



# Investors Ask For More Information

(Why) Should Companies Be Bothered?

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Limestone Investment Management

Investor Relations Seminar  
Macedonian Stock Exchange and PFS Program  
September 24, 2009  
Skopje  
Macedonia





## Warren Buffet has said:

*“Risk comes from not knowing what you're doing”*

- ➡ Investors need to know more in order to reduce the risk

*“If past history was all there was to the game, the richest people would be librarians”*

- ➡ Predicting the future has less to do with analyzing past data and more with evaluating resources, potential and capability to succeed in the future

*“Our favorite holding period is forever”*

- ➡ Being long term successful requires coherence with society, wider and deeper contribution than the near term financial success; this information is not in financial statements



## Introducing Limestone Investment Management

- Founded August 2007 in Tallinn, Estonia
- Management owned
- Experienced investment and research team with a public track record in Emerging Europe equities
- Focus on new EU members and prospective candidates
- Managing 3 Luxembourg domiciled funds and private mandates

### **Limestone New Europe Socially Responsible Fund**

- First SRI Fund launched (Aug 2008) and managed in Eastern Europe
- As of September 21, 2009:
- Year to date 2009: + 83% (vs benchmark + 35%)
  - Since launch: - 3% (vs benchmark - 32%)
  - Net assets: 16 million EUR





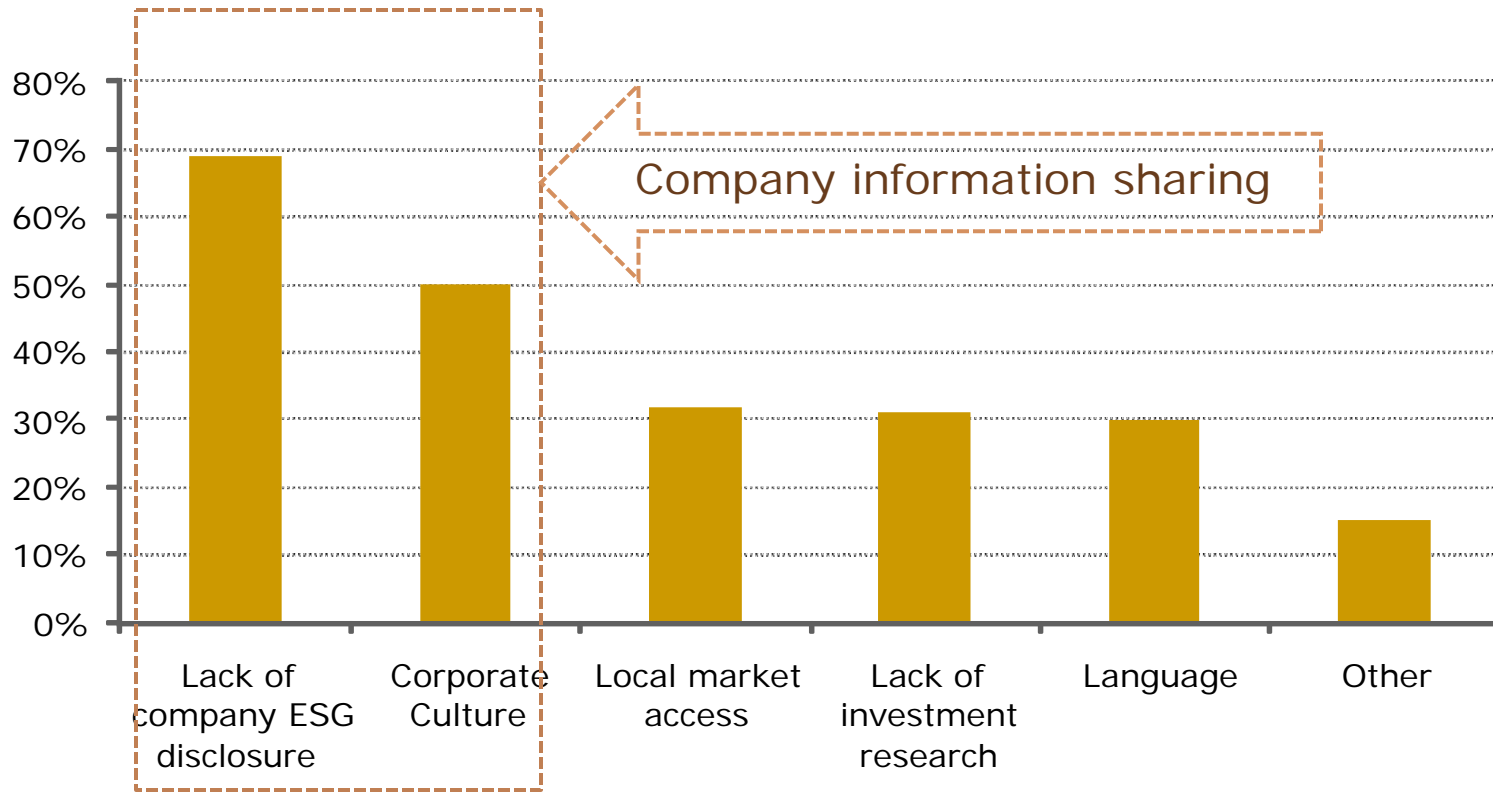
## Limestone Investment Approach

- A cornerstone of our research process has always been an **interaction** with target companies and their managements, as owners' and managers' long term vision is a key extra financial criterion that determines companies' subsequent financial success.
- A long term vision can only be **viable** if it is in accord with the surrounding society, consisting of all the stakeholders of the company; good management of environmental, social and governance (ESG) issues over time translates into good financial performance.
- We respond to the values of our investors by seeking to engage in **dialogue** with companies to both better understand, as well as help shape them in ways that favor sustainable and responsible practices.
- At the same time it is the **response** that we get from the companies that shapes our understanding and helps us to further develop each and every investment case.

Our investment process is based on the belief that success in stock selection needs superior insights. Collaborative interaction with companies is the best way to gain that insight.



