

Investment objective

The investment objective of the Charlemagne European New Frontiers Fund (formerly "The Balkan Fund") is to provide capital appreciation through investment in a portfolio of European Frontier Markets' Securities.

European Frontier Markets comprise Albania, Armenia, Azerbaijan, Belarus, Bosnia, Bulgaria, Croatia, Greece, Estonia, Georgia, Kazakhstan, Kyrgyzstan, Latvia, Lithuania, Macedonia, Moldova, Montenegro, Romania, Russia, Serbia, Slovenia Tajikistan, Turkey, Turkmenistan, Ukraine and Uzbekistan.

Calendar year returns

2006	16.2%
2007	25.3%
2008	-67.4%

Figures are calculated in USD net of fees
Source: Charlemagne Capital

Top 5 stock holdings

Alarko Real Estate
European Goldfields
Garanti Bank
Halkbank
VakifBank

In alphabetical order
Source: Charlemagne Capital

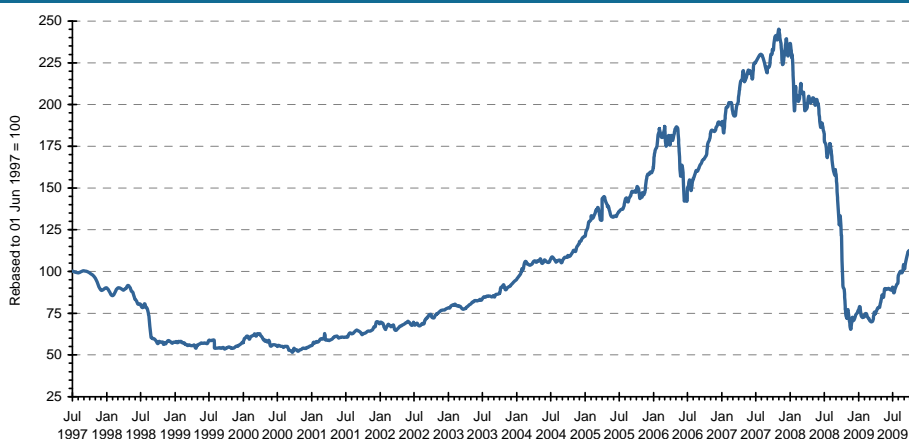
USD performance

	5 Years	3 Years	1 Year	6 Months	3 Months	1 Month	YTD
From:	30 Sep 2004	30 Sep 2006	30 Sep 2008	31 Mar 2009	30 Jun 2009	28 Aug 2009	31 Dec 2008
To:	30 Sep 2009	30 Sep 2009	30 Sep 2009	30 Sep 2009	30 Sep 2009	30 Sep 2009	30 Sep 2009
European New Frontiers Fund	2.9%	-32.8%	-7.3%	50.9%	24.7%	8.4%	46.0%
In comparison:							
MSCI Bulgaria Index	N/A	N/A	-41.8%	71.7%	41.5%	6.8%	33.0%
MSCI Croatia Index	N/A	N/A	-5.8%	72.1%	28.7%	17.4%	59.9%
MSCI Kazakhstan Index	N/A	N/A	24.8%	70.7%	25.0%	5.5%	55.6%
MSCI Romania Index	N/A	N/A	-22.0%	108.6%	33.2%	1.8%	10.0%
MSCI Slovenia Index	N/A	N/A	-10.6%	43.9%	7.1%	3.2%	41.1%
MSCI Turkey 10/40 Index	120.5%	36.1%	17.4%	116.9%	33.3%	1.2%	91.7%
Developed markets:							
MSCI EMU (Eurozone) Index	44.1%	-8.4%	1.8%	58.2%	25.7%	5.0%	30.5%
MSCI Japan Index	11.7%	-22.2%	-0.6%	31.1%	6.5%	-1.4%	9.3%
MSCI USA Index	3.4%	-16.3%	-7.5%	33.5%	15.4%	3.0%	19.3%

Fund figures are calculated in USD net of fees; index figures are calculated in USD on a net total return basis

