



# Investor Fact Sheet

January 2010  
(final)



## Tera Capital Fund

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.

<b>Date Formed</b>	April 2005
<b>Investment Advisor</b>	Altima Asset Management
<b>Fund Size</b>	\$3.3 M
<b>Currency</b>	US dollar
<b>Current Price (NAV)</b>	\$172.87
<b>Min. Investment</b>	\$100,000
<b>Fees/Expenses</b>	Success fee only (20%)
<b>Subscription</b>	Monthly
<b>Redemption</b>	Monthly, with 30-days notice
<b>NAV</b>	Monthly
<b>Administrator</b>	Maples Finance Limited
<b>Auditor</b>	Altschuler, Melvoin & Glasser
<b>Bank</b>	Bank of New York
<b>Legal Advisors</b>	Maples & Calder
<b>ISIN</b>	KYG8760X1034
<b>Eurekahedge ID No.</b>	15532
<b>URL</b>	<a href="http://www.altim.ru">www.altim.ru</a>
<b>Advisory Board</b>	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 <sup>1</sup> (%)
Monthly	1.78	1.60	1.79
Year-to-date	1.78	1.60	1.79
Trailing 12 months	68.80	138.62	116.76
<b>TRAILING 18 MONTHS</b>	<b>(30.23)</b>	<b>(34.31)</b>	<b>(26.42)</b>
<b>TRAILING 24 MONTHS</b>	<b>(29.16)</b>	<b>(34.13)</b>	<b>(31.18)</b>
<b>TRAILING 36 MONTHS</b>	<b>(19.07)</b>	<b>(30.13)</b>	<b>(23.92)</b>
<b>TRAILING 48 MONTHS</b>	<b>(2.47)</b>	<b>(8.63)</b>	<b>(2.10)</b>
Since Fund inception (Apr 05)	72.87	75.87	66.00
Annlzd mnthly rtn (since Fund inception)	14.97	14.46	13.92
Annualized Stand. Dev. (since inception)	25.35	41.24	34.29
Sharpe Ratio <sup>2</sup>	0.49	0.44	0.42

\*RTS: 2.0, MSCI: 2.4%, ROS (Crédit Suisse): 0.4%

### Investment Advisor's Assessment

#### Russia

January is always an unusual month in Russia because of the extended holidays. Due to differences in the Julian calendar (used for civil purposes) and the Gregorian calendar (used for religious purposes), both the New Year's and Christmas holidays fall in early January. As there are so many holidays so close together, several years ago the Russian government reached a decision to effectively shut down the country during that period. Thus, virtually no (non-retail) business was conducted in Russian from January 1 to January 10. That meant, of course, that the first day markets reopen – this year, on Monday, January 11 – there is a lot of “catching up” to do.

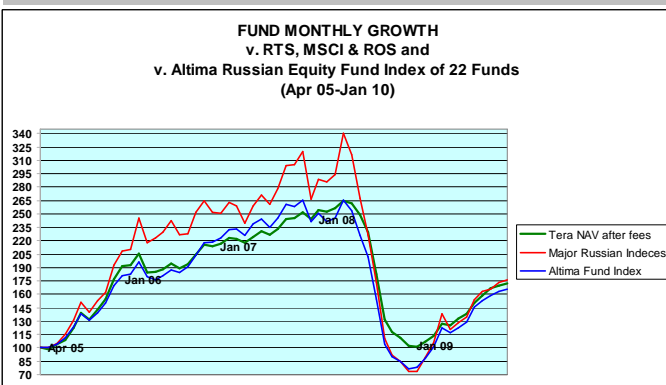
#### Markets

The first trading day of 2010 saw an enormous jump in Russian markets: 7.5%. Markets peaked one week later on January 18 and then started progressively falling back due to concerns related to global issues external to Russia: the high debt levels of the unfortunately nicknamed PIGS (Portugal, Ireland, Greece and Spain – with Italy sometimes thrown in as a second “I” for good measure), Chinese governmental efforts to cool off its economy, general concerns regarding the pace of the economic recovery, etc. Notably, there was only good news on the domestic financial front with inflation dropping and bank lending picking back up. Thus, January saw significant volatility, but ended with a reasonable amount of progress.

