

OPERATION OF INVESTMENT MANAGEMENT COMPANIES AND INVESTMENT FUNDS

GENERAL INFORMATION

By end-3Q 2009, there were 16 investment management companies in the Republic of Latvia that managed 32 investment funds (23 open-end and nine closed-end funds). The number of investment certificates issued slightly increased in 3Q 2009 and at end of reporting period totalled 63.3 million.

At the end of reporting period 10 investment management companies offered also 27 State-funded pension scheme investment plans, whereas authorisation for public circulation of investment certificates of investment funds in the territory of the Republic of Latvia was granted to 18 foreign investment fund management companies.

In the reporting quarter total assets of investment management companies grew by 30.4% and at end September totalled 21.6 million lats.

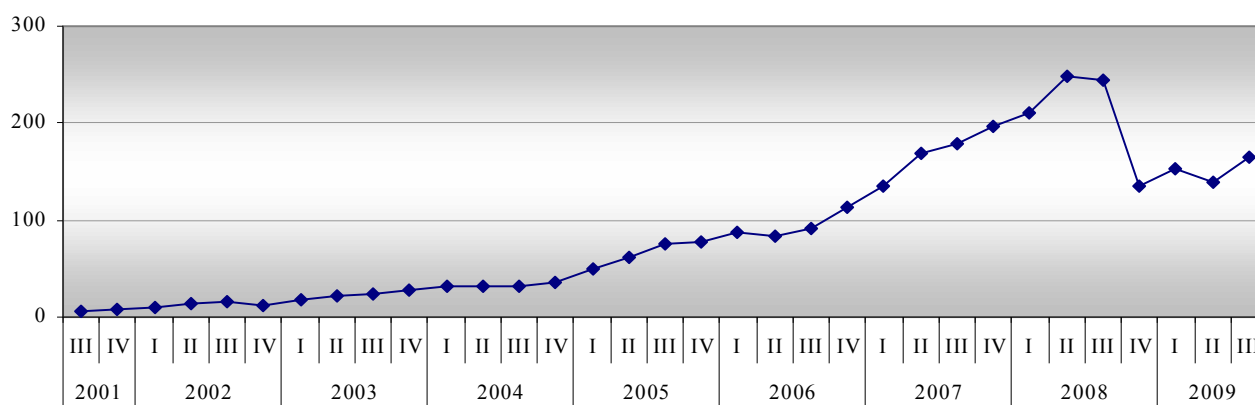
In three quarters of 2009, investment management companies earned the total of 3,453 thousand lats¹ after tax (compared to 2,589 thousand lats in the respective period of 2008), whereas the average return on assets (ROA) of investment management companies was 6.4%, but average return on equities (ROE) – 7.6% (compared to 5.4% and 6.0% on 30 September 2008).

INVESTMENT FUNDS

In 3Q 2009, total investment fund assets grew by 25.2 million lats, or 18.2%, and their amount at end September totalled 164.2 million lats (see Figure 1).

Figure 1

INVESTMENT FUND ASSETS
(million lats)



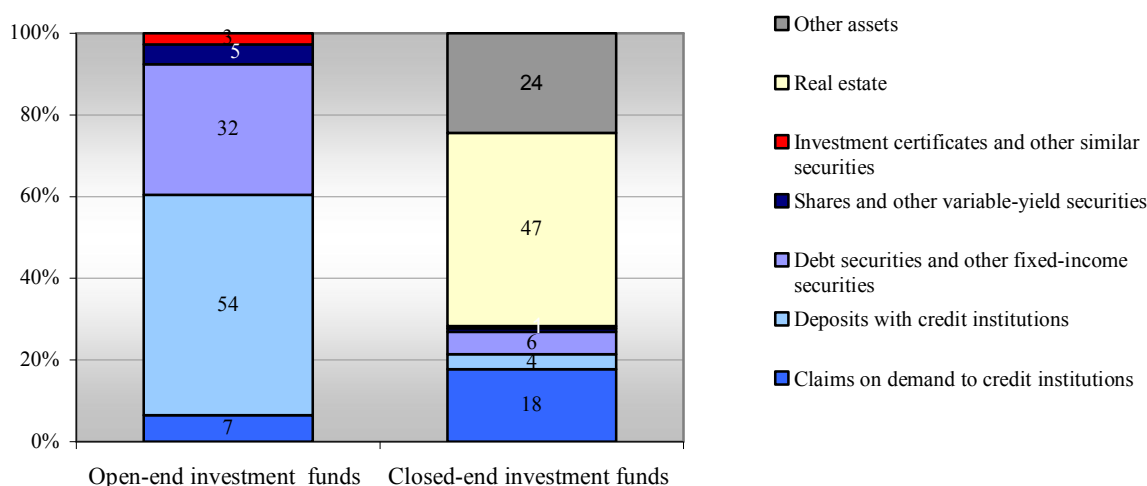
The structure of investment fund assets reflects the types of investments authorized for the funds, namely, permission to invest fund assets in financial instruments and deposits with credit institutions, while for the closed-end funds – to invest also in real estate. The share of open-end fund assets in total investment fund assets at the end of reporting quarter accounted for 77.8% (compared to 86.4% on 30 September 2008).). Open-end investment funds'