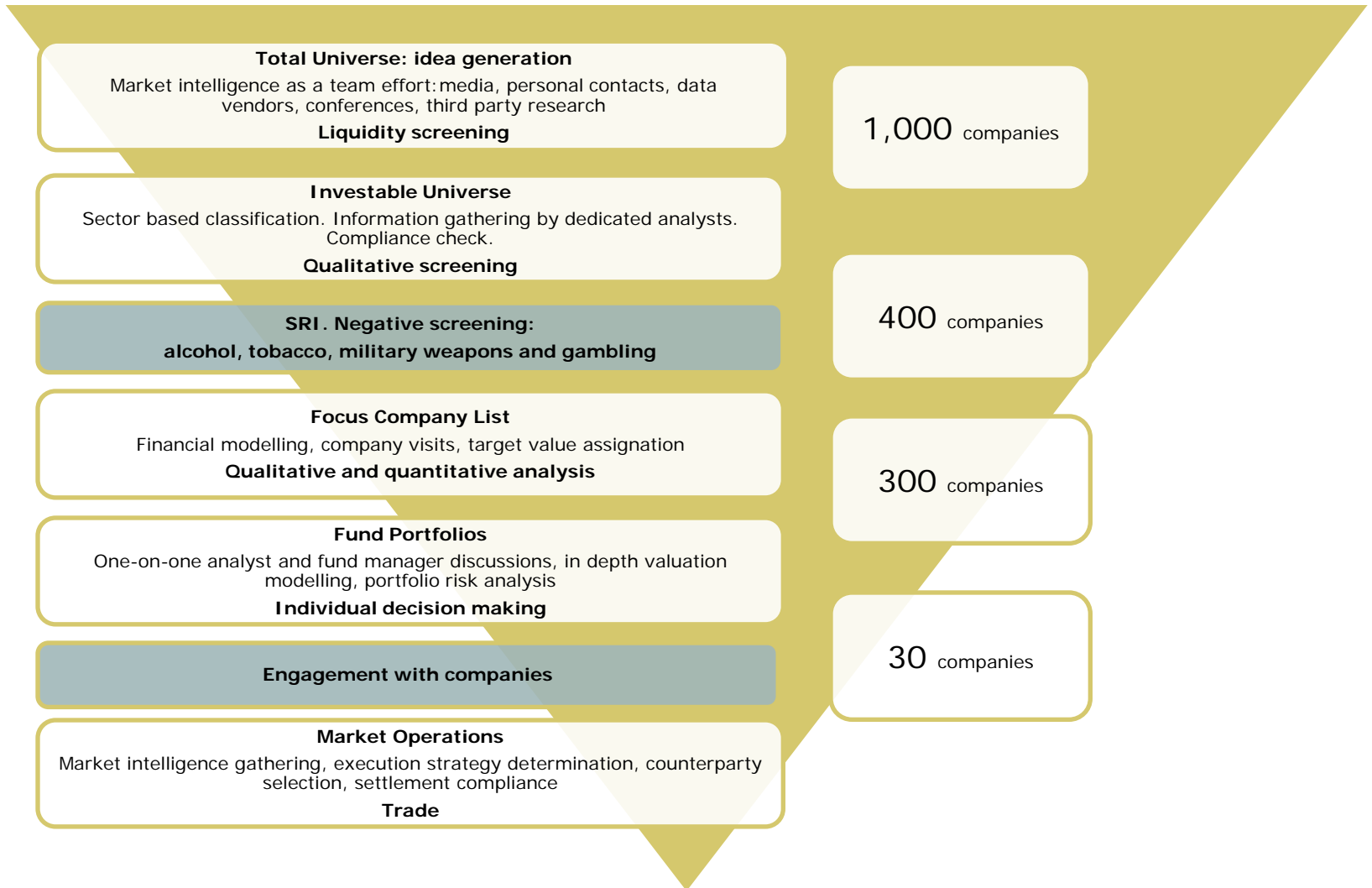
# Key Challenges To Emerging Markets Investments



Emerging Markets Investor Survey Report:  
An analysis of responsible investments in emerging markets by EIRIS



# Limestone's Investment Process: Overview





# Limestone Research: Quantitative Idea Generation

## Highly dynamic proprietary database

- Selection of more than 1000 companies
- 300 company coverage with DCF models and price targets
- Direct data sources include 100 company meetings in addition to all public info vendors and local research contacts

