Adoption of International Financial Reporting Standards (following an amendment in December 2008, effective for the first IFRS financial statements for a period beginning on or after 1 July 2009).
- IFRIC 12, 'Service concession arrangements' (effective for annual periods beginning on or after 1 January 2008. Effective for annual periods beginning on or after 30 March 2009 for companies that prepare financial statements based on the IFRS as adopted by the EU.).
- IFRIC 17, Distributions of Non-Cash Assets to Owners (effective for annual periods beginning on or after 1 July 2009).
- IFRIC 18, Transfers of Assets from Customers (effective for annual periods beginning on or after 1 July 2009).

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(LVL)

- Group Cash-settled Share-based Payment Transactions - Amendments to IFRS 2, Share-based Payment (effective for annual periods beginning on or after 1 January 2010).
- Improvements to International Financial Reporting Standards (issued in April 2009; amendments to IFRS 2, IAS 38, IFRIC 9 and IFRIC 16 are effective for annual periods beginning on or after 1 July 2009; amendments to IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 36 and IAS 39 are effective for annual periods beginning on or after 1 January 2010).

Certain new standards and interpretations have been published that become effective for the accounting periods beginning on or after 1 January 2010 or later periods and which have not been endorsed by the EU:

- IFRS 3, Business Combinations (revised January 2008; effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009).
- Amendment to IAS 24, Related Party Disclosures (issued in November 2009 and effective for annual periods beginning on or after 1 January 2011).
- Classification of Rights Issues - Amendment to IAS 32 (issued 8 October 2009; effective for annual periods beginning on or after 1 February 2010).
- Additional Exemptions for First-time Adopters - Amendments to IFRS 1, First-time Adoption of IFRS (effective for annual periods beginning on or after 1 January 2010).
- IFRS 9, Financial Instruments Part 1: Classification and Measurement. IFRS 9 was issued in November 2009 and replaces those parts of IAS 39 relating to the classification and measurement of financial assets. While adoption of IFRS 9 is mandatory from 1 January 2013, earlier adoption is permitted.
- Amendment to IFRIC 14, 'Payments of a minimum funding requirement' (effective for annual periods beginning on or after 1 January 2011).
- IFRIC 19, Extinguishing financial liabilities with equity instruments (effective for annual periods beginning on or after 1 July 2010).
- The International Financial Reporting Standard for Small and Medium-sized Entities (issued in July 2009) is a self-contained standard, tailored to the needs and capabilities of smaller businesses.

3. Demand deposits with credit institutions

	31.12.2009.	31.12.2008.	% of Fund's net assets as at 31.12.2009.
Demand deposits with credit institutions, AS Parex banka	319,095	639,504	7.13%
Total demand deposits	319,095	639,504	7.13%

The Fund receives interest on demand deposits at fixed rates.

4. Shares and other non- fixed income securities

	31.12.2009.	31.12.2008.	% of Fund's net assets as at 31.12.2009.
Equity shares:			
Non-OECD region equity shares	4,162,784	2,132,100	93.07%
Total shares:	4,162,784	2,132,100	93.07%

All equity shares of corporate entities are classified as held-for-trading securities. All shares are listed, except for shares with the book value as at 31 December 2009 in the amount of LVL 115,446 (2008: LVL 34,856), whereon purchase and sale information has been included in special listings, but which are traded over the counter.

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(LVL)

