



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, 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	14.61	19.09	8.46
Year-to-date	(3.41)	(4.95)	(5.88)
Trailing 12 months	(12.96)	(7.19)	(12.95)
Since Fund inception (Apr 05)	174.64	163.82	156.87
Anlzd mnthly rtn (since Fund inception)	12.11	11.01	8.09
Annualized Stand. Dev. (since inception)	25.17	38.75	31.15
Sharpe Ratio ²	0.38	0.32	0.18
Trailing 12 m Sharpe	-0.28	-0.38	-0.43

*Weight averaged, all series (currently 6) combined

**RTS: (1.44)%, MSCI: (13.50)%, ROS (Crédit Suisse): 0.10%

Investment Advisor's Assessment

Russia

Russia signed a Swiss-brokered deal with **Georgia** that removes the last big obstacle to Moscow joining the **World Trade Organization** after 18 years of negotiations.

Russia's accession will be the biggest step in world trade liberalization since **China** joined the WTO a decade ago, sealing its integration into the world economy two decades after the collapse of the Soviet Union.

"It's over. We've signed the document," said **Sergi Kapanadze, Georgian Deputy Foreign Minister** and senior negotiator. "There are no more obstacles from Georgia to Russia to becoming a member of the WTO."

There was no immediate comment from Russia, whose \$1.9 trillion economy is the biggest outside the WTO.

But **WTO spokesman Keith Rockwell** said, "We are delighted that agreement has been reached between Georgia and the Russian Federation. We congratulate them, and we congratulate the Swiss mediators."

After nearly two decades of negotiations with the 153-member organization, Russia's last challenge was to reach a deal with Georgia to stop its entry being blocked by the former Soviet republic with which it fought a short war in 2008.

Russia has said it hopes that a WTO working group meeting will prepare a final document for approval by WTO trade ministers in Geneva on Dec. 15. Entry also needs the approval of Russian parliament, which is likely before the March 2012 Russian presidential election.

Accession will send a signal to companies and investors that Russia, the world's largest energy producer, is starting to **move closer to a rule-based system of doing business.**

President Dmitry Medvedev said Russia expects **Europe** to overcome its debt crisis and **increase**

demand for gas imports, warning against "artificial barriers" being raised to closer energy ties.

Russia aims to increase energy cooperation with Europe, **Medvedev** in the northern German town of Lubmin, where he joined **Chancellor Angela Merkel** and other European leaders to mark the **opening of Nord Stream**, the first direct gas pipeline connecting Russia and Europe.

With a second pipeline under construction, "we are counting on the European economy to overcome all current difficulties and achieve steady growth," **Medvedev** said. "We will continue to accelerate energy cooperation with our European partners."

The **\$10.2 billion pipeline** under the Baltic Sea was designed at a time when European Union demand for natural gas and imports from **Gazprom** were rising. Because gas demand in the EU has fallen since the beginning of the debt crisis in 2008, and LNG imports to Western Europe have risen sharply, new supplies are no longer needed at present.

Ukraine's pipelines, which have brought 80% of Russian exports to Europe, have been vulnerable to disruption during repeated disputes between Kiev and Moscow over prices that have led to flows being cut off in midwinter.

The route under the Baltic is immune from such disputes. The pipeline carries gas from Vyborg, near St. Petersburg, under the Baltic to Germany. Construction of the Nord Stream pipeline began in April 2010. **Each pipeline consists of 100,000 steel pipes** laid on the seabed.

The first pipeline will have an annual capacity of **27.5 billion cubic meters**. Nord Stream will ultimately be able to send 55 bcm of gas a year under the Baltic Sea, the rough equivalent of German, French, Dutch and British consumption of Russian gas in 2010.

The vast bulk of the gas – 25 bcm from **Yuzhno-Russkoye**, an upstream joint venture of Gazprom and Germany's **Wintershall** – will simply be rerouted to the new link from the transit pipelines via Ukraine.

"The balance of power has changed, and not in favor of Ukraine. And Nord Stream is a main factor for this," said **Katya Yafimava**, a research fellow at the **Oxford Institute for Energy Studies**.

For Russia, security of its links westward is vital because Gazprom relies heavily on European customers for revenue. Russia has so far failed to find major new gas customers in other regions, and although talks with China are under way, analysts say first flows are still years off.

In the European Union, Germany and its western neighbors stand to benefit most from the new route, while Poland – which also depends heavily on Russian gas imports via Ukraine and is itself a transit country – sees the pipeline as an attack on its interests.

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%

The new pipeline makes landfall just a few kilometers away from the border with Poland, cutting the country out of the route.

French Prime Minister Francois Fillon and **Dutch Prime Minister Mark Rutte** also attended the launch in a display of unity over a project that has divided Europe.

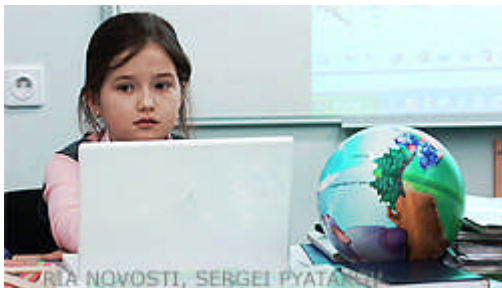
"It was wrongly seen as [a German-Russian project] because it became clear quite quickly that the Netherlands and France also took part. And considering the countries that will be receiving the natural gas – from Belgium to Great Britain. It has always been a European project," said **former German Chancellor Gerhard Schröder**, now **Nord Stream's chairman**.

