

# **Tera Capital Fund**

Altima Asset Management



Tera Capital Fund

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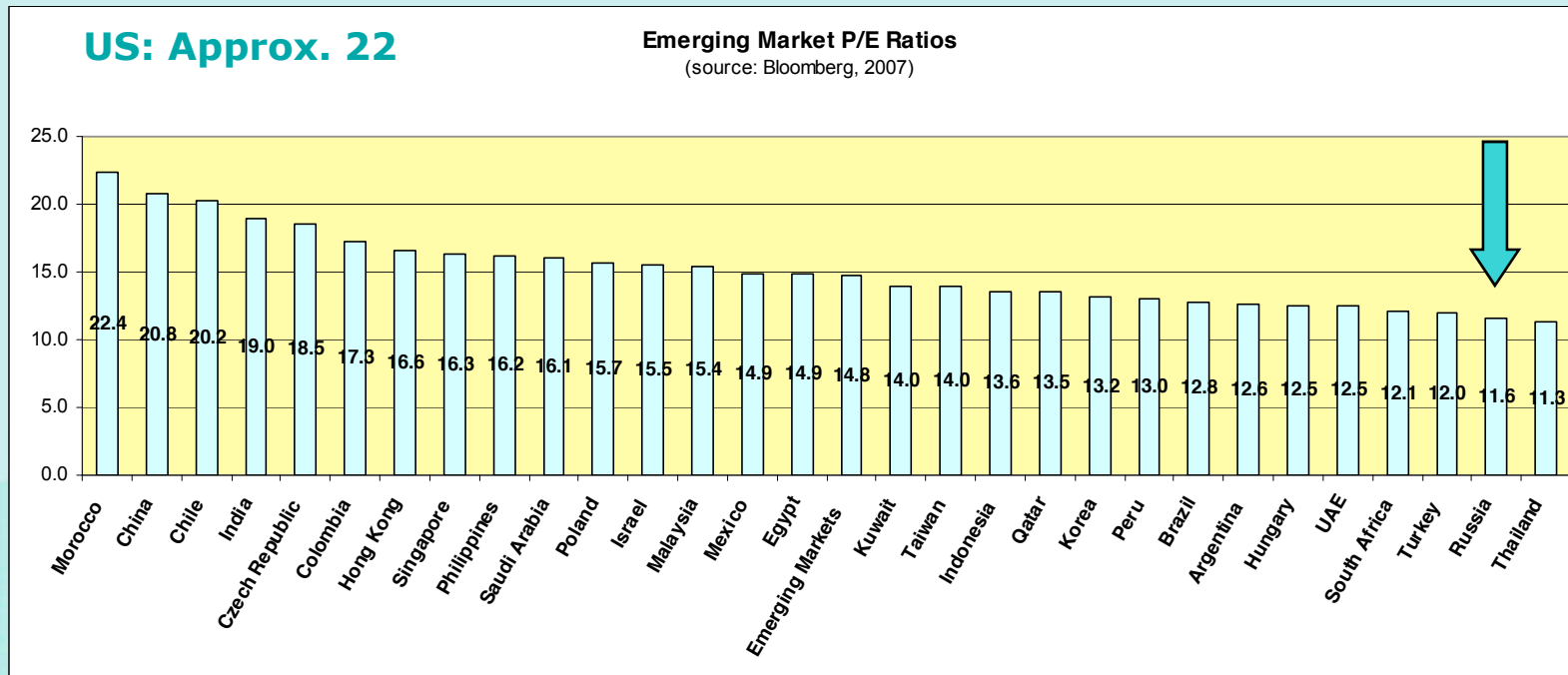
## Tera Summary

1. Fund of funds (FoF) with 37% annualized rate of return since inception
2. Ranked in top five FoF in the world five times since inception (by Eurekahedge, among 2,200 global funds of funds)
3. One of the few, if not the only, hedge fund where the fund incurs absolutely no expenses or fees, other than a success fee
4. Only FoF in the world focused primarily on Russia, CIS, Eastern Europe, a region with enormous potential
5. More than 3 years of returns equaling or bettering the performance of major Russian funds, coupled with one of the highest Sharpe Ratios of any fund in its target market
6. Management team with ideal experience and excellent track record
7. Proven risk management skills
8. Fully scalable; seeking its first round of US institutional investment



## Why Invest in Russia? (1 of 5)

### 1. Second-lowest P/E ratio of any emerging market



Further, based on 2008 earnings estimates, the aggregate P/E ratio for Russia is only 10/5, the lowest in the world (Source: Hermitage Capital Management, May 2008)



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## Why Invest in Russia? (2 of 5)