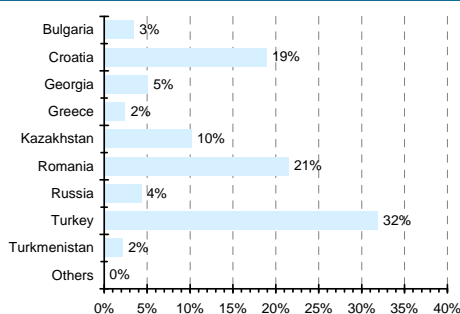
Source: Charlemagne Capital; MSCI

Return chart

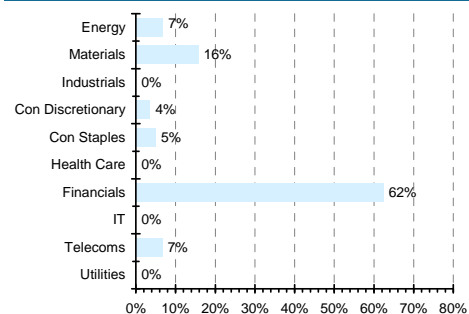


Charlemagne European New Frontiers Fund
Source: Charlemagne Capital

Country exposure



Sector exposure



Source: Charlemagne Capital

Fund information

NAV per share	USD 11.27
Total Fund Assets	USD 21.0m
Annual Management Fee	1.875%
Front-end Load	Up to 5%
Minimum Subscription	USD 100,000
Additional Subscriptions	USD 10,000
ISIN Code	KYG878951014
Bloomberg Code	REGLK1 KY
Domicile	Cayman Islands
Auditor	KPMG
Legal Advisor	Stephenson Harwood
Performance Fee	20% of the excess over a 15% annual hurdle rate
Portfolio Advisors	Robert Procopé and Stefan Böttcher

Source: Charlemagne Capital

The Charlemagne European New Frontiers Fund rose for the seventh consecutive month in September, generating a return of 8.4%. The Fund has now risen in value by 46.0% so far this year and currently stands some 70% above its recent lows. Share prices worldwide continue to rally as a global economic recovery appears more certain and as investors seem prepared to take on more risk assets.

The Fund, which has a significant exposure to gold mining across the region, benefited in particular from the strength of the bullion price. Gold has now risen above the key psychological level of USD 1000 an ounce to a record high, propelled partly by the continuing weakness of the US dollar and partly by some concern that global economic recovery might stoke the fires of inflation. As a result, European Goldfields, the Romanian miner, saw its share price jump 48% higher over the month, whilst KazakhGold put on 38%. KazakhGold is also benefiting from the recent purchase of a controlling stake in the company by Polyus Gold of Russia.

Georgia's leading bank, the Bank of Georgia, also made a significant contribution to performance with its share price 31% higher over the month. Even though its interim results, released during the month, saw profits fall back close to zero on the back of higher loan loss provisions, the bank is clearly both a going concern and in a position to move forward now that the situation in Georgia has stabilized. This increasing confidence was reflected in an upgrade from a credit rating agency. We took the opportunity to increase our exposure to the company through the addition of a holding in its 9% 2012 bond.

Amongst other gainers, Tofas, the Turkish car manufacturer and distributor rose a further 13% on the back of continuing strong car sales, though the government's incentive programme, part of its stimulus package, came to an end in September.

Not all of the Fund's holdings saw their share prices rise over the month, with two held back by ongoing corporate activity. Dragon Oil, the Turkmenistan-based Caspian Sea oil exploration and development company, was down 2%, with a bid for the company from its majority shareholder putting an effective ceiling on its share price. Bulgarian Land Development was also down 2%. The company is delisting its shares and going private and will make a tender offer to existing shareholders at around the current share price, again putting a ceiling to its share price.

Few changes were made to the composition of the Fund over the month other than the new holding in the Bank of Georgia bond mentioned above, and the sale of the Fund's entire holding in the Turkish mobile phone operator Turkcell, where upside seems limited given the market's preference for more cyclical, and less defensive, names.

The outlook for the Fund remains encouraging as signs of economic recovery begin to emerge and interest rates continue to fall. Share price valuations remain very reasonable, with international investors beginning to take more interest in the opportunities available across the region.

NB. Except where noted, Bloomberg is the source for all stock performance figures. All figures are based on USD prices.

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