Warsaw, however, sees its tensions with Russia over gas as very much a live issue. Poland's gas monopoly **PGNiG** filed an arbitration procedure against Gazprom on Monday to cut import prices under a long-term supply deal.

Gazprom owns 51% of the project, with German companies **Wintershall** and **E.ON** each holding 15.5%; France's **GDF Suez** and Dutch firm **Gasunie** each hold 9%.

Russia has become **Europe's biggest market by number of Internet users**, overtaking the region's leading economies **Germany** and **France**, in an encouraging milestone for the biggest market players, but largely seen as natural due to the size of the country's population.

Russia topped a ranking of the 18



European countries with the largest number of Internet users, with the figure reaching **50.8 million** in September.

Germany sank to **second place with 50.1 million Internet users**, while the figures in **France** and **Britain** reached 42.3 million and 37.2 million, respectively, said the survey, published earlier this week. **Italy** was in fifth place with 23.7 million users.

Russia's leadership results from the country's bigger population compared with other European countries, said **Konstantin Chernyshyov**, an analyst at **UralSib Capital**. "Internet penetration in the country is increasing. It's natural that the number of Internet users is growing and Russia will preserve its leading position in the future."

Communications and Press Minister Igor Shchyogolev said that he expected the country's Internet market to become the biggest in Europe in the next several years if it continues its current growth rates. The overall number of Internet users in Russia is expected to reach **half of the country's 142.9 million population** by the end of this year.

The biggest domestic Internet companies were encouraged by the figures, saying that hitting the biggest number of Internet users in Europe is a positive sign for the future development of the country's Internet market. Russia's leadership is important for domestic Internet companies working outside the country because it will strengthen business ties with their foreign partners.

Overtaking other European countries by the number of Internet users is a "milestone" for Russia, but the country still lags behind its European peers by penetration, said London-listed **Mail.Ru**.

"The penetration is close to maximum in Moscow, St. Petersburg and other cities with a million population, but some of the country's regions almost don't have Internet connections," **Mail.Ru** said.

The share of **households across Russia that have broadband access reached 35%** in 2010 and is likely to grow 10% to 15% a year over the next couple of years. Russian regions that still generally don't boast good penetration are likely to be the biggest contributors to growth.

Foreign direct investment in Russia reached \$36 billion in the first 10 months of the year.

Company News

Magnit, Russia's largest food store chain, announced that **sales rose 33% to \$841 million** in September 2011 as it continued opening new stores.

As of the end of that month, **Magnit** had **4,767 stores**, of which 108 were opened the prior month, translating into a **40.2% year-on-year increase in selling space**.

"We do not see any noticeable decline in consumer activity in Q3 this year. However, looking at the sales growth rate data, it should be noted that in Q3 2011 there was food deflation on the level of 2.7%," **Magnit CEO Sergey Galitsky** said.

Magnit's full-year forecast is for sales growth between 43% and 48%.

During an opening ceremony in November, **Sberbank** put on display its **16,500-square-meter data center Yuzhny Port** – the **largest of its kind in Europe**, demonstrating its latest capabilities.

Aluminum giant **United Company RUSAL** said that its **net profit skyrocketed to \$432 million** in Q3 from \$29 million in 2010 due to solid production results and cost efficiency measures.

Caterpillar is adding capacity at its plant in Tosno to produce up to **300 55-ton-payload 773-E trucks** per year for mining. The company launched Russian production of mining trucks to capitalize on a boom in metals and mining across the former Soviet Union.

"This isn't an investment with a five- or seven-year time frame – it's an investment for the next 25 or 30 years,"

Group President Steven Wunning said.

"Most of the world's population now lives in cities, and the population of the world is set to grow by about 6 million a year for



at least the next 30 years. The demand that is going to place on mining, which provides the raw materials for building housing, infrastructure, supplying clean water and other things that make cities work, is vast," **Wunning** said.

The new truck, which went into production late last week, is a huge, six-wheeled vehicle that will be sold to extractive industries across the country. The company is certain to sell all of the trucks produced in the first year, many to mining operations in **Mongolia**.

Caterpillar has invested a total of about \$100 million in the Tosno plant, its flagship production facility in Russia established in 2000.

In 2008, the factory began to turn out 27-ton excavators, Caterpillar's first Russian-produced vehicles. In January 2011, the company launched production of a larger, 35-ton earth mover.

The Russian mining industry has traditionally been served by Belarus' **BelAZ**, whose heavy vehicles continue to dominate the market.

Caterpillar's vehicles are more expensive, at about \$700,000 each, to buy and maintain than BelAZ's, but the American company is betting that a longer service lifetime and fewer repairs make its vehicles the most cost-effective option in the long term.

Gazprom announced that its **Q2 net profit rose to \$10.03 billion** on the back of rising sales. It has been struggling to keep its market share in Europe, but the company's sales rose after social unrest in the Arab world and nuclear disaster in Japan.

Gazprom **gas sales to Europe increased 42%** year on year in the first six months of 2011 to 742.2 billion rubles, or to 86.6 billion cubic meters, compared to full-year plans of up to 155 bcm. Gazprom also reported Q2 revenue of 1.03 trillion rubles, up from 761.95 billion

rubles in the same period a year ago.

Gazprom Neft said **Q3 profit jumped 47%** from 2010 after crude oil prices rose. **Net income climbed to \$1.27 billion** from \$865 million a year earlier as the price of Urals, the benchmark Russian export blend, jumped 48% in the period.

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

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