Analysis Report - 31.10.2008																	Limestone
Name	ISIN	Sector	Currency	Country	1M	YTD	12 m	Target	Difference	PEG 3yrs	P/E'07	P/E'08	EPS growth 3yrs	P/BV	Net margin	ROE	Earnings Date
Ceramika Nova Gala SA	PLCRMNG00029	Industrials	PLN	Poland	-9.5%	-41.1%	-47.7%	6.50	99.4%	0.42	10.99	7.63	26.3%	0.85	10.0%	9.0%	14.11.2008
Sopajproteini Ad	RSSOJAE21837	Consumer Staples	RSD	Serbia	-29.5%	-74.9%	-76.8%	1800.00	96.5%	0.16	7.46	3.91	45.9%	0.63	8.8%	19.1%	3.03.2009
Nisa Plam Ad	RSALFAE4014	Consumer Discretionary	RSD	Serbia	-2.8%	-57.2%	-63.1%	15000.00	95.3%	0.75	3.37	3.20	4.5%	0.42	10.3%	11.0%	1.04.2009
Pegas Newinvest SA	LU0275164910	Consumer Discretionary	CZK	Czech Republic	-41.1%	-75.6%	-75.5%	370.00	94.7%	0.50	86.38	4.05	172.8%	0.70	18.0%	28.1%	19.03.2009
Centrostal SA	PLCNTSL00014	Materials	PLN	Poland	-28.0%	-56.1%	-75.3%	5.00	94.6%	0.76	12.09	7.19	16.0%				14.11.2008
Cinema City International NV	NL0000687309	Consumer Discretionary	PLN	Netherlands	-28.8%	-57.7%	-61.1%	27.00	93.5%	2.11	42.56	30.26	20.2%	4.44	10.3%	11.4%	14.11.2008
Telefonija Ad	RSTLFNE22541	Telecommunication Services	RSD	Serbia	-30.8%	-79.8%	-80.5%	4000.00	93.3%	0.28	17.19	7.90	61.8%	0.66	6.6%	5.9%	
Boryszew SA	PLBRSZW00011	Materials	PLN	Poland	-34.4%	-82.4%	-87.9%	4.00	93.2%	0.18	0.94	0.91	5.1%	0.13	4.0%	13.2%	14.11.2008
SAVA	SI0031108457	Consumer Discretionary	EUR	Slovenia	-14.2%	-26.2%	-29.6%	500.00	92.5%	4.08	14.88	14.68	3.7%	1.35	19.0%	9.8%	7.11.2008
Zaklady Lentex SA	PLLENTX00010	Consumer Discretionary	PLN	Poland	-24.9%	-67.2%	-70.1%	20.00	92.5%	0.43	9.51	6.99	22.4%	0.50	6.2%	4.6%	12.11.2008
Sieska	PLSNZKA00033	Materials	PLN	Poland	-25.7%	-52.1%	-58.8%	43.00	91.1%	1.04	9.64	10.47	9.2%	1.97	8.8%	21.7%	13.11.2008
MOL Hungarian Oil and Gas NY	HU0000068952	Energy	HUF	Hungary	-27.0%	-54.3%	-58.1%	21000.00	91.0%	-0.38	4.76	4.71	-12.5%	1.08	16.0%	25.7%	18.11.2008
Mostostal-Export SA	PLMSTEX00017	Industrials	PLN	Poland	0.5%	-46.9%	-68.1%	4.14	90.8%		-21.54	73.58		1.12	-12.4%	-5.9%	14.11.2008
Mostostal Zabrze SA	PLMSTZB00018	Industrials	PLN	Poland	-40.1%	-59.3%	-69.5%	6.10	90.0%	0.38	7.83	5.81	20.5%	2.06	7.7%	34.8%	5.11.2008
Raven Russia Ltd	GB008005V338	Financials	GBP	Guernsey	-32.2%	-55.6%	-61.2%	76.00	90.0%	-102.88	352.80	495.72	-3.4%	0.33	247.3%	11.4%	10.03.2009
Ambrs SA	PLAMBR00013	Consumer Staples	PLN	Poland	-26.0%	-83.4%	-88.7%	3.00	89.9%	-0.05	2.16	-7.23		0.22	2.7%	7.6%	13.02.2009
SNP Petrom SA	ROSNPPACOR9	Energy	RON	Romania	-51.4%	-68.0%	-70.3%	0.30	88.7%	0.25	5.01	3.38	20.2%	0.60	24.9%	12.7%	
Pol-Aqua SA	PLPAQUA00018	Industrials	PLN	Poland	-22.9%	-50.8%	-52.9%	73.00	88.1%	0.39	17.05	10.60	43.4%	1.51	8.0%	14.7%	14.11.2008
Albalact SA	ROALBZACOR0	Consumer Staples	RON	Romania	-39.6%	-77.8%	-80.1%	0.30	87.5%	-0.08	2.51	15.83	-32.4%	0.96	2.8%	6.7%	
PBG SA	PLPBG000029	Industrials	PLN	Poland	-17.9%	-37.7%	-42.9%	360.00	85.6%	0.72	25.60	17.63	35.3%	2.84	7.4%	18.5%	13.11.2008
DKK Kredit DD 22 Proizvodnju B	HRDKPKR0000	Consumer Staples	HRK	Croatia	-22.9%	-67.4%	-68.9%	700.00	84.5%	0.55	8.78	7.46	16.0%	1.03	3.5%	13.7%	14.08.2009
Biofarm Bucuresti	ROBIOFACOR9	Health Care	RON	Romania	-51.6%	-85.9%	-85.6%	0.14	84.2%	1.00	5.84	5.30	5.9%	0.53	21.7%	9.0%	14.11.2008
Vistula & Wolczanka SA	PLVSTLA00011	Consumer Discretionary	PLN	Poland	-20.7%	-72.8%	-78.0%	6.00	84.0%	0.42	7.40	5.82	17.5%	0.98	12.2%	15.0%	14.11.2008
Techmix SA	PLTECHX00011	Information Technology	PLN	Poland	-31.3%	-72.0%	-73.7%	20.00	83.7%	0.21	14.85	3.66	70.7%	0.46	3.6%	12.2%	13.11.2008
FHB Mortgage Bank PLC	HU0000078173	Financials	HUF	Hungary	-13.3%	-53.5%	-58.3%	1935.41	81.7%	-0.06	5.92	5.18	-100.0%	1.30	41.0%	23.3%	16.11.2008
Bank Moskvy-Brd	RU0006571916	Financials	USD	Russian Federation	-29.2%	-40.2%	-57.93	81.0%	0.00	0.47	0.34	-100.0%	0.07	31.0%	20.4%	14.08.2009	
Bank Zashodi WBK SA	PLBZ0000044	Financials	PLN	Poland	-22.0%	-42.0%	-45.1%	217.05	79.4%	0.59	8.28	7.60	15.7%	1.70	32.3%	23.0%	6.11.2008
Sopharma AD	BG11SOSORT18	Health Care	BGN	Bulgaria	-16.3%	-76.0%	-76.7%	4.00	79.4%	0.24	10.43	17.22	43.1%	1.41	10.0%	18.5%	1.04.2009
Kazkommertsbank	KZ000040C858	Financials	KZT	Kazakhstan	5.3%	-48.2%	-44.4%	712.31	78.1%	-0.05	5.20	3.64	-100.0%	0.70	31.0%	16.0%	
Croatia Osiguranje d.d.	HRCROSRA0002	Financials	HRK	Croatia	-30.1%	-71.9%	-73.4%	8575.47	77.9%		11.42	9.80		1.06	5.0%	10.8%	
Multimedia Polska SA	PLMLMDP00013	Consumer Discretionary	PLN	Poland	-19.7%	-44.4%	-46.5%	10.50	77.7%	0.75	16.04	12.64	21.4%	1.71	14.0%	12.0%	12.11.2008
Empenia Holding SA	PLELDRD00017	Consumer Staples	PLN	Poland	-36.7%	-72.4%	-72.6%	80.00	77.4%	0.38	28.59	8.68	76.0%	0.83	2.0%	11.9%	13.11.2008
Intel Ad Beograd	RSTIRIBS0056	Information Technology	RSD	Serbia	-22.7%	-43.3%	-60.5%	4500.00	76.5%	1.23	9.00	10.25	7.3%	0.73	6.7%	8.7%	
Hutmen SA	PLHUTMN00017	Industrials	PLN	Poland	-30.1%	-68.7%	-83.9%	4.50	75.8%		-0.61	-4.07		0.17	-6.5%	-27.1%	7.11.2008
Amica Wronki SA	PLAMICA00010	Consumer Discretionary	PLN	Poland	-15.6%	-57.7%	-64.1%	14.00	75.0%		-10.58	10.11		0.22	-0.4%	-1.8%	4.11.2008
AB SA	PLAB0000019	Information Technology	PLN	Poland	-16.7%	-67.9%	-70.1%	15.00	74.8%	0.47	10.42	6.82	22.3%	0.62	0.8%	7.1%	6.11.2008
Pleiderer Grajewo Sa	PLZPW000017	Materials	PLN	Poland	-46.4%	-87.4%	-89.0%	12.00	73.9%		2.72	3.24		2.86	8.5%	17.9%	10.11.2008
Tigar Ad Piroc	RSTIGRES4421	Consumer Discretionary	RSD	Serbia	-19.4%	-56.6%	-61.3%	1300.00	73.3%	0.26	29.76	2.20	114.2%	0.34	4.4%	5.0%	
Banka Transilvania	ROTLVAACOR11	Financials	RON	Romania	-26.8%	-50.8%	-51.0%	0.45	70.5%	-2.33	7.58	11.09	9.3%	1.84	26.0%	20.6%	
Advance Terrafund REIT	BG1100025052	Consumer Discretionary	BGN	Bulgaria	-33.9%	-43.4%	-47.5%	1.95	69.6%	0.20	2.20	1.95	10.8%	0.90	88.8%	40.2%	
Eurohold Bulgaria Ad	BG1100114062	Financials	BGN	Bulgaria	-34.1%	-69.1%	-74.8%	3.70	69.4%	0.44	14.07	9.03	32.0%	0.74	7.4%	9.5%	31.01.2009
PKO Bank Polski SA	PLPKO0000016	Financials	PLN	Poland	-30.8%	-41.4%	-43.5%	51.99	67.7%	1.48	10.68	10.02	7.2%	2.20	37.5%	26.4%	7.11.2008
Antibiotice IASI	ROATBIACOR9	Health Care	RON	Romania	-57.0%	-79.0%	-76.6%	0.72	67.4%	0.44	8.21	6.75	18.8%	0.71	13.7%	12.5%	14.11.2008
Agromedimurja DD	HRAGMMDA0009	Consumer Staples	HRK	Croatia	-13.8%	-34.8%	-34.8%	2500.00	66.7%	0.60	47.76	21.36	79.9%	0.41	2.5%	1.1%	30.10.2009
Gimpa Ad Vranje	RSMPPOE35631	Industrials	RSD	Serbia	-26.8%	-79.9%	-77.4%	1000.00	66.7%	0.53	32.38	10.68	62.7%	0.09	0.6%	0.8%	
Armax Gaz	ROARAVACOR4	Energy	RON	Romania	-33.9%	-81.7%	-87.5%	0.10	66.7%	-1.13	5.78	5.57	-5.1%	1.36	18.1%	8.6%	
Jutrzenka	PLJTRZN00011	Consumer Staples	PLN	Poland	-25.7%	-80.0%	-86.5%	45.00	66.4%	0.25	9.58	27.00	38.7%	0.36	15.6%	1.5%	14.11.2008
Bank Pekao SA	PLPEKAO00016	Financials	PLN	Poland	-26.6%	-44.8%	-52.8%	206.45	65.0%	-0.10	10.01	9.18	-100.0%	2.51	40.0%	21.1%	12.11.2008
Comercni Banka AS	CZ0008019106	Financials	CZK	Czech Republic	-28.8%	-35.4%	-33.3%	4632.38	64.0%	1.27	9.60	7.73	7.6%	1.97	37.7%	22.5%	7.11.2008
Fabryka Kotow Rafako SA	PLRAF000018	Industrials	PLN	Poland	-13.5%	-58.5%	-67.8%	7.50	62.7%	1.70	26.68	20.00	37.9%	0.99	1.1%	3.9%	5.11.2008
Asesco Poland SA	PLSOFTB00016	Information Technology	PLN	Poland	-23.3%	-37.9%	-41.6%	75.00	61.3%	0.63	11.51	11.75	7.1%	1.48	11.3%	6.6%	14.11.2008



