



Tera Capital Fund

Tera Capital Fund is the only Fund of Funds in the world which pays no fees other than a success fee

Tera was the No. 2 performing fund of funds in the world in 2010

Fund Performance (net of fees)

Returns	Tera* (%)	RTS, MSCI & ROS Avg** (%)	AAM Russia Fund Index ¹ (%)
Monthly	(0.86)	(0.71)	(1.34)
Year-to-date	0.61	5.44	(0.68)
Trailing 12 months	24.87	28.19	24.80
Since Fund inception (Apr 05)	111.01	107.77	105.08
Anlzd mnthly rtn (since Fund inception)	15.41	15.02	12.70
Annualized Stand. Dev. (since inception)	23.59	37.66	30.74
Sharpe Ratio ²	0.55	0.44	0.33
Trailing 12 m Sharpe	1.69	1.28	1.11

*Weight averaged, all series (currently 6) combined

**RTS: (0.77)%, MSCI: (0.75)%, ROS (Crédit Suisse): (0.60)%

Investment Advisor's Assessment

Russia

The apparent theme for June was intra-BRIC trade, an increasingly important part of world commerce.

For instance, **India and Russia** plan to boost trade to \$20 billion per year by 2015, Indian Commerce and Industry Minister Anand Sharma said at a round table at a recent economic forum in St. Petersburg. The Russian and Indian economies are worth a combined **\$1 trillion**.

The countries are increasing trade relations and have formed six working groups to plan further areas for cooperation.

Machinery and equipment account for more than 50% of Russian exports to India; oil and gas just 5%.

China and Russia are finalizing documents to put an end to a dispute over a crucial gas deal. The two countries had been bogged down in disagreements on pricing for the gas that Russia would ship to China via two routes.

Under early terms negotiated over the past five years, Russia will deliver **30 billion cubic meters** per year from fields on the Yamal Peninsula in the Arctic, the same

fields that supply Europe, via pipeline through the Altai region to northern China.

China would also like to purchase an **additional 38 bcm** from as-yet-untapped fields in East Siberia.

On a different subject, Finance Minister Alexei Kudrin announced at a Presidium meeting chaired by Prime Minister Vladimir Putin that **transparency and investor interest will increase for domestic companies** reporting consolidated earnings after they are required to implement **international accounting standards** next year. Companies with consolidated accounts will switch



to **International Financial Reporting Standards by Jan. 1 2012** and will be able to report their 2012 financial results under the new rules. Kudrin stated that "This means all consolidated groups will be required to use these standards in 2013 for the first time to report their results for 2012."

He also stated that other firms, including public companies and small and medium-sized businesses, will have to follow suit shortly afterward, switching to international accounting standards "during a transition period."

In April 2011, the Russian government signed an agreement with the IFRS Foundation, allowing it to use that organization's standards within Russia.

Analysts agreed the change would **increase the attractiveness of Russian companies**.

"It is a positive step for the investment climate to mandate the use of accounting standards that are recognized and understood across the globe," said Andrew Cranston, senior partner at **KPMG** in Russia and the former Soviet Union.

160 of Russia's largest 400 companies are already using international accounting standards.

An aid to President Dmitry Medvedev announced that Russia will likely continue **lowering its U.S. debt holdings** as the United States works to contain a budget deficit and bolster economic recovery.

"The share of our portfolio in U.S. instruments has gone down and probably will go down further," said Arkady Dvorkovich, chief economic aide to Medvedev.

Russian holdings of U.S. Treasury securities fell to \$125.4 billion in April 2011 from \$176.3 billion in October 2010.

Russia's financial reserves, which totaled \$528 billion as of June 10, are the third-largest in the world, after China and Japan. On June 1 May, 47% of reserves were in dollars and 41% in Euros, compared with 45.2% in dollars and 43.1% in Euros on Jan. 1.

Company News

A long-anticipated deal finalized the merger of Moscow's two stock exchanges, **MICEX** and **RTS**, with the two entities expected to begin operating as a single unit by September 2011.

The combined exchange, which will be renamed, will complete all legal documentation by 2012 and hold an initial public offering for no less than \$300 million in 2013. The terms of the deal are in line with the merger February agreement that valued MICEX at \$3.45 billion and RTS at \$1.15 billion.

