



NSEL 30 INDEX FUND

ANNUAL REPORT FOR YEAR 2008

Vilnius
February 17, 2009



The NSEL 30 Index Fund is the only fund in Lithuania which invests only in Lithuanian stocks. It is also the first mutual fund founded in Lithuania – started on April 9, 2001.

Numerous independent studies have shown that indexing provides greater returns than actively managed mutual funds over time with less risk and lower fees. More than half of the active money managers underperform their benchmark indices. Since most active managers are not able to beat the market, then investors should try to match the market at the lowest cost.

Index mutual funds are designed to track the performance of a securities index or benchmark by investing substantially all of its assets in the securities contained in that index. NSEL 30 Index Fund attempts to replicate the performance of NSEL 30 Index. This is an index of 30 companies that have the highest free-float based market capitalization that are traded on the NASDAQ OMX Vilnius Stock Exchange.

On December 31st, 2008 NSEL 30 index represented 94.28% of the free-float based market capitalization traded on the NASDAQ OMX Vilnius Stock Exchange.

Choosing to replicate the performance of the aggregate Lithuanian market by indexing provides investors with the market average return for a low fee.

One of the most significant advantages of the index fund in such a thinly traded market as Lithuania is that it provides liquidity for investors.

The main historical data about the Fund is provided in the following table:

	2001.12.31	2002.12.31	2003.1.231	2004.12.31	2005.12.31	2006.12.31	2007.12.31	2008.12.31
Net asset value, Lt.	1 266 316	1 316 997	11 171 021	37 542 949	56 443 778	35 710 607	20 560 317	5 605 486
Net asset value per share, Lt.	891.14	895.92	1 646.91	2 457.00	3 297.91	3462.01	3762.87	1215.94
Number of investors	15	18	170	486	858	682	427	367

Monthly performance in 2008 (%):

Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
-12.25	8.09	-7.43	-7.67	-0.38	-1.72	-6.08	3.26	-23.66	-28.97	-17.24	-6.44

Historical fund performance:

During year 2008:	-67.69%
Since inception:	+27.68%
Last 3 years:	-63.13%

Past performance does not guarantee future results



NSEL 30 INDEX PERFORMANCE

Index comparison

The OMX Vilnius index reported a 65.14% decline while our NSEL 30 index was down 70.15%. The OMXV uses 32 of the 40 stocks on the exchange and uses total capitalization weights. We use free float weights. For example, RST - Rytų Skirstomieji tinklai has a 22.07% weight in the OMXV, but only 8.37% of their total capitalization is free float. LDJ - Lietuvos dujos has a 13.63% weight in the OMXV, but only 6.33% of their total capitalization is free float. Using total capitalization distorts the true investment portfolio opportunities available to investors by 10 to 15 times.

Also our index fund is limited to a maximum 10% weight in any stock. The average return (equal weighted on all listed stocks) was -65.76%.

Entire Lithuanian stock market:

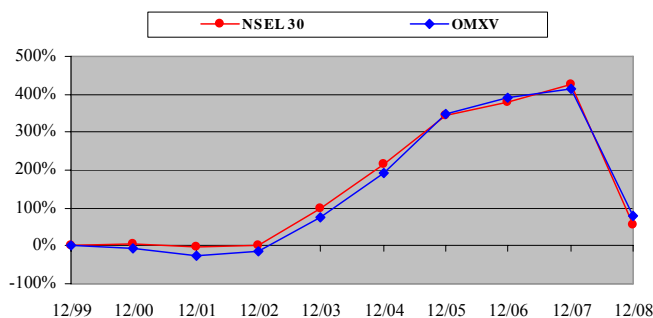
	2008Q1	2008Q2	2008Q3	2008Q4	2008
Average return	-12.85%	-11.44%	-19.65%	-44.78%	-65.76%
Count	40	41	41	40	

Index History

In 2005, the misleading historical LITIN-10 index was dropped by the stock exchange. Also, the VILSE index name was changed to OMXV (OMX Vilnius) index. In 2006, a new range of BALTIX indexes adjusted for free float was introduced. At last the importance of free float is now being recognized. However the OMXV is cap weighted based on total capitalization. This year as in previous years, only the NSEL 30 is a suitable index for academic research and comparisons to other stock markets for Lithuanians. The NSEL 30 theoretical index remains unchanged historically as does the procedure for calculation. It reflects what someone could actually make before trading commissions when investing in the stock market. Its data from the year 2000 was calculated daily live and is far more reliable than something put together backwards historically.

Furthermore as of May 2007, the OMXV accounting method was changed but we do not think they have revised their calculations historically on the same basis.