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

Financial instrument	Currency	Amount	Acquisition value	Carrying amount as at 31.12.2009.	% of Fund's net assets as at 31.12.2009.
Financial instruments traded on regulated markets			4,104,997	4,162,784	93.07%
Russian issuers:			4,104,997	4,162,784	93.07%
LUKOIL	USD	12,700	508,614	329,146	7.36%
SBERBANK	USD	191,000	134,036	248,440	5.55%
MOBILE TELESYSTEMS	USD	9,600	137,293	228,147	5.10%
MAGNIT	USD	6,300	142,593	209,488	4.68%
SURGUTNEFTEGAZ	USD	47,643	124,177	208,512	4.66%
GAZPROM	USD	16,050	155,904	188,834	4.22%
ROSNEFT OIL	USD	43,000	176,778	164,010	3.67%
NORILSK NICKEL	USD	2,403	250,917	160,984	3.60%
HOLDING MRSK	USD	2,835,040	75,494	148,338	3.32%
FSK EES	USD	29,425,317	206,364	143,890	3.22%
NOVATEK	USD	4,350	52,649	134,860	3.02%
RUSHYDRO	USD	7,339,506	90,581	132,793	2.97%
URALKALY	USD	56,800	95,227	111,100	2.48%
POLYMETAL	USD	24,000	80,838	106,211	2.37%
POLUS GOLD	USD	4,000	80,564	93,888	2.10%
PHARMSTANDARD	USD	9,800	48,234	90,812	2.03%
GAZPROM	USD	33,000	96,361	88,754	1.98%
NOVOROSSIYSK COMMERCIAL SEA PORT	USD	14,600	38,068	85,673	1.92%
POWER MACHINES	USD	950,000	55,189	81,296	1.82%
POLYUS GOLD	USD	5,550	40,906	74,498	1.67%
COMSTAR UNITED TELESYSTEMS	USD	27,500	72,857	73,289	1.64%
ROSNEFT OIL	USD	18,000	46,501	72,617	1.62%
RASPADSKAYA	USD	31,000	109,017	70,793	1.58%
WIMM-BILL-DANN FOODS	USD	6,400	22,559	68,663	1.54%
SISTEMA	USD	5,800	56,760	61,460	1.37%
OGK-4	USD	2,416,603	53,005	56,132	1.25%
KUZBASSRAZREZUGOL	USD	300,000	101,683	54,279	1.21%
UFANEFTEKHIM	USD	36,000	76,872	52,372	1.17%
SILVINIT	USD	133	43,766	48,778	1.09%
SURGUTNEFTEGAZ	USD	210,000	43,288	47,237	1.06%
SOLLERS	USD	6,375	68,711	42,864	0.96%
FAR EAST SHIPPING	USD	238,500	118,230	40,819	0.91%
SURGUTNEFTEGAZ	USD	100,000	44,827	40,343	0.90%
VEROPHARM	USD	3,027	43,796	38,337	0.86%
BASHKIRENERGO	USD	76,288	45,883	37,305	0.83%
TNK BP	USD	43,000	36,525	36,061	0.81%
UFAORGSINTEZ	USD	19,300	40,573	33,504	0.75%
WIMM-BILL-DANN FOODS	USD	1,500	43,390	31,541	0.71%
NOVOLIPETSK STEEL	USD	1,900	10,227	27,715	0.62%
GLOBALTRANS INVESTMENT	USD	5,616	35,223	26,776	0.60%
SEVERSTAL	USD	5,799	11,593	24,756	0.55%
VSMPO - AVISMA	USD	662	63,398	21,689	0.48%
BLACK EARTH FARMING	SEK	13,000	52,157	19,920	0.45%
TRANSNEFT	USD	52	20,953	19,071	0.43%
LUKOIL	USD	650	13,796	17,672	0.40%
RBC INFORMATION SYSTEMS	USD	21,200	71,597	12,959	0.29%
TRANSSTROY	USD	15,000	70,305	12,103	0.27%
HOLDING MRSK	USD	324,970	-	9,535	0.21%
SITRONICS	USD	14,000	78,439	8,900	0.20%
YENISEI TERRITORIAL GENERATING	USD	5,291,744	-	6,728	0.15%
MOSENERGO	USD	100,268	-	4,952	0.11%
ARZAMAS INSTRUMENT ENGINEERING FACTORY	USD	60	16,310	3,990	0.09%

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Financial instrument	Currency	Amount	Acquisition value	Carrying amount as at 31.12.2009.	% of Fund's net assets as at 31.12.2009.
INTERGENERACIA	USD	2,198,200	-	3,440	0.08%
ENGINEERING CENTRE	USD	1,335	-	1,958	0.04%
CENTRENERGHOLDING	USD	655,663	-	1,186	0.03%
ARMADA	USD	250	1,969	795	0.02%
SIBENERGOHOLDING	USD	603,944	-	886	0.02%
INTERGENERACIA	USD	1,142,885	-	559	0.01%
SIBENERGOHOLDING	USD	314,002	-	384	0.01%
CENTRENERGHOLDING	USD	340,892	-	417	0.01%
TGK-14	USD	2,898,867	-	142	0.00%
TGK-6	USD	7	-	-	0.00%
TGK-11 HOLDING	USD	105,113	-	57	0.00%
TGK-11 HOLDING	USD	202,171	-	126	0.00%
Total shares			4,104,997	4,162,784	93.07%

5. Accrued liabilities

	31.12.2009.	31.12.2008.
Accrued commission fees payable to investment management company	7,733	4,946
Accrued commission fees payable to custodian bank	610	403
Accrued fees payable for professional services	725	597
Total accrued liabilities	9,068	5,946

6. Interest income

	2009	2008
Interest income from demand deposits with credit institutions	26,109	19,926
Total interest income	26,109	19,926

7. Realised increase / (decrease) in investment value

	2009	2008
Income from sale of investments	2,759,719	2,907,424
Increase / (decrease) in value of investments sold, recognised in the prior reporting periods	1,797,660	(1,706,564)
Acquisition value of investments sold	(3,687,182)	(2,723,417)
Realised increase / (decrease) in investment value	870,197	(1,522,557)

