



Tera Capital Fund

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

Based on Tera Capital Fund's performance and innovation, in July 2011, World Finance announced that Tera had won its prestigious award for being the most innovative fund of funds in the world

According to Eurekahedge, Tera Capital Fund 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	(15.70)	(19.74)	(16.76)
Year-to-date	(24.78)	(25.86)	(25.44)
Trailing 12 months	(18.91)	(19.17)	(19.95)
Since Fund inception (Apr 05)	157.75	144.72	146.01
Anlzd mnthly rtn (since Fund inception)	10.67	10.32	8.57
Annualized Stand. Dev. (since inception)	24.85	38.44	31.43
Sharpe Ratio ²	0.33	0.28	0.19
Trailing 12 m Sharpe	-0.22	-0.26	-0.29

*Weight averaged, all series (currently 6) combined

**RTS: (21.227)%, MSCI: (21.80)%, ROS (Crédit Suisse): (16.20)%

Investment Advisor's Assessment

Russia

Japan's public pension fund, called the **Government Pension Investment Fund**, is the largest in the world by AUM with over \$1.5 trillion. The fund's **President, Takahiro Mitani**, has concluded that "it looks like a good time to start investing in emerging markets" at an interview in late September.

"Prospects for growth still remain strong for emerging markets relative to the developed countries, which means expected returns will be higher."

As a result, GPIF will begin investing in emerging market stocks by the end of the 2011 as it diversifies assets to maintain stable returns.

It is in the final stage of selecting managers who will handle the investments which will be focused on markets included in the MSCI Emerging Markets Index.

The majority of the fund's investments is currently in domestic bonds. It is seeking better returns to cover payments in the world's most rapidly aging society.

The shares of companies included in the emerging-market gauge, are trading at 9.9 times estimated 12-month earnings, compared with 12.2 times for stocks in advanced economies. **Developing nations made up eight of the 10 best performers** in 2011 among 93 global benchmark stock gauges tracked by **Bloomberg**.

GPIF will probably remain a net seller in the fiscal year starting April 2012 to cover pension payments, Mitani said. The fund will sell fewer Japanese bonds this fiscal year from its portfolio than it sold last year as bonds reach maturity, he said. It sold 4.7 trillion yen worth of bonds in the fiscal year ended March 31, 2011, according to GPIF.



Investment Plan

Under a five-year approved in March 2010, GPIF will allocate about two-thirds of its assets to domestic bonds, 11% to Japanese stocks, 8% to foreign bonds, 9% to overseas equities and 5% to short-term assets.

GPIF lost 0.25%, or 299 billion yen, in the year ended March 31, 2011, as investments in Japanese equities and foreign bonds fell in value. For the three months ended June 30, 2011, the fund returned 0.2%, or 240 billion yen, as investments in bonds helped offset losses in equities.

GPIF has commissioned a study on alternative assets, such as hedge, real estate and private equity funds as it seeks investments that will not be correlated to the fund's traditional holdings of bonds and equities.

"Some say that other pension funds are investing in alternatives, but given the size of our fund, we have to be careful in making any decisions as the impact will be rather significant," Mitani said.

In September, the **IMF** forecast the world economy will expand 4% in 2011 and 2012, compared with June forecasts of 4.3% in 2011 and 4.5% in 2012. IMF said it based its forecast of a "modest pickup of activity" in advanced economies and of "robust growth" in emerging counterparts on the premise that European policy makers will implement the measures to reinforce their bailout mechanism agreed on in July.

Company News

The newly combined **MICEX-RTS stock exchange** is expected to grow three times to reach \$13.8 billion by 2015, making it the world's **third largest stock exchange** by market capitalization, MICEX vice president Sergei Sinkevich said.

Two and a half years before its start, the **2014 Sochi Winter Olympics**

is already the **most successful in the history of the Olympic games** at deriving income from national sponsors, beating the record established by the **Beijing Summer Olympics**.

The Sochi games have taken in **more than \$1.2 billion**, **Russian Olympic Organizing Committee** chairman Dmitry Chernyshenko announced.

In September, the Committee signed a sponsorship agreement with **Russian Buses** (part of **GAZ**), **Scania Rus** and recruiting agencies **Adecco Group**, **EXECT Business Training** and **Kelly Services**.

Services are to be provided under the contract in addition to payment for the right to use the Olympic symbol and Sochi 2014 logo. Russian Buses and Scania Rus will



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%

provide buses, and Adecco Group will select temporary personnel to work at the games.

The Committee has an agreement with one more company, the identity of which is not being revealed, a committee representative said. A contract is expected to be signed before year-end and is considered in the calculation of the \$1.2 billion sum.

National sponsors make contracts with the organizing committee through competitions and are the committee's main source of income, since income from ticket sales is relatively slight.

Global sponsors, such as **Samsung**, **Coca-Cola** and **Visa**, sign contracts with the International Olympics Committee for a series of Olympic Games.

With the latest contracts, the number of partners for the 2014 Olympics amounts to 18. Eight sponsors account for almost \$1 billion. The largest sponsor is **Rosneft**, which paid **\$180 million**, followed by mobile phone company **MegaFon** at **\$130 million**.

Prime Minister Vladimir Putin clicked open the valve at a compression station near Vyborg to start filling the **\$10 billion Nord Stream subsea natural gas pipeline from Russia to Germany**, bypassing Ukraine, where disputes halted supplies to European customers twice since 2006.

Russia's banks could lose about \$12 billion in the event of a serious debt shock in the Euro zone, but stress tests show that they would withstand the blow, a Russian Central Bank official said, stating that there was no cause for concern for Russian financial institutions in the event of a Greek default.

Fund Awards



Most Innovative Funds of Funds
(for innovation and performance)



No 8 ranked fund of funds in the world for 2009



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



No 1 ranked fund of funds in the world for 2005

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