NSEL 30 and OMXV Index changes since 31/12/1999



Index	2000	2001	2002	2003	2004	2005	2006	2007	2008
NSEL30*	+4.20%	-5.75%	+3.05%	+97.53%	+57.42%	+41.02%	+8.15%	+9.24%	-70.15%
OMXV**	-7.30%	-18.49%	+12.20%	+105.80%	+68.18%	+52.93%	+9.78%	+4.38%	-65.14%

* NSEL 30 Index is a cap-weighted index of 30 largest free-float capitalization companies listed on the NASDAQ OMX Vilnius Stock Exchange of Lithuania. Dividends paid by companies are included in the Index.

** OMXV Index is a cap-weighted index of most of the companies listed on the NASDAQ OMX Vilnius Stock Exchange's Official and Current Lists. Dividends paid by companies are included in the Index.



ANNUAL REPORT 2008

February 17, 2009

Dear Shareholder,

This was the first year our fund lost money and did it ever. Emerging markets and nearly all stock markets of the world fell sharply. Our index fund lost 67.69% which was better than the index thanks to our maintaining a cash balance. We were easily able to meet redemptions and provided important liquidity for investors. Estonia lost 63%. Latvia lost 54%. Russia lost 72%. Germany, Japan and France lost more than 40%. The US market fell 38%. It was the worst year for the US market since 1937 and the worst year overall for stock markets. Every stock on the stock exchange lost money except for one buyout at a very depressed price.

The profit outlook for most Lithuanian companies on the stock exchange is poor and there is great uncertainty over future energy sources. The Russian bear showed its claws by its invasion of Georgia and its rhetoric directed at the Baltic States. These items made matters worse for the Lithuanian stock market.

The Economy

A recession is on its way. Estonia and Latvia are already in a recession. Lithuania's situation is much better than its neighbors. Energy and commodity prices have plunged and for the rest of the world this will help consumers and producers. Unfortunately the full benefit in Lithuania is not possible due to structural and political decisions. A large increase in the gas tax went into effect mandated by the European Union. A large increase in energy prices is scheduled to go into effect because fixed prices instead of free market prices are used. The government controls the price the utility companies can charge. Lastly, the VAT was increased by 1% which hurts everyone and especially the economy. Low profit margin businesses and services are especially affected. It of course immediately causes an increase in inflation when there should be none.

Unrest and Uncertainty

The Lithuanians are a hardy people, but they seem to suffer most from their own short sighted parliaments and government. Citizens like stability and certainty. Parliamentary democracy is something close to chaos. In a time, when neighbors are threatening and fomenting riots, the government is drastically cutting the Defense Ministry Budget. Only 1% GDP is spent on defense – far below the 3% minimally expected by NATO. Any look at the past history of the country and the region indicates the need to at least defend the country for 5 minutes until world opinion can come to the rescue. Not paying police an adequate wage means corruption and far greater problems for society.

The greater concern of Lithuanians is what will they do when the Ignalina nuclear plant is shut down? This is like a great sword of Damocles hanging over the future. It will hold everything back until it is resolved.

Lithuanian Real Estate

In last year's annual report, I wrote about the real estate bubble worldwide, in the Baltics, and in Lithuania. The bubble has burst, but the full ramifications have yet to be revealed. Current real estate prices are mostly unknown as the situation is so bad, transactions are not even taking place. The true impact on the banks is also unknown since the foreclosure laws in Lithuania are very weak – losses and non-performing loans are likely to drag on for years. Listed real estate prices remain outrageously high – you could easily cut them in half and they would still be more expensive than prime Florida beachfront properties. I assure you that weather and life style of Florida should command a higher price, not a lower



one than Lithuania. I need only to look out my office window in Vilnius in February to confirm that on a dark day with half rain and half snow.

It will be 10 years and more before you see real estate prices again at levels of 2008. Those who speculated will lose all their money. Stocks will come back quickly because they represent the hard work and best ideas of their employees. Many new buildings, completed or not, will just sit there empty, doing nothing, and contributing nothing to the success of the economy and future earnings. The bottom of the real estate market is far away. Most European countries have the same situation as they do not have free real estate markets where the prices can quickly adjust such as in the US and therefore can renew itself.

Investing in real estate in Lithuania will be a bad idea for a long time to come. This situation will hold back GDP by several percentage points for several years.

Stock Market Outlook

Whenever things look the worst, it has always been a good time to buy stocks. There are always random events, but now risk has already happened. Stocks are selling at prices of 2001, yet everywhere you look, Lithuania is far better off than 2001. Many now own cars, apartments, and homes and have a far higher standard of living. While it is difficult if not impossible to time the bottom of the market, it should be no surprise that I have been buying more shares of the fund. The market has overreacted and our fund is still the best way to participate in the future economic success of Lithuania and still have liquidity. You always buy stocks when no one wants them and things are the darkest. It always wins for the patient investors.

