



Investor Fact Sheet

September 2010
(final)



Tera Capital Fund

Tera Capital Fund is the only Fund of Funds in the world which pays no fees other than a success fee
No early investor in Tera saw the value of his investment fall below the amount invested at any time during the economic crisis

Fund Information

Strategy: Tera Capital Fund is a Russian-focused fund of funds that invests in 5-8 funds (usually equity funds) that are diversified by sector, size, geographic focus and strategy.

Date Formed	April 2005
Investment Advisor	Altima Asset Management
Fund Size	\$4.4 M
Currency	US dollar
Current Price (NAV)	\$194.53
Min. Investment	\$100,000
Fees/Expenses	Success fee only (20%)
Subscription	Monthly
Redemption	Monthly, with 30-days notice
NAV	Monthly
Administrator	Maples Finance Limited
Auditor	Altschuler, Melvoin & Glasser
Bank	Bank of New York
Legal Advisors	Maples & Calder
German Tax Transparency Advisor	PriceWaterhouseCoopers
ISIN	KYG8760X1034
Eurekahedge ID No.	15532
URL	www.altim.ru
Advisory Board	Michael Wallenberg , SVP EFG Bank, Geneva Bruce Bean , Co-Chair ABA Russian Law Committee

Performance (net of fees)

Returns	Tera (%)	RTS, MSCI & ROS Avg* (%)	AAM Russia Fund Index ¹ (%)
Monthly	8.62	5.26	6.65
Year-to-date	14.53	(3.06)	7.01
Trailing 12 months	29.20	9.13	18.15
Since Fund inception (Apr 05)	94.53	66.68	81.56
Anlzd mnthly rtn (since Fund inception)	15.98	13.34	14.32
Annualized Stand. Dev. (since inception)	25.00	39.68	32.25
Sharpe Ratio ²	0.54	0.37	0.37
Trailing 12 m Sharpe	1.39	0.58	0.80

*RTS: 6.08%, MSCI: 5.80%, ROS (Crédit Suisse): 3.90%

Investment Advisor's Assessment

Russia

Fitch Ratings raised Russia's outlook to "positive" this month and announced that it could upgrade the country back to its pre-crisis rating. Fitch currently rates Russia BBB, which is investment grade, but one notch lower than before the 2008-09 global financial crisis.

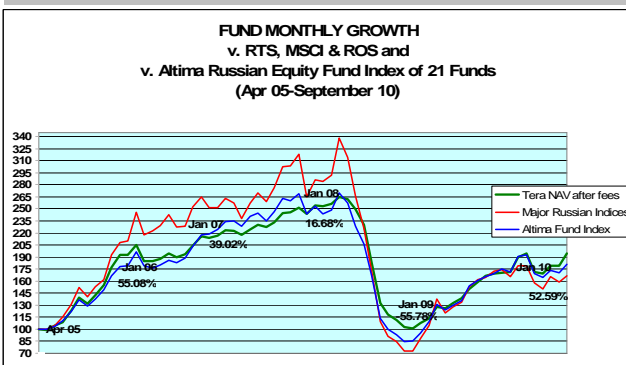
The head of Transneft, the Russian oil pipeline monopoly, announced this month that Russian oil output will continue to grow due to new fields in eastern Siberia. Russia overtook Saudi Arabia as the world's largest oil 14 months ago and is now pumping more than 10 million barrels per day – setting another post-Soviet high this month. Even during the recent financial crisis, Russian oil output grew between 1.5 and 2%. Incremental production will mainly come from the giant Vankor field and neighboring deposits, which will produce 1 million bpd later this decade.

Clearly the most dramatic news out of Russia in September was the September 28 firing of Moscow Mayor Yuri Luzhkov by Russian President Dmitry Medvedev. The move was seen as reinforcing investor confidence in the government's ability to take charge of the economy, fight corruption and address the horrible traffic problem in Moscow.

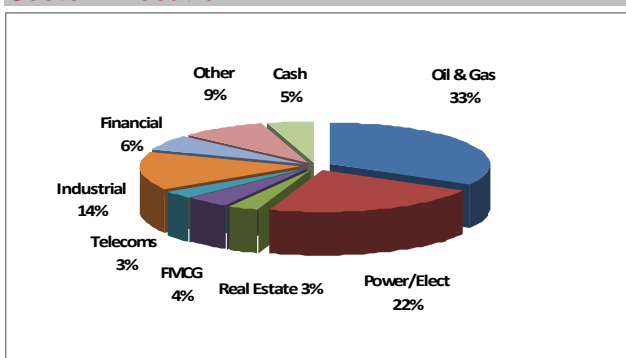
After the dismissal, Russian dollar notes due 2015 rose, pushing the yield down 2 basis points to 3.47%, the lowest since the bonds were sold in April – and the lowest rate ever for Russian sovereign debt. Eurobonds due in November rose, pushing the yield down 89 basis points to 3.40%.