## Portfolio Construction: Information Need At Peak

- ESG information and evaluation is integrated into cost of equity calculation by assigning a grade of 1-5 to each company, mostly based on our view formed preferably on the basis of company meetings.
- According to the evaluation of ESG factors the cost of equity for a particular company can vary by up to 250 bps that will provide for significant difference in fundamental valuation that provides strong SRI preference to our investment process and stock selection and higher valuation for companies with better score according to ESG factors.
- The final decision making for inclusion of company in portfolio and starting buying the stock includes another round of check for recent information from company: forecasts, press items, analyst meeting note and/or updates etc.

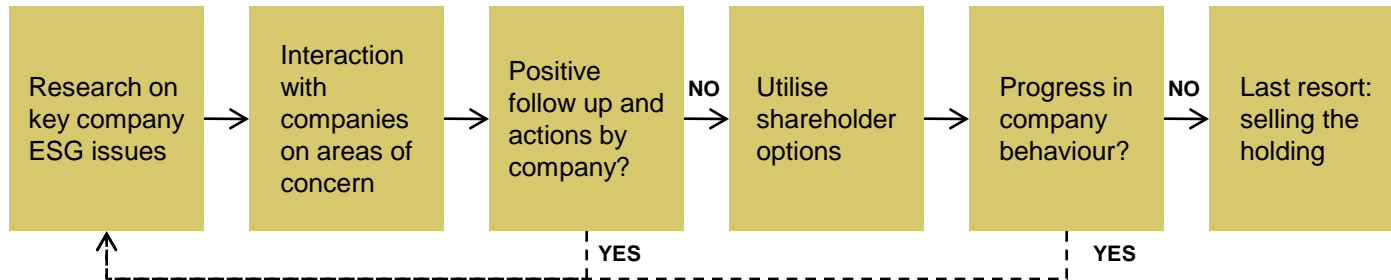
In a world of infinite choices portfolio managers prefer companies with open attitude, transparable planning, and proactive communication strategy.





