

SEB FUND 2 - SEB RUSSIA FUND

Luxembourg domiciled FCP - Part 1

Fund owner: SEB Asset Management

Fund manager/adviser: AS SEB Varahaldus

Named portfolio manager/adviser(s):

Sulev Raik (since launch)

Peer group: Russian equities

Location: Tallinn

Launch date: December 2006

Fund size (June 2011): US\$728m

Contact group: +49 69 272 999 1000 or

www.sebassetmanagement.de

Further information on S&P's fund coverage can be found at www.FundsInsights.com



Report date August 2011

Investment style

	Value	Blend	Growth
Large-Cap			
Mid-Cap			
Small-Cap			

Performance statistics

	Three years
Fund	-13.9%
Standard & Poor's peer median	-24.6%
Index**	-31.6%
Fund rank	16/138

Note: returns are cumulative

Three-year risk characteristics

Maximum monthly drawdown (%)	-38.2
Volatility	49.6
Correlation	0.9
Beta	1.1

Calendar year decile ranks



Decile ranking in discrete annual periods. First decile shown as rank 10, second decile as rank nine, with tenth decile as rank one.

Performance Data Source - © 2011 Lipper Inc. All rights reserved. All statistical data on this report has been run to 31 May 2011 on NAV to NAV basis, with gross income reinvested, in USD.

Standard & Poor's opinion (July 2011)

This fund is managed out of Tallinn by an experienced fund manager, Sulev Raik, supported by SEB's Eastern European team. This comprises two other experienced managers - one covering ex-Russia, the other on small-caps - and three analysts. Raik can draw on all members, but works most closely with resources analyst Vitali Bolov, who has five years' experience.

The approach is bottom-up, targeting stocks with Garp characteristics, within a clear top-down framework Raik provides. Various screens, broker research and industry contacts are used to generate ideas, which Raik then analyses in-depth before making his stock selection.

Raik prefers a portfolio of 60-80 holdings. His Garp style typically results in a bias towards mid-caps and smaller companies, although investments in companies capitalised at under \$1bn are rare. Raik makes good use of his ability to invest up to 10% of the fund outside Russia. His only constraint is to stay within a tracking error of 5-10% relative to his benchmark, which changed from the RTS index to the MSCI Russia 10/40 index on 1 January 2011.

While benchmark-aware, Raik has a fair amount of flexibility and has used this effectively to create a strong track record for this fund. Since launch, the fund ranks within the top quartile of its S&P peer group and was comfortably ahead of the RTS index before switching to the MSCI at the start of the year. Year-to-date figures against the new benchmark show slight underperformance.

This track record, combined with the sufficient team resources and consistent approach, underpins the S&P A rating.

Fund manager & team

The fund is managed out of Tallinn by SEB Asset Management SA subsidiary AS SEB Varahaldus. The Eastern European team is headed by Sven Kuning (enacting more of a team coach role) and comprises three fund managers, Sulev Raik (16 years' investment experience, focused on Russia), Alo Kullamaa (15 years' experience, ex Russia) and Sander Danil (15 years, small-caps), and three analysts, Meelis Angerma (11 years, consumer/pharma), Vitali Bolov (five years, resources) and Sander Pullerits (three years, finance/telecoms). The team is collectively responsible for managing €1.4bn.

Raik is the lead manager on this fund, and works most closely with Bolov.

Sulev Raik - BBA economics (Tallinn University of Technology), started his career in sales/trading at Baltic Cresco Investment Group from 1995 to 2000. He then moved to SEB in 2002 as a fund manager on EMEA equities.

Vitali Bolov - MSc finance (Manchester Business School), MA economics (Tartu university), worked as an M&A analyst at Corpfin Ltd (Manchester) for two years before becoming an assistant fund manager at LHV in 2006. He managed Russian equities at Evli Group (2007-2008) and fixed income mandates at the Estonian Ministry of Finance (2009-2010) prior to joining SEB in 2010.

Management style

The fund aims to outperform the MSCI Russia 10/40 (prior to 1 Jan 2011 the benchmark was the RTS) through constructing a portfolio of primarily Russian equities (ex-Russia exposure is limited to 10% and is predominantly either the Ukraine or Kazakhstan).