Medvedev, who vowed to fight corruption after he took office in May 2008, dismissed Luzhkov after 18 years in office amid allegations Luzhkov showed favoritism toward his wife, billionaire developer Yelena Baturina, in approving contracts. Luzhkov's dismissal was by far the highest profile action Medvedev has taken to remove old-school bureaucrats and is a powerful response to corruption accusations.

NAV



Sector Allocation



¹ Altima Asset Management created this index of 21 Russia-focused equity funds created on or before May 2005 to provide an appropriate benchmark.

² Risk free rate: 2.5%

Credit-default swaps for Russia, rated Baa1 by Moody's Investors Service, its third-lowest investment grade rating, cost the same as contracts for Turkey, which is rated four levels lower at Ba2.

The yield spread on Russian bonds is 55 basis points below the average for emerging markets, down from a 15-month high of 105 in February.

Company News

Boeing announced that it agreed to sell 50 of its 737 airliners, valued at \$3.7 billion based on average list prices, to Russian Technologies. The agreement includes purchase rights for 35 additional 737s. The Russian Technologies supervisory board will vote on the deal in October. The 50 jets will be leased to Aeroflot and six regional airlines. Russian Technologies and Boeing are already closely linked as Russian Technologies unit VSMPO-Avisma, the titanium giant, is a Boeing supplier. Russian President Dmitry Medvedev signed a "proposal acceptance" for the 50 aircraft in June during a visit to Washington.

Prime Minister Vladimir Putin and Chung Mong-koo, chairman of the **Hyundai Motor Company**, launched Hyundai's first plant in Russia outside St. Petersburg on September 21, 2010. The plant will produce a small sedan optimized for the local market and have a capacity of 150,000 cars a year.



The company invested a total of \$500 million in the facility, which will work in pilot mode until the end of this year and start commercial production in January 2011.

The plant will manufacture the new C-class Solaris, a subcompact car created specially for the Russian market. Production of the four-door sedan will start in January 2011, while manufacturing of the hatchback is scheduled to begin in May 2011.

Putin said the enterprise would generate more than RUR 30 billion (\$965 million) annually in tax revenue in the coming years, adding that the opening was a heartening event for Russian motorists.

Hyundai expects the plant to reach an annual capacity of at least 105,000 cars by late 2011. It anticipates the figure to increase to 150,000 vehicles in 2012 as the plant will introduce three working shifts.

Hyundai plans to nearly double its sales in Russia to 130,000 vehicles in 2011. The company will have to continue importing vehicles to Russia from South Korea to meet that target.

The company expects to sell 75,000 vehicles in Russia this year. It already sold 47,200 cars in the first eight months, up 22% from a year ago and outperforming the market's 14% growth.

Most recently, **Nissan** opened a plant producing X-Trail SUVs and the Teana sedan in June 2009. **General**

Motors has made its Opel Astra, Opel Antara, Chevrolet Cruze and Chevrolet Captiva models at a factory that opened in 2008, which it is expanding, while **Toyota** has been manufacturing its Camry in the region since 2007.

Later the same day, the Prime Minister also attended the grand opening of parts facilities by Canada's **Magna International**, including two facilities that are part of its joint venture with **Shin Young**, a Korea-based supplier of major stampings, welded assemblies and tooling. The joint venture, Cosym, will operate one plant in Shushary, outside St. Petersburg, to produce body, chassis and energy-management systems for customers including Hyundai, General Motors, Nissan and Volkswagen.

The other plant, in Kamenka outside St. Petersburg, is a Hyundai-dedicated production site for body sub-assemblies based on parts stamped in Shushary.

Magna also opened a plant in Kolpino, also outside St. Petersburg, to produce exterior and interior components for customers including Ford and Nissan. The three plants represented a total investment of €74 million. Magna operates two other facilities in Nizhny Novgorod and Kaluga.

L'Oreal opened its first plant in Russia on September 23, 2010, investing more than €26 million in the facility in Vorsino, 85 kilometers southwest of Moscow. The plant will produce shampoos, hair conditioners and hair dyes under the Garnier and L'Oreal Paris brands for sale in Russia, Ukraine and Kazakhstan.



The Kaluga region offers tax breaks to investors and is a magnet for foreigners. French carmaker **Peugeot Citroen** and Japan's **Mitsubishi** opened a joint enterprise there in April 2010 and French cement producer **Lafarge** recently began construction of a new plant.

Foreign investment has significantly boosted Kaluga's economy, which soared by 45% in the first eight months of the 2010 compared with the same period in 2009.