# Engagement In Companies

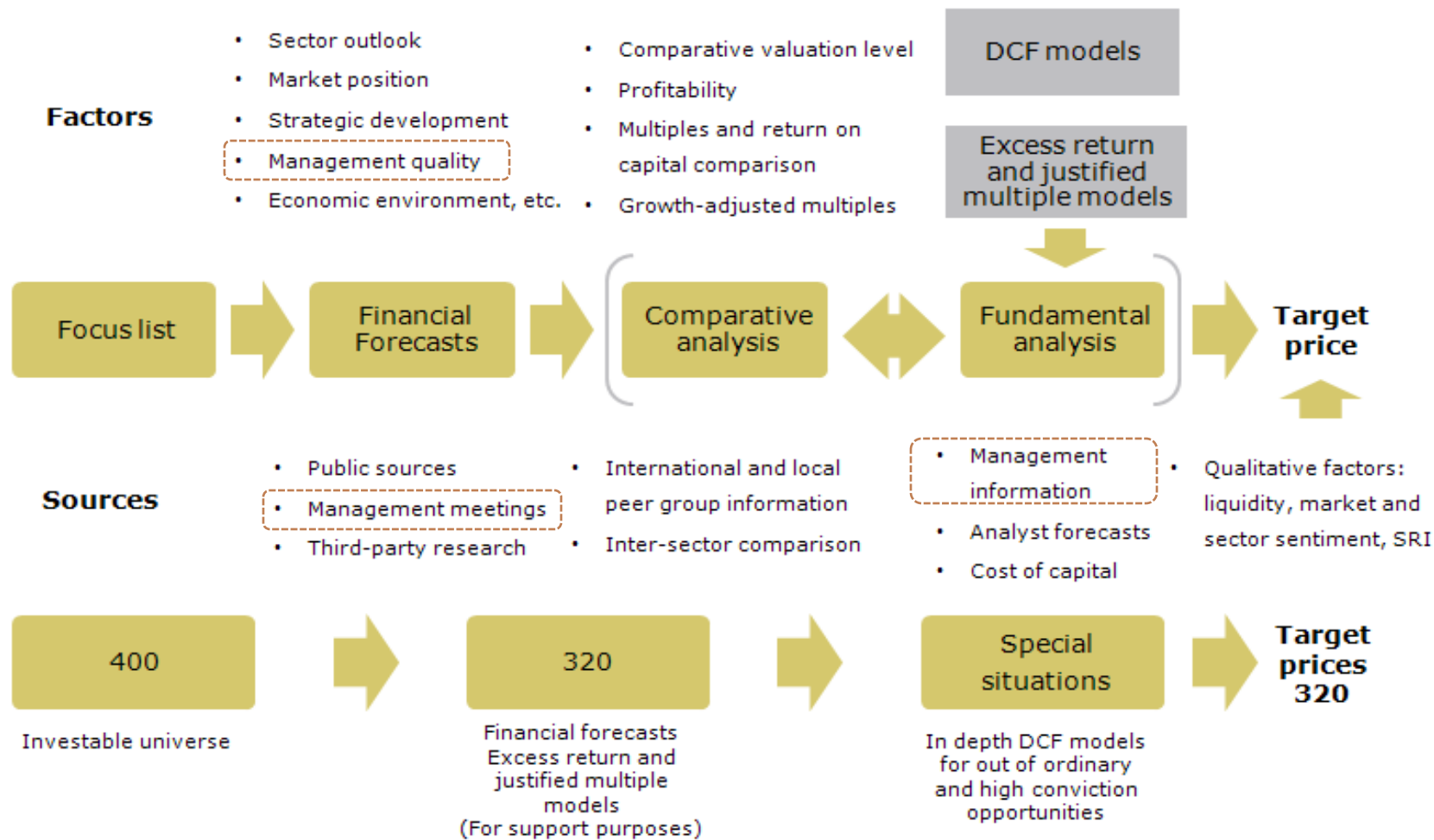
- Investing responsibly and not constraining the investment universe
- Rather than rewarding the best in class, concentrating on those that benefit the most from engagement
- It is only as a shareholder that one can be an agent for change, therefore divesting the holding is a last resort



Selling shares is not an effective means of communication: voting with your shares is better than voting with your feet.