The approach focuses on bottom-up stock selection, but macro factors (commodity prices, etc) are taken into consideration. The investment style is best described as Garp, with the team targeting stocks with superior growth prospects, but not at the cost of high valuations. Quant screens based on liquidity, value and growth factors, reduce the investment universe to around 200 stocks from over 1000. Using a combination of broker research, industry contacts, newsflow and meeting company management, the team reduces this further to around 100 names, of which around 60-80 find their way into the portfolio.

Portfolio construction is benchmark-aware. Other than Ucits regulations, there are no formal limits on sector deviations, but tracking error is limited to 5-10% preventing any zero-weighting in the larger constituent names. The fund is typically run fully invested, although cash can reach 10% in extreme circumstances.

SEB FUND 2 - SEB RUSSIA FUND

Luxembourg domiciled FCP - Part 1

Fund owner: SEB Asset Management

Fund manager/adviser: AS SEB Varahaldus

STANDARD & POOR'S



Portfolio & performance analysis (May 2011)

Sulev Raik has developed a strong track record on this fund. It ranked within the top quartile of our peer group since its launch in December 2006 and was comfortably ahead of the RTS benchmark when it switched to the MSCI Russia 10/40 on 1 Jan 2011 (the fund is marginally behind its new benchmark in 2001 to the end of May). Performance has been driven primarily by stock selection, with sector allocation also contributing to returns.

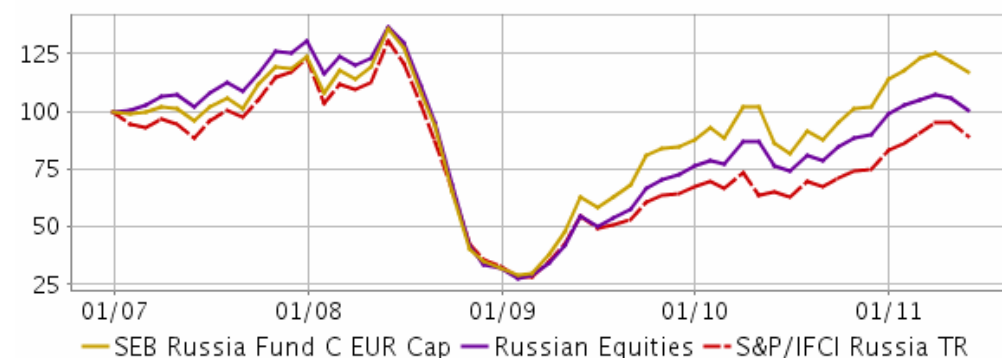
Relative to the RTS, the fund outperformed in 2007 thanks to an overweight to non-energy stocks in H1 and then adding to energy stocks in H2. Stock selection within steel also helped. The fund had a good start in 2008, but was caught out in H2 by the credit crisis, when its small-cap bias hurt as did stock selection in oil field services and real estate. Outperformance in 2009 came as a result of strong stock selection in steel, oil producers and consumers, while in 2010 outperformance was driven by the underweight to energy and overweight to materials. Against its new benchmark, the fund is slightly behind in 2011 to the end of May due to the continued underweight to energy and stock selection in industrials and materials.

The fund has historically shown a bias towards mid-caps and at the time of review was overweight small- and mid-cap names at the expense of the larger constituent names. The largest positive active positions included AFI Development (+2.88%), Sibir Cement (+2.8%) and HMS Group (+2.68%), while the largest underweights were to Lukoil (-5.3%), Gazprom (-5.1%) and Norilsk Nickel (-4.9%).

The search for growth had led the team to more domestically focused names, within the consumer space and financials in particular (both overweight), exposure to which they increased in 2011, largely at the cost of energy (the largest underweight). Materials exposure was roughly neutral.

Non-Russia exposure stood at around 7%, with 4% in the Ukraine and 3% in Kazakhstan.

