



Tera Capital Fund

Investor Fact Sheet

March 2012
(final)



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 February 2012 the Global Banking & Finance Review announced that Tera had won its second award as the most innovative fund of funds in Europe for 2011

According to Eurekahedge, Tera Capital Fund was the No. 4 performing fund of funds in the world YTD through Q1 2012

Fund Information

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

Date Formed	April 2005
Investment Advisor	Altima Asset Management
Fund Size	\$5.0 M
Currency	US dollar
Current Price (NAV)	\$188.43
Min. Investment	\$10,000 (non-US); \$100,000 (US)
Fees/Expenses	Success fee only (20%)
Subscription	Monthly
Redemption	Monthly, with 30-days notice
NAV	Monthly
Administrator	Maples Fund Services
Auditor	Altschuler, Melvoin & Glasser
Bank	Bank of New York
Legal Advisors	Maples & Calder
German Tax Transparency Advisor	PriceWaterhouseCoopers
Lipper Tass/Thomson Reuters ID No.	96695
Eurekahedge ID No.	15532
ISIN	KYG8760X1034
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	(3.57)	(6.53)	(2.96)
Year-to-date	19.44	17.73	13.22
Trailing 12 months	(15.23)	(23.68)	(19.86)
Since Fund inception (Apr 05)	188.43	172.16	166.98
Annld mthly rtn (since Fund inception)	12.88	11.33	8.61
Annualized Stand. Dev. (since inception)	25.58	38.67	30.92
Sharpe Ratio ²	0.41	0.33	0.20
Trailing 12 m Sharpe	(0.41)	(0.54)	(0.83)

*Weight averaged, all series (currently 9) combined

**RTS: -5.61%, MSCI: -8.17%, ROS (Crédit Suisse): -5.80%

Investment Advisor's Assessment

Russia

Obviously the most important event in Russian in March were the presidential elections. As we stated in last month's Fact Sheet, the run-up to the election was virtually anti-climactic as it became clear that Putin would win an absolute majority in the first round. (Had no candidate received more than 50% of the votes in the first round, a second round would have been held with the two leaders facing off, à la the French system.)

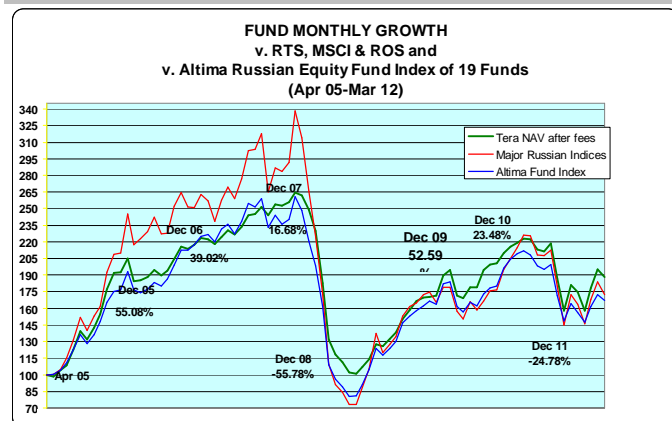
Putin won in the first round with 63.64% of the vote; the communists came in second with 17.18%; Mikhail Prokhorov took third with 7.94%, ahead of Vladimir Zhirinovskiy with 6.22% and Sergey Mironov with 3.85%. 71.5 million Russians, or 65.25% of eligible voters and almost exactly 50% of the total Russia population, cast a vote.

Inflation in March was again 3.7% (as in February), down from 4.2% in January and **at record lows for Russia**. The other BRIC countries have higher or, in the case of China comparable, inflation (**Brazil 5.8%, India 6.9% and China 3.2%**).

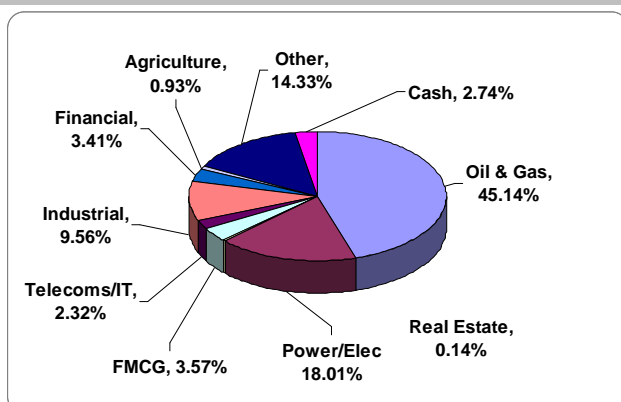
Russia's current account surplus reached \$42.3 billion in Q1, up 37% over Q1 2011. The Q1 budget deficit was 0.9% of GDP, one of the lowest in the world. To fund it, Russia sold Eurobonds in one of the largest EM bond issues in years. The **issue was oversubscribed five-fold**. The coupon for five-year bonds: 3.25%. The Russian government announced that this will be Russia's first and last borrowing in 2012.