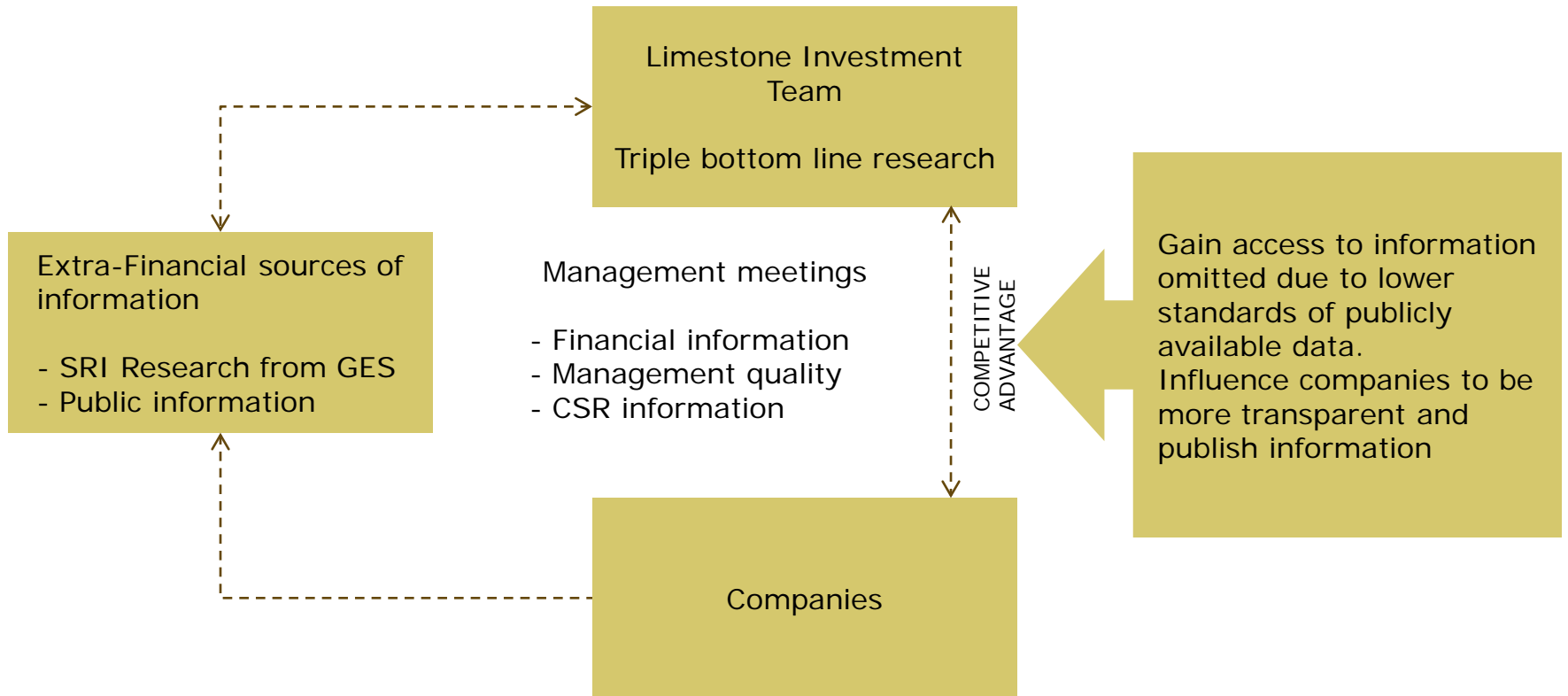


# Research Process



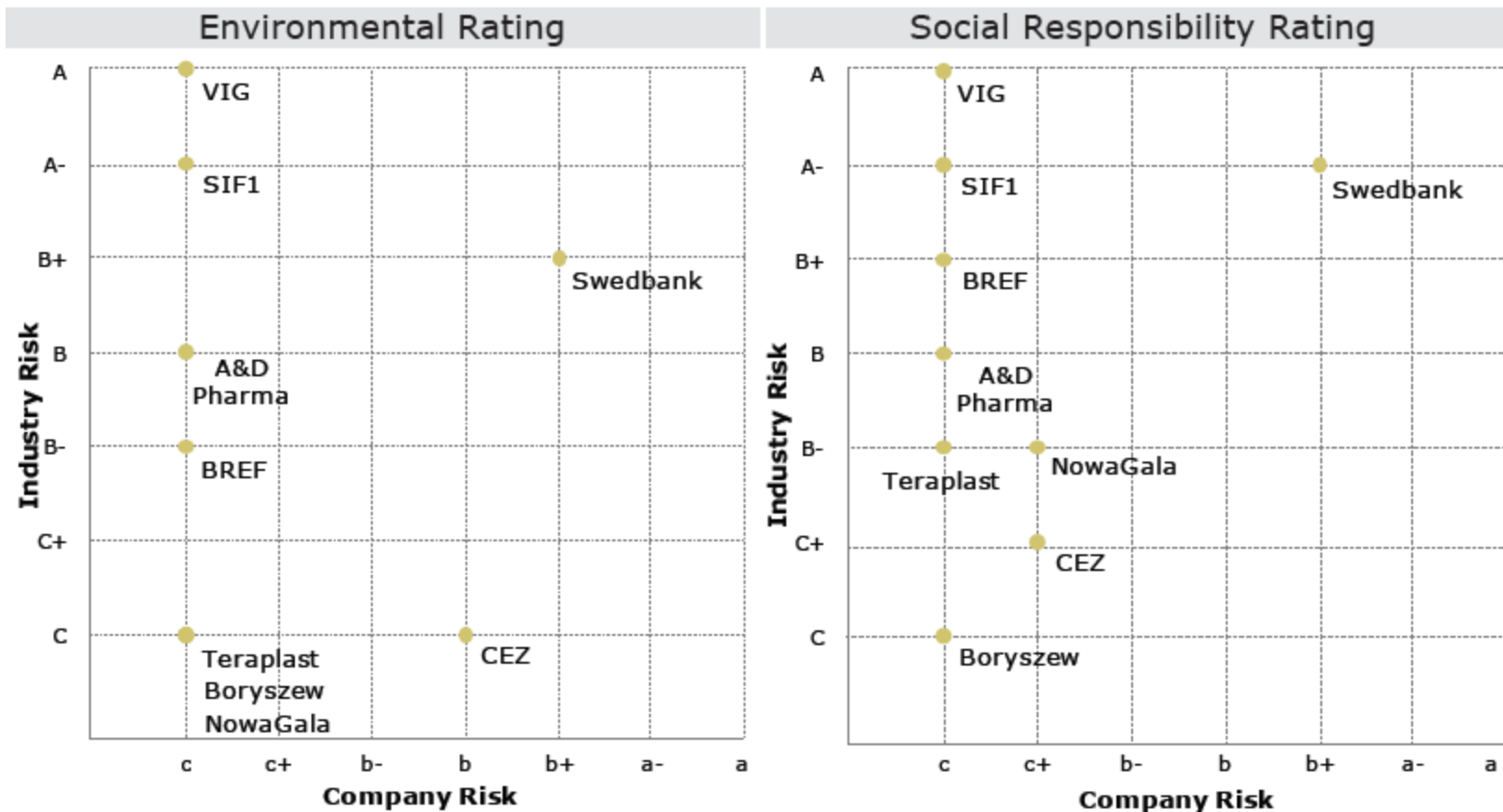


# Closing the Information Gap Through Extensive Research Capabilities





## Current Portfolio ESG Ratings By GES

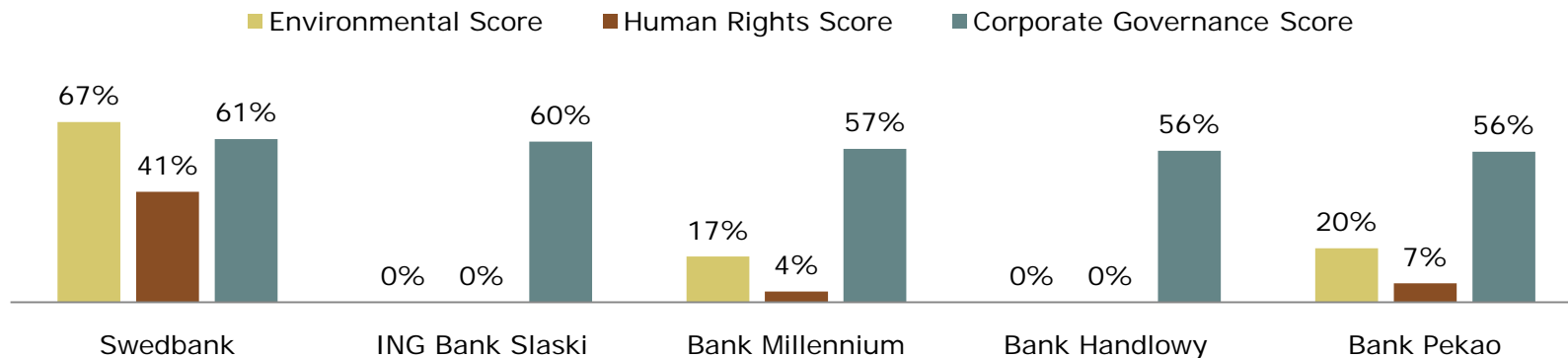


Rating service is helpful in mapping the market and emphasizing the need for individual company level research. “Best In Class” investing does not work for investors, society nor companies.