¹ Non-audited data.

investments were mainly placed in deposits with credit institutions - 53.9%, in debt securities and other fixed-income securities - 31.9%, as well as claims on demand to credit institutions and in shares and other variable-yield securities - 6.5% and 4.9% (compared to 31.8%, 52.0%, 4.2% and 6.9% on 30 September 2008). Meanwhile investments of closed-end investment funds were mainly made in real estates - 47.2%, claims on demand to credit institutions - 17.7%, debt securities and other fixed-income securities - 5.5% (compared to 68.4%, 5.3% and 12.6% on 30 September 2008) (see Figure 2).

Figure 2

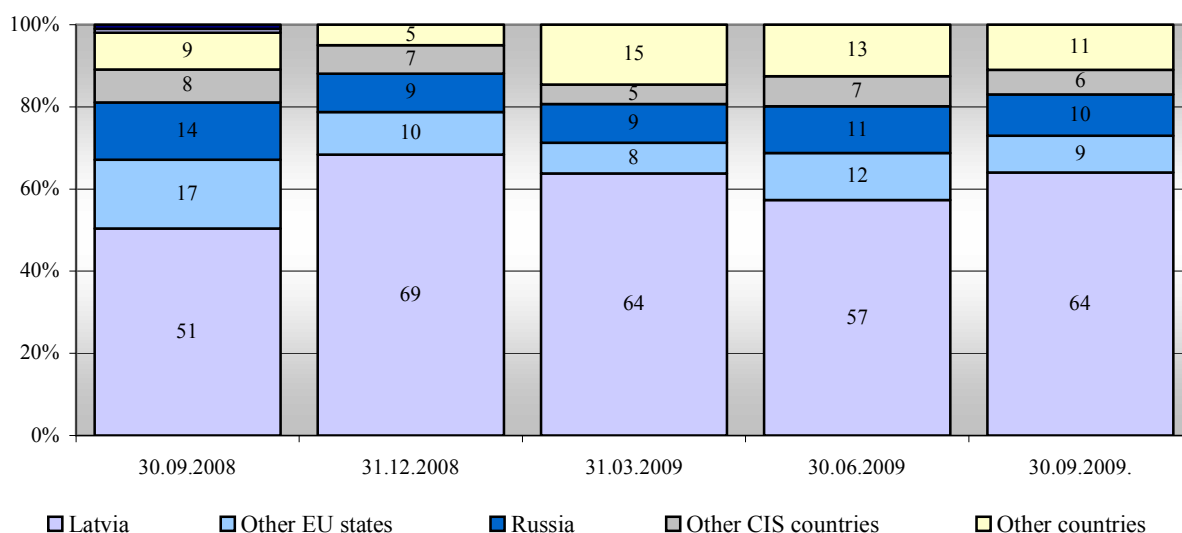
**FINANCIAL INSTRUMENTS PORTFOLIO OF INVESTMENT FUNDS,
BROKEN DOWN BY TYPE OF FINANCIAL INSTRUMENTS
(30.09.2009)**



The amount of investments placed in Latvia at end-3Q 2009 totalled 99.2 million lats, or 64.0% of total investments (see Figure 3). The amount of financial instruments of foreign issuers in investment fund portfolio at the end of September 2009 totalled 55.9 million lats, of which 27.3% were placed in the financial instruments in Russia, 25.7% - in EU states, 16.8% in other CIS countries, while 30.2% % in financial instruments of other countries.

Figure 3

**FINANCIAL INSTRUMENTS PORTFOLIO OF INVESTMENT FUNDS
IN BREAKDOWN BY COUNTRY
(as a percentage)**



A major income item of investment funds, interest income (96.5%), increased by 0.8% in the reporting quarter compared to the respective period of 2008, while income from rental properties (2.4%) decreased by 79.8% (compared to 86.4% and 10.7% on 30 September 2008).

Major expense items of investment fund management, remuneration to the investment management company² and remuneration to the custodian bank³ at end-September 2009 accounted for 66.9%, 16.9% and 15.0% of total investment fund expenses. The proportion of these items to total fund assets at the end of the reporting quarter amounted to 0.7%, 0.2% and 0.2%, respectively (compared to 0.9%, 0.04% and 0.2% on 30 September 2008).

At the end of the reporting quarter, an increase in net assets of investment funds arising from investments was 17 million lats (on 30 September 2008 it was negative – with a 20.6 million lats decrease).

² Remuneration due to the investment company according to the provisions of the fund prospectus.

³ Commission due to the custodian bank according to the provisions of the fund prospectus.