In early April 2012, the **IMF published its annual World Economic Outlook**. We will issue a white paper comparing Russia to other BRIC and major EM countries based on the IMF's conclusions shortly. The results make very interesting – and somewhat surprising to

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%

some – reading as the IMF gives Russia an extraordinarily positive assessment.

Russian Markets

Russian markets, like those of the rest of the world, were quite volatile in March, with the indices ending down over 6.5% (although Tera did much better; see below).

What is quite interesting at the moment is how Russian equities are not pricing in the prevailing high oil prices, which have remained quite solidly above \$100 (WTI) and \$115 (Brent). One sell-side analyst recently note that, based on the 15-year trailing correlation between Brent oil prices and the RTS index, the current Brent price would indicate a RTS Index **65% higher** than current levels. While we are not predicting an immediately 65% rally on Russian markets any time soon, at some point the gap between the high oil price and low stock prices becomes too wide for investors to ignore. **This analysis is strongly supported by the IMF's conclusions** as we will discuss in more detail in the upcoming white paper.

Once investor optimism gains traction, the impact on the market will be significant. So far this year Russia has been relatively ignored by most international investors. Out of the more than \$20 billion that has been invested in emerging market equities through February, only some \$640 million, or 3%, was invested in Russia. With Russia's 6% weight in the MSCI Emerging Markets Index, if flows were to normalize, they would double the current pace of investment and provide significant support for Russian equities.

March Fund Performance

The **Fund was down 3.57%** for the month, **significantly outperforming major Russian index average** (by almost 3%) and every component thereof (MSCI by 4.5%), which **dropped almost twice as much**. For the first time in 2012, the Fund very slightly underperformed the AAM Fund Index (by 0.6%).

YTD, Tera is nicely ahead of the index average (2 percentage points) and very significantly ahead of the AAM Fund Index (6 percentage points). In terms of performance through Q1 2012 **Eurekahedge ranks Tera as the No. 4 fund of funds in the world** out of 2,551 funds.

We are also happy to announce that **Thomson Reuters/Lipper Tass now lists Tera Capital Fund**. The **Lipper Tass ID is 96695**. The Thomson Reuters ID number will vary according to product. (If you have any questions as to Tera's ID number for any given Thomson Reuters product, please inquire.)

Also, **PricewaterhouseCoopers** has just certified Tera Capital Fund's 2011 results as **tax transparent in Germany**. (You can see the official posting of the results on the site of the German tax authorities, <https://www.bundesanzeiger.de> by doing a simple search using "Tera".)

Underlying Funds and Sectors

As you will see below, the **funds underlying Tera all outperformed the Russian indices** (individually and the average) in March. One was very slightly in positive territory (performance rounded to 0% below). As a result, the Fund's performance was quite impressive in a down month. As usual, March results clearly showed the

advantages of a fund of funds, particularly when one has selected superior underlying funds.

Strategy	Size	Perform.
Diversified, 1 st and 2 nd echelon	Sm	-3%
Diversified, 2 nd echelon (class A)	Med	-4%
Diversified, 2 nd echelon (class B)	Med	-4%
Blue chip	Lg	-4%
Aggressive, long-short	Sm	-2%
Aggressive, 2 nd & 3 rd echelon	Sm	-2%
Sector (power)	Sm	0%

Several sector allocations changed significantly during March. FMCG increased by 2% and Financial and "Other" increased by over 1%, while Telecoms/IT fell by almost 2%, Agriculture by just over 2% and Industrial by almost 3%. Cash increased by 2.5%. As is clear, our underlying funds reacted to the falling markets and the prospect that April and May will probably not bring significant relief.

Other Russian Funds

Only two funds in the AAM Fund Index were up in March, one 0.08%; the other 1.90%. The Index slightly outperformed the Fund (by 0.6%) because of the remarkably similar performance of each fund. The range of the drop in NAV was from -0.58% to -5.01%, with all but the two outliers between -1.83% and -4.37%. Among other several hundred Russia funds that we track which are not included in the AAM Fund index, performance was generally much worse, with only the two bond funds in positive territory.

April First Look

Russian markets generally trended slightly downward during the first part of April, although less than most of the world's major markets. Downward pressure is being exerted by Spain's debt load and China's slightly slowing economy. While the month will probably end down, we believe that Tera will generally outperform its benchmarks for the fourth straight month in 2012.

Fund Awards



Most Innovative Funds of Funds
(for innovation and performance)



No. 4 ranked fund of funds in the world, YTD 2012



No 8 ranked fund of funds in the world for 2009



Most Innovative Funds of Funds
(for innovation and performance)



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