The L'Oreal plant currently has one production line with an annual capacity of 120 million units, which may more than double depending on market requirements. The facility will reach its current full capacity next year as additional equipment is set up.

L'Oreal, with a Russian market share of 17%, is the second-largest cosmetics firm in the country after **Procter & Gamble**, which has 24%.

L'Oreal's Russian sales totaled €563 million in 2009. Local sales increased by 17.6% the first half of 2010 compared with the same period in 2009.

The Russian perfume and cosmetics market is not yet saturated and saw annual growth of 17-18% and still grew 6-7% in 2009; anticipated growth for 2010 year is 6-8%.

Russia's perfume and cosmetics market totaled \$9.7 billion in 2009 and may reach \$11 billion in 2010.

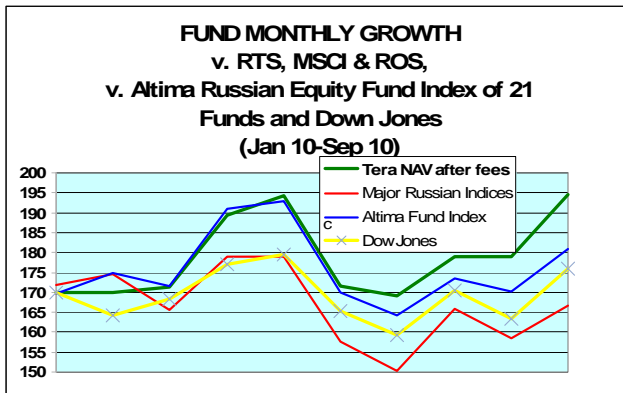
Markets

This month, Russian markets more than recovered from their setback in August. Although Russian markets are still, on average, down slightly for the year, in September they reached a level just over 20% above their May 2010 lows – “bull market” territory. As oil prices rose about 10% over the period, a significant factor in the growth was the general health and expansion of the Russian economy. Growth was also encouraged by the fact that Chinese data showed faster manufacturing growth than economists expected with China’s industrial production rising 13.9% in August from a year earlier.

September Performance

Tera’s significant outperformance in August when Russian markets fell was bracketed nicely in September when those markets rose – and Tera rose even further. The index average was up just over 5% (the RTS alone was up 6.08%), while Tera was up 8.62%. This put Tera’s NAV at a post-crisis high of \$194.53.

The AAM Russian Fund Index increased almost 1.5% more than the Russian market average, but still underperformed Tera by almost exactly 2%. Consequently, Tera continued to distance itself from the competition YTD.



The Fund’s **Sharpe Ratio** over the past 12 months is now just over **4 times** higher than that of the Russian index average (1.39 v. 0.38) and almost double that of other Russian funds (0.80). Tera’s rebalancing in early spring of this year has further increased what was already a tremendous advantage in terms of stability and return that Tera held over other funds and the indices.

Tera’s volatility continued to drop: volatility fell to 7.22 and annualized standard deviation fell to 25.00, compared to volatility of 11.46 for the major Russian stock exchange index average (11.57 for the RTS) and 9.31 for the AAM Fund Index. Standard deviation was 39.68 for the major Russian indices (40.09 for the RTS) and 32.25 for the AAM Fund Index.

The Fund’s oil and gas sector investment fell very slightly to 33%, while cash increased from 4% to 5%, mainly to a large investment in physical gold in one of the underlying funds. There were no other significant changes in Tera’s sector allocation.

Underlying Funds

The performance of Tera’s underlying funds ranged from just over 6% to just over 11%. There were no major investments in or reallocations among underlying funds during September.

We still plan on replacing our one “blue chip” fund, in which about 11% of Tera is invested, as the fund manager appears to be “losing his touch” a bit, but we are waiting for the appropriate moment. We view the growth potential of the Russian market over the next several months as very high and do not want to be left out of major movements because we are in the process of reallocating funds.

Other Russian Funds

All but one of the funds in the AAM Russian Fund Index was up in September. (Somehow, one fund managed to drop 4% during the month.) The best performing fund gained just over 12%; most were in the 5-7% range. Four funds exceeded Tera’s performance in September – but no fund beat Tera’s performance over August and September combined when the market was down about 4.5% and then up about 6%.

October First Look

October started out slowly, but has been steadily climbing. It now appears – barring any major negative developments – that Russian markets should be up 6-7% again in October. This would move all indices into positive territory for the first time since May, although certain other funds will probably still be negative for the year. Thus far, Tera appears to be moving in line with the general market.

Fund Awards


EUREKAHEDGE

Hedge Fund Databases

No. 1 ranked fund of funds in the world for **March 2010**


EUREKAHEDGE

Hedge Fund Databases

No 8 ranked fund of funds in the world for **2009**

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