



Tera Capital Fund

Investor Fact Sheet

December 2009
(final)



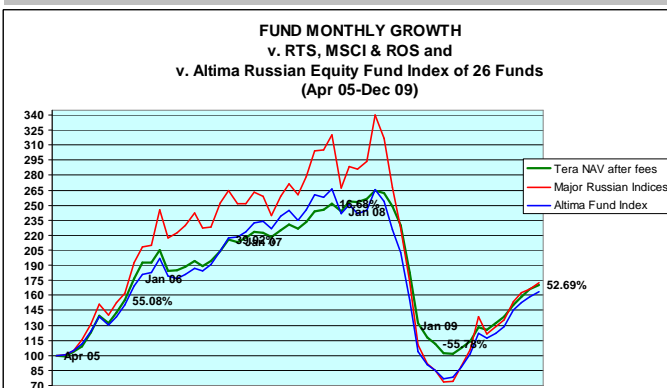
Tera Capital Fund is the only Fund of Funds in the world which pays no expenses and takes no fees other than a success fee
No early investor in Tera saw the value of his investment fall below the amount invested at any time during the economic crisis

Fund Information

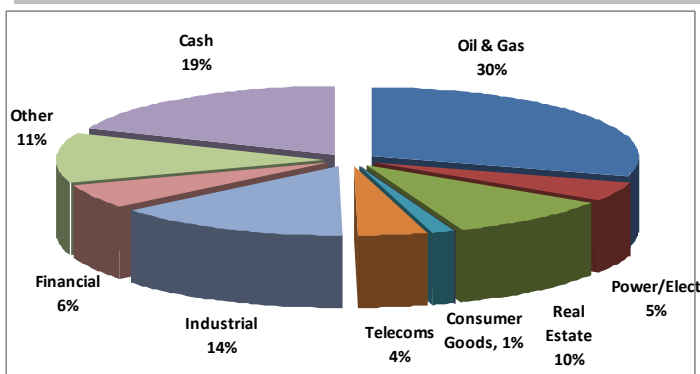
Strategy: Tera Capital Fund is a Russian-focused fund of funds that invests in approximately 5-8 funds (usually equity funds) that are diversified by sector, size, geographic focus and strategy.

Date Formed	April 2005
Investment Advisor	Altima Asset Management
Fund Size	\$3.3 M
Currency	US dollar
Current Price (NAV)	\$169.85
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
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

NAV



Sector Allocation



Performance (net of fees)

Returns	Tera (%)	RTS, MSCI & ROS Avg* (%)	AAM Russia Fund Index ¹ (%)
Monthly	3.03	4.47	2.66
Year-to-date	53.69	104.41	92.38
Trailing 12 months	53.69	104.41	92.38
TRAILING 18 MONTHS	(35.32)	(45.30)	(35.73)
TRAILING 24 MONTHS	(32.48)	(45.86)	(3.65)
TRAILING 36 MONTHS	(21.22)	(44.55)	(24.88)
TRAILING 48 MONTHS	9.53	6.96	8.54
Since Fund inception (Apr 05)	69.85	73.10	63.21
Anlzd mnthly rtn (since Fund inception)	14.68	13.48	13.88
Annualized Stand. Dev. (since inception)	25.58	41.61	34.55
Sharpe Ratio ²	0.48	0.43	0.42

*RTS: 5.1%, MSCI: 3.3%, ROS (Crédit Suisse): 5.0%

Investment Advisor's Assessment

Russia

December did not see any major events in Russia, aside perhaps from the official announcement of the RusAI IPO in Hong Kong (with a secondary listing in Paris). However, a perception outside of Russia clearly began developing that perhaps Russia wasn't such a risky investment after all – with a corresponding increase in projections for Russian equity markets in 2010 (see **January and 2010 First Look** below).

Markets

December saw major foreign capital inflows into the Russian markets as more and more investors look to emerging markets in general – and Russia in particular – to grow at rates that significantly exceed their developed counterparts.

Russian markets saw their best year since 1999 – of course, that fact is severely tempered by the *annus horribilis* of 2008. This rise was also due in part to oil prices, which increased 15% during the month.

Foreign investment continued to pour into Russia, totaling approximately \$15 billion in December. P/E ratios in Russia remain far lower than those in other BRIC countries: 8 compared to 17 in China, 16 in India and 13 in Brazil.