Cumulative performance



Portfolio characteristics (1 June 2011)

No. of holdings	70
Turnover ratio (%)	80%
% in top 10	38

Top 10 holdings

Company	%
Sberbank RF	7.4
Lukoil	4.1
Gazprom	3.9
Uralkali	3.8
Norilsk Nickel	3.7
Novatek	3.4
Rosneft Oil	3.3
Magnit	3.1
Sibir Cement	2.8
Surgutneftegaz pref	2.8

* In top 10 holdings a year ago

Sector allocation

Sector	%
Consumer discretionary	1.8
Consumer staples	8.5
Energy	27.6
Financials	18.4
Healthcare	2.4
Industrials	4.3
Materials	27.7
Telecommunications	4.3
Utilities	4.2
Cash	0.8

Discrete performance (calendar years)

	2007		2008		2009		2010		YTD 31-05-11	
	%	Rank	%	Rank	%	Rank	%	Rank	%	Rank
Fund	23.8	54/67	-73.9	49/108	171.1	23/163	30.2	56/181	2.6	59/187
Index**	22.8		-73.2		105.5		23.3		6.9	
Median	33.7		-74.4		145.9		27.5		1.2	

** S&P/IFCI Russia USD

Fund benchmark:

Share class screened: LU0273119544 (Ord)

S&P's fund management research reports are, based mainly on public information, we do not audit the information and we may rely on unaudited information when we prepare the reports which are for institutional use only. A report is not investment advice, a financial promotion, or a recommendation to purchase, hold, sell or trade any security. A report should not be relied on when making an investment decision as the report is for information purposes only and not tailored to a specific investor. Past fund performance is no guarantee of future performance and we accept no responsibility if, in reliance on a report you act or fail to act in a particular way. We are paid for our fund management reports, normally by the fund issuer. Our fees are based on the analysis and time involved in the research process and are not conditional on awarding a fund a rating. Fund companies select the funds they want us to rate and may elect not to have published the rating they are subsequently awarded. Our fund management reports are continually monitored and updated reports are posted to www.fundsinsights.com. The funds described in this report are generally not available to US investors and are only available to US investors, if at all, who are "accredited investors" as that term is defined in Section 501 of Regulation D of the Securities Act of 1933, as amended or to investors who are deemed to be "qualified purchasers" as that term is used in Rule 2a51-1 under the Investment Company Act of 1940. S&P and our affiliates provide a wide range of services to, or relating to, many organizations, including issuers of securities, investment advisers, broker-dealers, investment banks, other financial institutions and financial intermediaries, and accordingly may receive fees or other economic benefits from those organizations, including organizations whose securities or services we rate, include in model portfolios, evaluate or otherwise address.

The views expressed in a report reflect our committee's views and the committee's compensation is not related to specific rating or to the views expressed in a report. The trade marks of "Standard & Poor's" and "S&P" are the property of Standard & Poor's Financial Services LLC and are protected by registration in several countries. All rights in those marks are reserved. Copyright © 2011 Standard & Poor's Financial Services LLC, a subsidiary of The McGraw-Hill Companies, Inc. All rights reserved. No part of this publication shall be reproduced, stored in any retrieval system or transmitted in any form electronic or otherwise without the prior written consent of S&P. Any part of the publication by S&P of which this page is a part is made accessible subject to the terms and conditions which are accessible at the url address below ("S&P Terms") - by accessing and viewing this page and/or pages associated with or attached to it you accept the S&P Terms. Go to <http://www.funds-info.standardandpoors.com>. This report is issued subject to the laws of England and all matters arising from it or its use shall be subject to the exclusive jurisdiction of the Courts of England. Because of the possibility of human or mechanical error by our sources, S&P or others, we can't guarantee the accuracy of any information and are not responsible for any errors.

Performance Data Source - © 2011 Lipper Inc. All rights reserved. The performance information contained herein: (1) is proprietary to Lipper and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Lipper nor its content providers are responsible for any damages or losses arising from any use of this information.

Symbols and definitions

Long-only fund ratings

AAA The fund demonstrates the highest standards of quality in its sector based on its investment process and management's consistency of performance as compared to funds with similar objectives.