8. Unrealised increase / (decrease) in investment value

	2009	2008
From shares	2,040,797	(6,651,491)
Total unrealised increase / (decrease) in investment value	2,040,797	(6,651,491)

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9. Change in investments during the reporting period

	31.12.2008.	Increase during the reporting period	Decrease during the reporting period	Foreign currency revaluation result	Fair value revaluation result	31.12.2009.
Financial investments held for trading Shares and other non-fixed income securities	2,132,100	1,898,344	(2,676,882)	(101,772)	2,910,994	4,162,784
Total investments	2,132,100	1,898,344	(2,676,882)	(101,772)	2,910,994	4,162,784

10. Pledged assets

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

11. Fair values of financial assets and liabilities

The management of the investment management company 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.

12. 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.

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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.

As at the end of the reporting period, the beta (a ratio showing the change in the Fund's performance relative to the overall market) was 0.67. The beta was calculated on the basis of the data for the year 2009. The RTS index (Russian stock market index) was selected as the market index. The changes of the market index are calculated as annualised standard deviation.

Market changes	Changes of the Fund's value
58.2%	40.7%

Currency risk

Currency risk arises when the nominal value of Fund's securities or other instruments differs from the Fund's currency (U.S dollars). 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. Currency risk is also minimised by the diversification effect, which arises in situations when the Fund has several currencies, and changes in exchange rates of those currencies are not closely interrelated.

The table below shows the Fund's assets and liabilities by currency profile as at 31 December 2009.

	EUR	USD	SEK	Total
Assets				
Demand deposits with credit institutions	-	319,095	-	319,095
Financial investments held for trading Shares	-	4,142,864	19,920	4,162,784
Total assets	-	4,461,959	19,920	4,481,879
Liabilities				
Accrued liabilities	(725)	(8,343)	-	(9,068)
Total liabilities	(725)	(8,343)	-	(9,068)
Net assets	(725)	4,453,616	19,920	4,472,811
<i>Net long / (short) position</i>	(0.02)%	99.57%	0.45%	100.00%

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

	EUR	USD	SEK	RUB	Total
Assets					
Demand deposits with credit institutions	-	594,931	-	44,573	639,504
Financial investments held for trading Shares	-	2,116,993	15,107	-	2,132,100
Total assets	-	2,711,924	15,107	44,573	2,771,604
Liabilities					

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	EUR	USD	SEK	RUB	Total
Accrued liabilities	(597)	(5,349)	-	-	(5,946)
Total liabilities	(597)	(5,349)	-	-	(5,946)
Net assets	(597)	2,706,575	15,107	44,573	2,765,658
<i>Net long/ (short) position</i>	(0.02)%	97.86%	0.55%	1.61%	100.00%

At the end of the reporting period, the majority of the Fund's currency was in the U.S. dollar (more than 99% of the Fund's net assets). Thus, the exchange rate risk is not essential of the Fund, as the measurement currency of the Fund is the U.S. dollar.

Effect on the currency exchange rate changes of the Fund's value are represented in the table below. Changes in exchange rates are appropriate to the one standard deviation rate calculated of 2008 data basis.

Currency	Density in Fund (% of assets)	Currency exchange to USD	Effect on Fund value
EUR	-0.02%	14.0%	0.00%
USD	97.86%	0.0%	0.00%
SEK	0.55%	18.7%	0.10%
RUB	1.61%	9.4%	0.15%
Total	100.00%		0.25%

Concentration risk

The issuer's industry and geographic position are additional 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. 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 2009.

	Latvia	Other non- OECD region countries	Total
Assets			
Demand deposits with credit institutions	319,095	-	319,095
Financial investments held for trading			
Shares	-	4,162,784	4,162,784
Total assets	319,095	4,162,784	4,481,879
Liabilities			
Accrued liabilities	(9,068)	-	(9,068)
Total liabilities	(9,068)	-	(9,068)
Net assets	310,027	4,162,784	4,472,811

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

	Latvia	Other non- OECD region countries	Total
Assets			
Demand deposits with credit institutions	639,504	-	639,504
Financial investments held for trading Shares	-	2,132,100	2,132,100
Total assets	639,504	2,132,100	2,771,604
Liabilities			
Accrued liabilities	(5,946)	-	(5,946)
Total liabilities	(5,946)	-	(5,946)
Net assets	633,558	2,132,100	2,765,658

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

Country	Carrying amount as at 31.12.2009.	Carrying amount as at 31.12.2008.	% of Fund's net assets as at 31.12.2009.
Russia	4,162,784	2,132,100	93.07%
Latvia	310,027	633,558	6.93%
Total	4,472,811	2,765,658	100.00%