Sincerely,

A handwritten signature in black ink, appearing to read "Max Zavanelli".

MAX ZAVANELLI

Chairman of the Board of Directors of the fund's management company

Chairman of the fund's Supervisory Board

FINANCIAL STATEMENTS

The following financial statements are prepared in accordance with the Business accounting standards and the Securities Commission's Decision No.11 "Rules of preparing and providing information for management companies and investment variable capital companies which assets are not transferred to management companies". Statements of previous years are prepared using Business accounting standards and the "Order of bookkeeping and accounting for pension funds" confirmed by Government on January 13, 2004. Statements are in Lithuanian litas and are audited by the auditors.

BALANCE SHEET

No. ASSETS	12/31/2008	12/31/2007	12/31/2006
I. CASH AND EQUIVALENTS	523,407	904,214	788,461
II. TERM DEPOSITS			
III. INVESTMENTS	5,086,733	19,680,701	34,052,296
1. Debt securities			
1.1. Debt securities issued or guaranteed by government and central banks			
1.2. Other debt securities			
2. Equity securities	5,086,733	19,680,701	34,052,296
3. Investment units of collective investment subjects			
4. Other investments			
IV. ACCOUNTS RECEIVABLE	12,595	5,213	924,257
1. Accounts receivable for sold securities			
2. Other accounts receivable	12,595	5,213	924,257
<u>TOTAL ASSETS</u>	5,622,735	20,590,128	35,765,014
<u>NET ASSETS AND LIABILITIES</u>			
V. LIABILITIES	17,249	29,811	54,407
1. Accounts payable for bought securities	7,218		
2. Accounts payable to the fund's management company and custodian	8,975	29,811	54,357
3. Other accounts payable and other liabilities	1,056		50
VI. NET ASSETS (I+II+III+IV-V)	5,605,486	20,560,317	35,710,607
<u>TOTAL NET ASSETS AND LIABILITIES</u>	5,622,735	20,590,128	35,765,014

Comments to Balance sheet: Fund has no physical assets of its own. Management Company UAB Investicijų portfelijų valdymas manages the Fund.



STATEMENT OF CHANGES IN NET ASSET VALUE

No.		2008 12 31	2007 12 31	2006 12 31
I.	NET ASSET VALUE BEGINNING OF YEAR	20,560,317	35,710,607	56,443,778
II.	INCREASE (Total)	1,876,926	8,105,043	14,694,144
1.	Value of shares issued	659,900	460,532	3,193,202
2.	Bank deposit interest and Dividends:	404,520	537,164	704,176
2.1.	Bank deposit interest	2,351	2,075	2,224
2.2.	Dividends	402,169	535,089	701,952
3.	Realized gain on sale of securities	91,047	954,871	320,197
4.	Unrealized gain from securities	721,459	6,152,476	10,476,569
5.	Increase due to currency rate change			
6.	Other income			
III.	DECREASE (Total)	16,831,757	23,255,334	35,427,315
1.	Value of shares redeemed	3,422,131	18,280,240	23,297,125
2.	Realized loss on sale of securities	307,068	320,455	1,813,875
3.	Unrealized loss from securities	12,873,818	4,185,993	9,573,441
4.	Decrease due to currency rate change			
5.	Operating expenses:	228,740	468,646	742,874
5.1.	Marketing	15,092	24,172	133,927
5.2.	Legal fees and expenses	19,404	19,865	20,146
5.3.	Audit	12,980	11,000	9,000
5.4.	Investment management fee	131,962	264,700	354,747
5.5.	Brokerage fee	13,380	56,163	87,536
5.6.	Custodian fees and expenses	33,444	89,519	136,124
5.7.	Other operating expenses	2,478	3,227	1,394
6.	Other expenses			
IV.	NET ASSET VALUE END OF YEAR	5,605,486	20,560,317	35,710,607
V.	Net Assets per share End of year	1215.94	3762.87	3462.01
VI.	Number of shares End of year	4,610	5,464	10,315

MAIN DATA ABOUT THE FUND, MANAGEMENT COMPANY, CUSTODIAN AND FUND SHARES DISTRIBUTORS



Investment Fund

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The free full version of Prospectus containing more complete information about the Fund as well as full Annual and Semi-Annual reports can be obtained from the Fund's Management company and main distributor UAB *Investicijų portfelijų valdymas* at P. Lukšio g. 32, LT-08222 Vilnius, Lithuania, tel./fax.: (+370-5) 2747016, e-mail: office@ipv.lt or the Fund's website at www.indexfund.lt or the Fund's shares distributors