# Limestone's Sector Specifics: Financials

**Financials Sector ESG Scores**  
**5 best ranked by corporate governance score**



Source: GES Risk Rating for Limestone

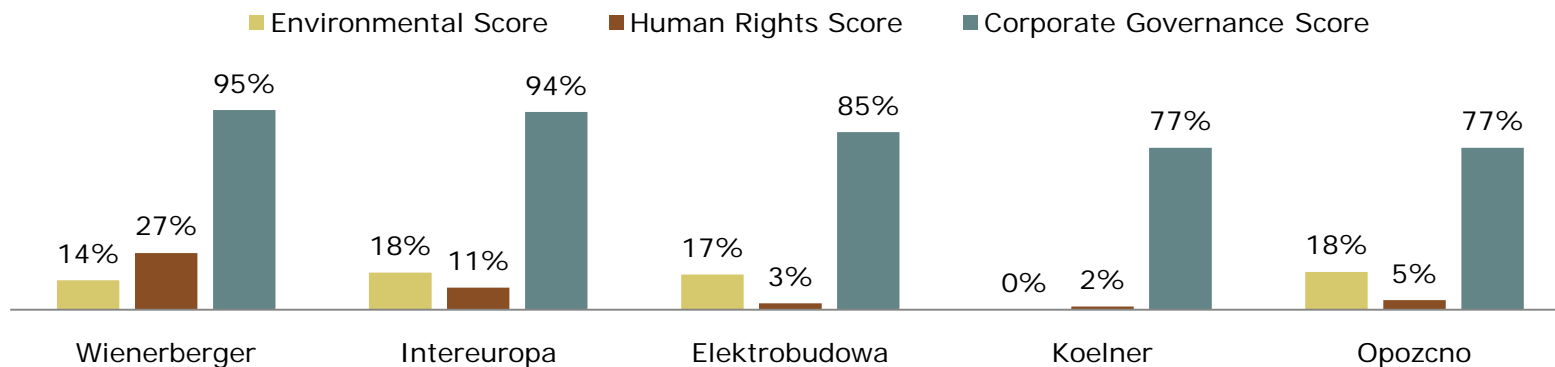
Number of companies in LS universe	34
Companies with environmental score	12
Companies with human rights score	13
Companies with corporate governance score	31

In this service driven industry credibility and compliance with best practice corporate governance is mandatory. As financial companies' main asset is skilled, highly motivated and experienced workforce, investment in employee relations with focus on knowledge management is very important. As banking has increasingly become close to utility-like service, the involvement of customers and wider stakeholder engagement in product innovation is unavoidable. Risk management in any kind of financial service has become the key to long term success, and the range of risks that must be taken into consideration is expanding constantly. For insurance sector, issues like climate change, resource scarcity and changing demographics are both sources of new risks and new business opportunities. The need for more regulation in the sector, especially with regard to investment banking and wealth management, which was amplified by the recent crisis, means increased dependency on political decision-making. As banking sector in New Europe is mostly owned and controlled by Western European financial groups, cross border communication and responsibility for local needs is a common challenge.



# Limestone's Sector Specifics: Industrials

**Industrials Sector ESG Scores**  
**5 best ranked by corporate governance score**



Source: GES Risk Rating for Limestone

Number of companies in LS universe	47
Companies with environmental score	27
Companies with human rights score	24
Companies with corporate governance score	24

Increasingly stringent environmental regulations for production processes and customer end products make it necessary for industrial companies to control and manage their emission profile and become involved in product take back and recycling programs. Many companies and sub-sectors in Industrials are exclusively and directly reliant on oil, which poses a major challenge, as society worldwide is seeking to diversify its energy sources. Hence, alternative fuels and energy efficiency will play an increasingly important role. The increasing emphasis on low-cost countries in the global sourcing and production strategy poses an opportunity for Emerging Europe but also challenges in the areas of human rights risks, occupational health and safety considerations, and community development. With regard to consumer products and electronics, where consumption growth is exceptionally high in emerging economies, addressing the issues of disposal, product packaging and sales in the management of the product life cycle, as well as extending the life cycle of products, becomes a high priority. Transport and logistics, great beneficiaries of free trade and opening of markets in CEE, need constant modernisation of integrated information systems to improve efficiency



# Engagement Example: SIF1 Banat Crisana, Romania

Company data		Risk Rating	
Country:	Romania	Environment:	c (B+)*
MSCI Industry:	Capital Markets	Social preparedness:	c (A)*
ISIN Code:	ROSIFAACNOR2	Corporate Governance:	b-

\*Capital letters refers to industry risk.

### Main focus for Engagement

- Implement a CSR-policy which focuses on how to handle ESG-issues (impacts, risks and opportunities) within the portfolio. Clarify how ESG-factors incorporated into the investment strategy and how can portfolio companies be improved in terms of managing ESG-risks.
- Define your KPI (Key Performance Indicators) relating to ESG-issues.
- Improve Corporate Governance procedures and report transparently on them.

### Brief Overview – Company and Industry

Societatea de Investitii Financiare Banat-Crisana SA (SIF Banat-Crisana SA) is a Romanian closed-end fund. Its main activities include the investment services and management of the investment portfolio. The stock deposits are kept by ING Bank NV Amsterdam, through its branch office in Bucharest. As of December, 31, 2007, the Company owned majority stakes in 37 companies. It operates nationally through its branch offices in Alba Iulia, Baia Mare, Bistrita, Bucharest, Cluj-Napoca, Deva, Oradea, Satu Mare, Timisoara and Zalau. SIF Banat-Crisana SA is headquartered in Arad, Romania.

### General industry risk according to GES

Being a closed-end investment fund with numerous holdings in several industries SIF1 is exposed to a range of industry specific risks. These can be everything from businesses with a high environmental risk/impact to businesses with operations or suppliers in high risk countries where labour rights are not adequately protected. From the fund's perspective the most important risks to manage are those that accompany the companies where the fund has majority stakes and companies in which the fund has minority stakes that operate in high risk businesses.