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

	31.12.2009.	31.12.2008.	% of Fund's net assets as at 31.12.2009.
Energy resources	1,524,561	700,353	34.08%
Raw materials	703,123	434,862	15.72%
Public utilities	546,870	276,163	12.23%
Telecommunications services	362,896	258,881	8.11%
Commercial banks	248,440	124,745	5.55%
Retail of food and consumer goods	209,488	92,833	4.68%
Transportation	165,371	93,163	3.70%
Pharmacy	129,149	24,623	2.89%
Food, beverages, tobacco	120,124	44,488	2.69%
Capital goods	85,286	40,828	1.91%
Production of cars and car parts	42,864	24,503	0.96%
Mass media	12,959	5,352	0.29%
Technical supply and service	8,900	1,386	0.20%
Professional services	1,958	661	0.04%
Software and related services	795	124	0.02%
Household and beauty products	-	9,135	0.00%
Total shares	4,162,784	2,132,100	93.07%

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

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losses. Investments in the market of the Caspian Sea region are associated with a high risk that various assets may have a temporarily illiquid market. This may give rise to a situation that financial instruments or other assets cannot be sold at all or can be sold at a lower value.

The table below shows the Fund's assets and liabilities by maturity profile as at 31 December 2009.

	Within 1 month	1-3 months	Total
Assets			
Demand deposits with credit institutions	319,095	-	319,095
Financial investments held for trading Shares	4,162,784	-	4,162,784
Total assets	4,481,879	-	4,481,879
Liabilities			
Accrued liabilities	(8,343)	(725)	(9,068)
Total liabilities	(8,343)	(725)	(9,068)
Net assets	4,473,536	(725)	4,472,811
<i>Net position %</i>	<i>100.02%</i>	<i>(0.02)%</i>	<i>100.00%</i>

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

	Within 1 month	Total
Assets		
Demand deposits with credit institutions	639,504	639,504
Financial investments held for trading Shares	2,132,100	2,132,100
Total assets	2,771,604	2,771,604
Liabilities		
Accrued liabilities	(5,946)	(5,946)
Total liabilities	(5,946)	(5,946)
Net assets	2,765,658	2,765,658
<i>Net position %</i>	<i>100.00%</i>	<i>100.00%</i>

13. 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:

	31.12.2009.	31.12.2008.	% of total certificates as at 31.12.2009.
Investment certificates held by related parties	-	612	0.00%
Investment certificates held by other persons	467,210	644,399	100.00%
Investment certificates issued as at the end of the period	467,210	645,011	100.00%

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14. 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 comprehensive income (see Note 5), and the Fund's cash resources are held with AS Parex banka (see Note 3).

The remuneration paid to the investment management company during the reporting year is disclosed in the statement of comprehensive income (also see Note 5).

During the reporting year, related parties did not acquire investment certificates (2008: 612 certificates) and sold 612 investment certificates (2008: 757 certificates).

15. Dynamics of the Fund's performance

	31.12.2009.	31.12.2008.	31.12.2007.
Net assets(LVL)	4,472,811	2,765,658	9,409,722
Number of the investment certificates	467,210	645,011	612,101
Value of investment certificates (LVL)	9.57	4.29	15.37
Performance on investment certificates *	123.27%	(72.01)%	23.55%
	31.12.2009.	31.12.2008.	31.12.2007.
Net assets (USD)*	9,147,130	5,585,966	19,441,812
Number of the investment certificates	467,210	645,011	612,101
Value of investment certificates (LVL)	19.58	8.66	31.76
Performance on investment certificates	126.10%	(72.64)%	36.90%

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

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

Translation from Latvian original*

INDEPENDENT AUDITORS' REPORT

To the Shareholders of AIF Parex Russian Equity Fund

Report on the Financial Statements

We have audited the accompanying financial statements on pages 9 to 24 of AIF Parex Russian Equity Fund which comprise the statement of financial position as of 31 December 2009 and the statement of comprehensive income, statement of changes in net assets and 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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards as adopted by the European Union. 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.

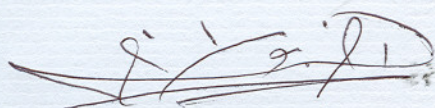
Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of AIF Parex Russian Equity Fund as of 31 December 2009, and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union.

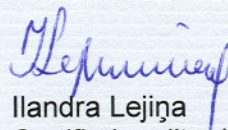
Report on Other Legal and Regulatory Requirements

We have read the Management Report set out on page 5 and did not identify material inconsistencies between the financial information contained in the Management Report and that contained in the financial statements for 2009.

PricewaterhouseCoopers SIA
Certified audit company
Licence No. 5



Ahmed Abu Sharkh
Chairman of the Board



Ilandra Lejiņa
Certified auditor in charge
Certificate No. 168

Riga, Latvia
30 April 2010

* This version of our report is a translation from the original, which was prepared in Latvian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.