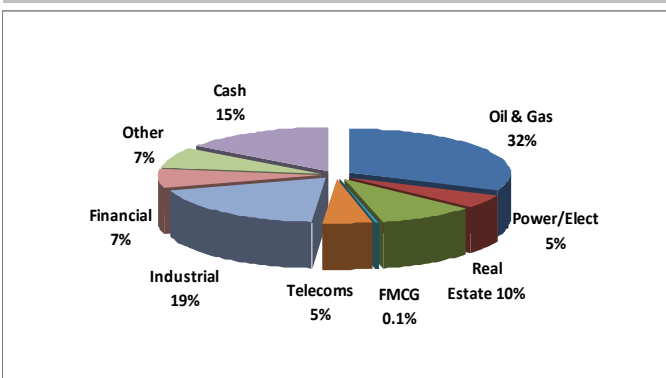
#### The Fund

Tera slightly outperformed the major Russian fund indices in January. Cash continued to fall and now

### NAV



### Sector Allocation



<sup>1</sup> Altima Asset Management created this index of 23 Russia-focused equity funds created on or before May 2005 to provide an appropriate benchmark.

<sup>2</sup> Risk free rate: 2.5%

represents 15% of total assets, as the underlying funds move closer to being fully invested; we expect this trend to continue in February, notwithstanding the rather dramatic developments during that month to date. Approximately 30% of the cash held indirectly by the Fund is held in gold.

There were several major shifts in the portfolio, in addition to cash levels being reduced by almost 25%. While oil & gas increased very slightly, industrial, financial and telecoms all increased, almost entirely due to the cash decrease (and to some extent to the decrease in "Other", which can sometimes be a bit difficult to characterize).

#### 2009/Crisis Summary

We once again have supplemented our normal statistical table at the top right of the first page of the Fact Sheet to make it clear that the apparent significant underperformance by Tera relative to market indices and other funds during 2009 is misleading, given that Tera fell much less than all of the indices and almost all funds during the crisis.

The four new lines we added to the table compare 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 but part of one – sometimes by as much as 10 percentage points.

Perhaps more importantly, in addition to the fact that **no early investor in Tera saw the value of his investment fall below the amount invested at any time during the economic crisis**, those early investors have now earned **12.9% annually** on their investment, including the crisis. While this is a far cry from the 35% those investors earned in Tera pre-crisis, it goes a long way to explain why there have never been any significant redemptions from the Fund.

#### Underlying Funds

Because there was so much volatility compressed into such a short period, January resulted in a wide range of performance by the underlying funds. Of course, this is another clear illustration of the advantages of investing in a market like Russia through a fund of funds. The best-performing underlying fund was up almost 8%; the worst-performing down over 4%.

Importantly, conducting a detailed analysis of the performance of what we call "RIO" funds (for "Ride It Out") versus market-timing funds (*i.e.*, funds that, in particular during times of crisis or high volatility, try to time their entry(ies) and exit(s) and periodically take major cash positions to reduce volatility and increase returns) that we conducted generated a clear result: RIO funds did **far** better during the crisis – with performance differences in some cases exceeding 100% percentage points.

The reason was clear: the timing of the actual exits and returns to investing varied markedly from fund to fund and **no fund** managed to correctly time both its exit and reentry into the markets. Consequently, RIO funds – those that simply gritted their teeth and gutted out the crisis – outperformed their market-timing brethren by a wide margin.

As a result of this analysis, we have already begun a significant repositioning of the Fund's investments, which, among other things, will ultimately result in reducing holdings in one fund by at least 50% and investing in one additional fund.

#### Other Russian Funds

Of the 22 remaining funds in the AAM Russia Fund Index (seven closed at the end of 2008 or during 2009 due to the crisis), almost half were down in January. Again, there was a broader range in performance than usual, this time due to the reduced number of trading days and high volatility in January.

#### February and 2010 Second Look

February initially continued the drop that began at the end of January, with the RTS at one point falling over 6% from its level on December 31, 2009. We do not expect this drop to last, however, and expect that the market will return to levels at or very near those of January.

Significantly, when the market in February was at its worst, Tera was hardly down at all, having fallen approximately 1% (this is an approximate figure because not all underlying funds provided interim NAVs with the same frequency and on the same dates).

The fundamentals of the Russian market continue to improve and relative valuations are becoming even more attractive – relative to other emerging markets (in particular, the other BRICs) and, in particular, relative to developed markets.

We still agree with the consensus level for 2010 of an increase of 40%, which would put the RTS near 2000 (compared to its historical 2487.92 hit on 19 May 2008). As Russian markets are essentially back to where they were at the very end of last year, to us, this marks the perfect time to invest in this very dynamic and lucrative market.

#### Fund Awards



No. 8 ranked fund of funds  
(annualized perf.) in **2009**



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

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