MICEX handles about 70% of all equity transactions in Russia and aims to become **one of the world's top five exchanges by 2015**. A unified exchange is considered one of the key steps in the bid backed by President Dmitry Medvedev to make Moscow an international financial center.

VimpelCom Ltd. raised **\$2.2 billion** via a eurobond issue and was able to cut the premium for one of the

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%

three tranches. The issue was almost unaffected by market jitters over Greece's debt problems.

Russia's No. 3 mobile operator raised \$500 million with a 6.25% yield due in March 2017, as expected, but cut the premium to 7.5% for a \$1.5 billion issue maturing in March 2022 from 7.625% guidance.

It also raised \$200 million with an annual interest rate of three-month U.S. dollar LIBOR plus 400 basis points maturing in June 2014, the company said Thursday.

The opening of **Wendy's** on the Arbat marks the second step in corporate plans to launch at least **180 restaurants, franchises and sub-franchises in Moscow and the Russian regions over the next 10 years**. Russia's first Wendy's opened in June.

The fast-food chain hopes to take on its main rival, **McDonald's** and others with handmade burgers and better-quality meat.

McDonald's, which has operated in Russia since 1990, continues to grow rapidly in Russia. Local restaurants, numbering **275 at the end of 2010, serve about 700,000 customers** a year each, one of the **highest numbers for McDonald's in the world**. It opened 31 restaurants in 2010 and will open 40 more in 2011.

Wendy's will offer an American menu of hamburgers, cheeseburgers, salads and roast beef sandwiches. The average bill will run 250 rubles (\$9), or \$3 to \$4 more than in the United States. The company projects annual revenue of \$1.5 million to \$1.6 million per store, **roughly 40% higher** than at a store in the United States.

In an amusing twist, the Wendy's models in trademark pigtails who greeted reporters outside the U.S. hamburger chain's first standalone Russian restaurant didn't resemble traditional Wendy's girls: instead of the wholesome, freckle-faced redhead in old-fashioned pantaloons, these long-legged women wore short dresses, bright red-striped stockings and stilettos.

The girls were a far cry from the Soviet stereotypes that Wendy's lampooned so successfully in an award-winning commercial in the 1980's which poked fun at the lack of choice in the Soviet Union and the stereotypically large Soviet woman, showing a heavysset woman strutting in a shapeless dress and swinging a flashlight for nightwear and a ball for beachwear with a voice-over of a male with a very strong, deadpan Russian accent.

Tire and auto parts maker **Continental** will spend € 220

million (\$318 million) to build a tire plant in Kaluga, where it already has an automotive electronics factory which will receive an additional € 6 million of investment to support expansion.

The tire plant, whose construction will start later in 2011, is expected to manufacture 4 million tires annually. Production at the facility will begin in late 2013.

Continental hopes to increase output at the plant to 8 million tires per year.

French electric services firm **Schneider Electric** has opened a third Russian factory in a bid to keep up with increasing demand for "smart-grid" technologies in Russia and the CIS.

"We reached a critical point where we had to be in-country to keep up with orders and the demands of customers," Schneider Electric country president Jean-Louis Stasi said at the opening ceremony.

A "smart grid" uses a combination of real-time monitoring technologies and software to closely tailor energy supply to demand, reducing electricity bills, increasing reliability and reducing energy waste during network peak and off hours.

The **€ 10 million (\$14.5 million) plant** near the small town of Kommunar in the Leningrad region will turn out RM6 ring main units for Russian utility companies and property developers.

It is estimated that Russia will need an additional **173 gigawatts** of electrical energy by 2030 with an investment of **\$328 billion** in modernization and expansion of current electricity infrastructure.

The government has also set a goal of slashing energy waste, which is currently roughly equivalent to France's entire annual consumption.

Fund Awards



Most Innovative Funds of Funds
(for innovation and performance)



No. 2 ranked fund of funds
in the world for 2010



No 8 ranked fund of funds in the
world for 2009



No 1 ranked fund of funds
in the world for 2005

Contact Information

Altima Asset Management
Mr. Timothy Enneking
+7 910 439 1486
te@altim.ru

Maples Fund Services Ltd
Mr. Mark Wellon
Tel.: +1 514 228 2227
investorservices@maplesfinances.com