In general, however, the month was unremarkable as most investors did not want to upset a generally successful 2009 by placing any major new bets.

The Fund

Tera slightly underperformance the RTS in December due to significant underperformance of its second-largest underlying fund (for more details, see **Underlying Funds** below). Cash fell slightly to under 20%, after a slight rise

¹ Altima Asset Management created this index of 23 Russia-focused equity funds created on or before May 2005 to provide an appropriate benchmark.
² Risk free rate: 2.5%

in November and should continue to fall. (Almost 25% of that cash is still held in gold.)

Exposure to the oil & gas sector fell slightly and to the financial sector increased slightly compared to November.

2009/Crisis Summary

Our normal statistical table at the top right of the first page of each Fact Sheet shows an apparent significant underperformance by Tera relative to market indices and other funds during 2009. Strictly speaking, that is correct, of course, but there is a very sound reason for it: Tera fell much less than all of the indices and almost all funds during the crisis.

To illustrate this, we added several lines to the table comparing Tera's performance to that of the index and fund averages for the past 18, 24, 36 and 48 months. As you can see, Tera outperformed both – and the RTS individually – over **every** period – sometimes by as much as 15 percentage points.

Another illustration of Tera's excellent relative performance is to examine how far back in time various markets fell during the crisis. The chart below shows the "crisis lows" of several major markets and the RTS and compares them to Tera.

Market	Crisis Low/Date	Prior Date for Low	Number of Years Lost
RTS	498.20/23 Mar 09	14 Aug 03	5.5
Dow Jones	6594.44/5 Mar 09	16 Apr 97	12
CAC 40	2519.29/9 Mar 09	12 Mar 03	6.0
DAX	3666.41/6 Mar 09	21 Nov 03	5.5
Tera	101.25/Feb 09	Jun 05	3.5

The chart clearly shows the advantage in terms of stability of a fund of funds, why Tera's Sharpe Ratio is always higher than that of any index, the index average, most funds and the Fund Index average. Also, it shows why **no early investor in Tera saw the value of his investment fall below the amount invested at any time during the economic crisis.**

Underlying Funds

December was a classic illustration of the advantages of investing in Russia through a fund of funds for another reason. Tera's second-largest holding was up less than 1% in December, significantly underperforming the market as a whole. This accounted for almost all of Tera's underperformance compared to the RTS and the index average.

In turn, the underperformance of that fund was due mainly to a single stock – that fund's largest holding – which fell significantly in December. For investors who had invested in that fund or in that stock, December would have been a difficult month indeed.

All of Tera's underlying funds were up in December; the performance of all but the single fund mentioned above was comparable to the index average.

Other Russian Funds

Of the 23 remaining funds in the AAM Russia Fund Index (six closed at the end of 2008 or during 2009 due to the crisis), five – or almost 25% – were down in December. There was a broader range in performance than usual as more than one fund seemed to have selected poor investments.

January and 2010 First Look

Russian valuations continue to look very attractive – relative to other emerging markets (in particular, the other BRICs) and, in particular, relative to developed markets. In the same way that Russia was the worst-hit country during the 1997-8 crisis and over the next 10 years, Russian markets were the best performing in the world, we may be facing a similar situation today. While history does not repeat itself, as Mark Twain said, "it often rhymes", and Russia may be primed for a similar performance over the coming decade. As of the end of 2009, the RTS traded at a 30% discount to the valuations in the MSCI Emerging Markets index. Earnings of Russian companies are widely estimated to surge 43% in 2010 alone.

As a result, the general consensus for 2010 is a stock market increase of 40%, which would put the RTS at 2000 (compared to its historical 2487.92 hit on 19 May 2008): Allianz, Goldman Sachs (including Jim O'Neil, who coined the term "BRIC" in 2001), Mark Mobius, Bloomberg and many others all share this opinion.

January certainly started out in this spirit, jumping 7.5% on the first day markets opened after the extended New Year's holidays. As of this writing, however, markets had given all of that back, although Tera is still up approximately 2%.

Fund Awards



No 1 ranked fund of funds in
September 2008 (annualized perf.)



No 2 ranked fund of funds in
July 2008 (annualized perf.)

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