AA The fund demonstrates very high standards of quality in its sector based on its investment process and management's consistency of performance as compared to funds with similar objectives.

A The fund demonstrates high standards of quality in its sector based on its investment process and management's consistency of performance as compared to funds with similar objectives.

Fund-of-hedge-funds ratings

Absolute return fund ratings

Specialist fund ratings

AAA The fund demonstrates the highest standards of quality based on its investment process, risk awareness and consistency of performance relative to its own objectives.

AA The fund demonstrates very high standards of quality based on its investment process, risk awareness and consistency of performance relative to its own objectives.

A The fund demonstrates high standards of quality based on its investment process, risk awareness and consistency of performance relative to its own objectives.

Ucits III flexible beta fund ratings

AAA The fund demonstrates the highest standards of quality based on its investment process, risk awareness and consistency relative to its own objectives and relative to comparable flexible beta funds.

AA The fund demonstrates very high standards of quality based on its investment process, risk awareness and consistency relative to its own objectives and relative to comparable flexible beta funds.

A The fund demonstrates high standards of quality based on its investment process, risk awareness and consistency relative to its own objectives and relative to comparable flexible beta funds.

All fund ratings

Not Rated (NR) Funds designated as Not Rated currently do not meet the requisite performance standards and/or the minimum qualitative criteria to achieve a fund rating.

Under Review (UR) Ratings are placed Under Review when significant management changes occur at the fund manager or fund management team level and Standard & Poor's Fund Services has not had the opportunity yet to evaluate their impact on the qualitative appraisal.

(New) Signifies where a major event has occurred for which there is no fund-specific track record available. This includes: funds recently launched, the implementation of a new investment process or mandate and may include structural changes within a fund team.

Tenure Review (TR) The fund manager/team involved in the management of the fund does not currently have the minimum 12 months' relevant investment management experience required to be eligible to be considered for a rating.

Long-term fund management rating LTFMR The fund has been rated in the A/AA/AAA fund rating band for five consecutive years or more, and continues to hold a rating.

Bond fund volatility ratings

The bond fund volatility rating is our current opinion of a fund's sensitivity to changing market conditions. Volatility ratings evaluate the fund's sensitivity to interest rate movement, credit risk, investment diversification or concentration, liquidity, leverage and other factors. For V1-V4 categories, risk is considered relative to a portfolio composed of government securities and denominated in the base currency of the fund.

V1 Bond funds that possess low sensitivity to changing market conditions. These funds possess an aggregate level of risk that is less than or equal to that of a portfolio comprising government securities maturing within one to three years, and denominated in the base currency of the fund. These funds possess an aggregate level of risk that is less than or equal to that of a portfolio comprising the highest quality fixed income instruments with an average maturity of 12 months or less. Within this category, certain funds are designated with a plus sign (+), indicating extremely low sensitivity to changing market conditions.

V2 Bond funds that possess low to moderate sensitivity to changing market conditions. These funds possess an aggregate level of risk that is less than or equal to that of a portfolio comprising government securities maturing within three to seven years, and denominated in the base currency of the fund.

V3 Bond funds that possess moderate sensitivity to changing market conditions. These funds possess an aggregate level of risk that is less than or equal to that of a portfolio comprising government securities maturing within seven to 10 years, and denominated in the base currency of the fund.

V4 Bond funds that possess moderate to high sensitivity to changing market conditions. These funds possess an aggregate level of risk that is less than or equal to that of a portfolio comprising government securities maturing beyond 10 years and denominated in the base currency of the fund.

V5 Bond funds that possess high sensitivity to changing market conditions. These funds may be exposed to a variety of significant risks including high concentration risks, high leverage, and investments in complex structured and/or less liquid securities.

V6 Bond funds that possess the highest sensitivity to changing market conditions. These funds include those with highly speculative investment strategies with multiple forms of significant risks, with little or no diversification benefits.

Absolute return fund N ratings

The N rating is Standard & Poor's indication of a fund's potential capital stability in normal markets. It is a qualitative rating but is based on annualised weekly downside deviation. N1 is the most stable and N9 the least.