SIF1's portfolio is greatly tilted towards the banking industry which has a relative low industry specific risk in terms of environmental and social issues. The stakes in the funds' three major banking holdings are also relative low, representing less than 10% of the banking companies' shares. Still the banks' face an eminent ESG-risk through credit financing activities where the banks can be held responsible for financing for example large infrastructure projects that have high impact on the environment and the society. The fund is also invested directly in several high risk industries such as steel manufacturing, machinery, pulp and paper, chemicals and plastics, construction and trading. These operations have a high environmental impact and often have workplace accidents, including fatal ones.

The recommendations were accepted and SIF1 is currently working on improving its Corporate Governance procedures and implementing a CSR policy

The company also stated, that it will start publishing ESG reports starting from 2009



# Limestone New Europe SRI Fund: Monthly Report (8/2009)

## KEY INFORMATION

**Fund Manager**  
Alvar Roosimaa  
Veronika Roosimaa

**Benchmark**  
DJ Stoxx EU Enlarged TMI

**Base Currency**  
EUR

**NAV**  
90.87

**Fund Size**  
10 994 228

**Number of Holdings**  
26

**Fund Launch Date**  
31.07.2008

**Quotation**  
Daily

**Fund Domicile**  
Luxembourg

**Legal Structure**  
SICAV

**Investment Manager**  
Limestone Investment Management

**Administrator**  
Krediettrust Luxembourg S.A.

**Custodian**  
Kredietbank Luxembourg S.A.

**Auditor**  
Deloitte S.A.

**Codes**  
ISIN LU0373664472  
Bloomberg LIMNESR LX  
Reuters

Limestone Investment Management is a signatory to the UN Principles for Responsible Investment



## PERFORMANCE



Performance	1 month	3 months	1 year	3 years	5 years	Inception
Fund	11.0%	24.4%	-9.2%			-9.1%
DJ Stoxx EU Enlarged TMI	6.8%	28.7%	-27.2%			-31.8%

Calendar Year Performance	YTD	2008*	2007	2006	2005	2004
Fund	71.5%	-47.0%				
DJ Stoxx EU Enlarged TMI	35.5%	-49.6%				

\* Since 31.07.2008

## ALLOCATION

Position	Weight	Environmental Rating	Social Responsibility Rating
Cash	11.8%	A	A
A&D Pharma Holding Nv-Gdr	6.8%	A-	A-
Boryszew SA	4.6%	B+	B+
CEZ AS	4.4%	B	B
Teraplast	4.4%	B	B
SIF 1 Banat-Crisana	4.4%	B	B
Bulgarian Real Estate Fd Inc	4.4%	B	B
Vienna Insurance Group	4.3%	B	B
Swedbank AB - PRF	4.3%	B	B
Ceramika Nowa Gala SA	4.2%	B	B

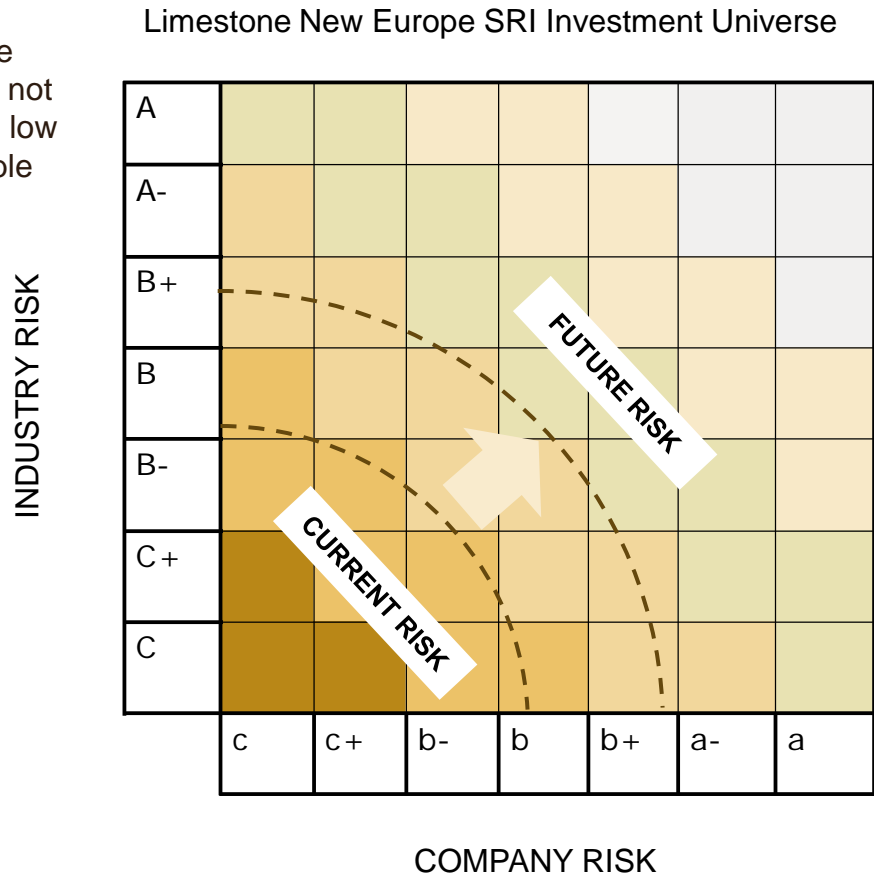
Country	Fund	Rel. to DJ Stoxx EU Enlarged TMI	Sector	Fund	Rel. to DJ Stoxx EU Enlarged TMI
Poland	21.2%	-29.2%	Financials	32.7%	-5.8%
Romania	17.4%	15.5%	Industrials	13.6%	8.3%
Austria	14.0%	14.0%	Materials	9.0%	1.8%
Czech Republic	10.3%	-5.1%	IT	7.9%	5.7%
Other	7.4%	-2.6%	Staples	6.8%	4.3%
Croatia	7.0%	7.0%	Telco	6.2%	-3.9%
Bulgaria	4.4%	3.9%	Utilities	4.4%	-5.0%
Hungary	3.5%	-11.3%	Energy	4.0%	-6.2%
Serbia	3.0%	3.0%	Discretionary	3.5%	-3.5%
Slovakia	0.0%	-0.2%	Health	0.0%	-7.6%
Slovenia	0.0%	-6.8%	Cash	11.8%	11.8%





# Moving Towards Publicly Sustainable New Europe

Current New Europe SRI risk curve does not reflect reality due to low standards of available data, reporting and transparency



Improved future risk curve through:

- Active engagement
- Extra-financial research
- Management meetings
- Promoting transparency and reporting