2. The Russian economy is booming
  - a. Russia's economy has grown for nine consecutive years, with its GDP expected to increase at 6-7% for the foreseeable future
  - b. The economy expanded at an 8.5% annual rate in Q1 08
3. Elimination of uncertainty over Russian elections
  - a. Legislative elections held in December and Presidential elections held in March 2008, both with predictable results
  - b. Russia has significantly underperformed almost all other emerging markets 2007 YTD with 16% growth — without any fundamental basis
  - c. Oil prices have risen 38% above 2008 estimates used to calculate 2008 earnings, yet Russian energy companies have gained only 3% 2007 YTD



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## Why Invest in Russia? (3 of 5)

4. Russian oil and gas companies are seriously undervalued
  - a. Exxon Mobil, Royal Dutch Shell and Total trade at \$19.20, \$20 and \$15.40, respectively per barrel of proven reserves\*
  - b. Gazprom, Lukoil and Surgutneftegas trade at \$2.30, \$3.60 and \$3.10, respectively\*
  - c. Gas and oil prices are to reach parity with Europe by 2011
5. Russian power companies are seriously undervalued
  - a. UES (the Russian national energy monopoly) trades at \$430 per kilowatt hour of installed capacity
  - b. The international average is \$1,600
  - c. In Brazil, the average is \$2,214, although per capita GDP in Russia is 60% higher\*
  - d. UES is being broken up and privatized, presenting tremendous investment opportunities

(\*Source: Bloomberg, Reuters, HCM, 2007)



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## Why Invest in Russia? (4 of 5)

6. The construction boom is continuing
  - a. Now contributes 15% to GDP growth
  - b. Will continue with federal infrastructure spending (set to exceed \$250 b by 2011, including the Winter Olympics in Sochi in 2014)
7. The consumer market is exploding
  - a. Wages are increasing by approx. 11% annually
  - b. Retail sales growth is increasing by approx. 15% per year
  - c. In 2008, Russia will become the largest consumer goods user in Europe
  - d. National currency reserves now exceed \$500 b, the third-largest in the world

(Source: Troika Dialog, Bloomberg, Reuters 2007)





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## Why Invest in Russia? (5 of 5)

8. Inflation fell each year from 2002-2006 and was stable in 2007 (although it is rising in 2008)
9. Russia is expected to join the WTO in the near future, providing further impetus to economic growth
10. Russia is set to become the second-largest emerging market recipient of foreign direct investment (FDI) in 2008 (after China), exceeding \$40 b
11. Russia's foreign trade surplus is currently running at approx. \$400 b per year





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## Support for this view

1. On November 21, 2007 Bear Stearns upgraded Russian stocks to “overweight” from “market weight” citing lower political risk, robust growth, valuations and technical drivers (Bloomberg)
2. On August 3, 2007, Fitch upgraded Russian long-term ratings in foreign and domestic debt from BBB to BBB+ with a “Stable” outlook on all ratings; the ratings had been raised from BBB- to BBB in July 2006
3. On May 4, 2007 Moody’s upgraded its “Bank Financial Strength Rating” for 12 of the largest Russian banks
4. On February 2, 2007, Standard & Poor’s raised its Russia national scale rating from ruAA to ruA+, with a “stable” outlook and on March 11, 2008, it further raised its long-term outlook from stable to “positive”
5. FDI increased by almost 150% year on year between H1 2006 and H1 2007



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## Tera Background

1. Founded late 2004; first investment in Fund in April 2005; first investment by Fund in May 2005
2. Variety of sectors (*i.e.*, not simply oil and gas)
3. Range of companies (*i.e.*, blue chips to small caps)
4. Multiple countries (primarily Russia, but also other CIS, eastern European countries and other emerging markets)
5. Target returns: 25-30%



Tera Capital Fund

## Investment Highlights

1. Significant diversification and very low volatility within one fund, while achieving excellent performance
2. Diversification achieved by:
  - a. size of underlying investment
  - b. market segment
  - c. company size
  - d. geography
3. Clear investment strategy with excellent historical performance



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## Additional Advantages of Tera

1. Altima negotiates lower fees and prices (*e.g.*, mid point between bid and asked) not available to all investors (net fees of 1-2% v. 3-7%)
2. Better and earlier access to information (because Tera is a major investor, while Tera investors are all much smaller and would not benefit from the same access)
3. More flexible purchase and sale terms and timing (not available to all investors)
4. Going forward: moderate leverage, providing an opportunity for even better returns





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## Fund Raising Target

1. \$20 m in the first US institutional round
2. Aggregate target: \$150 m
3. Maximum capacity \$500 m



**Tera Capital Fund**

## Performance Statistics

**FUND MONTHLY GROWTH**  
(Apr 05-May 08)



YTD return (thru May 2008)	5.27%
Annualized	12.64%
Trailing 12 months (thru May 2008)	21.43%
Since inception (April 2005)	164.79%



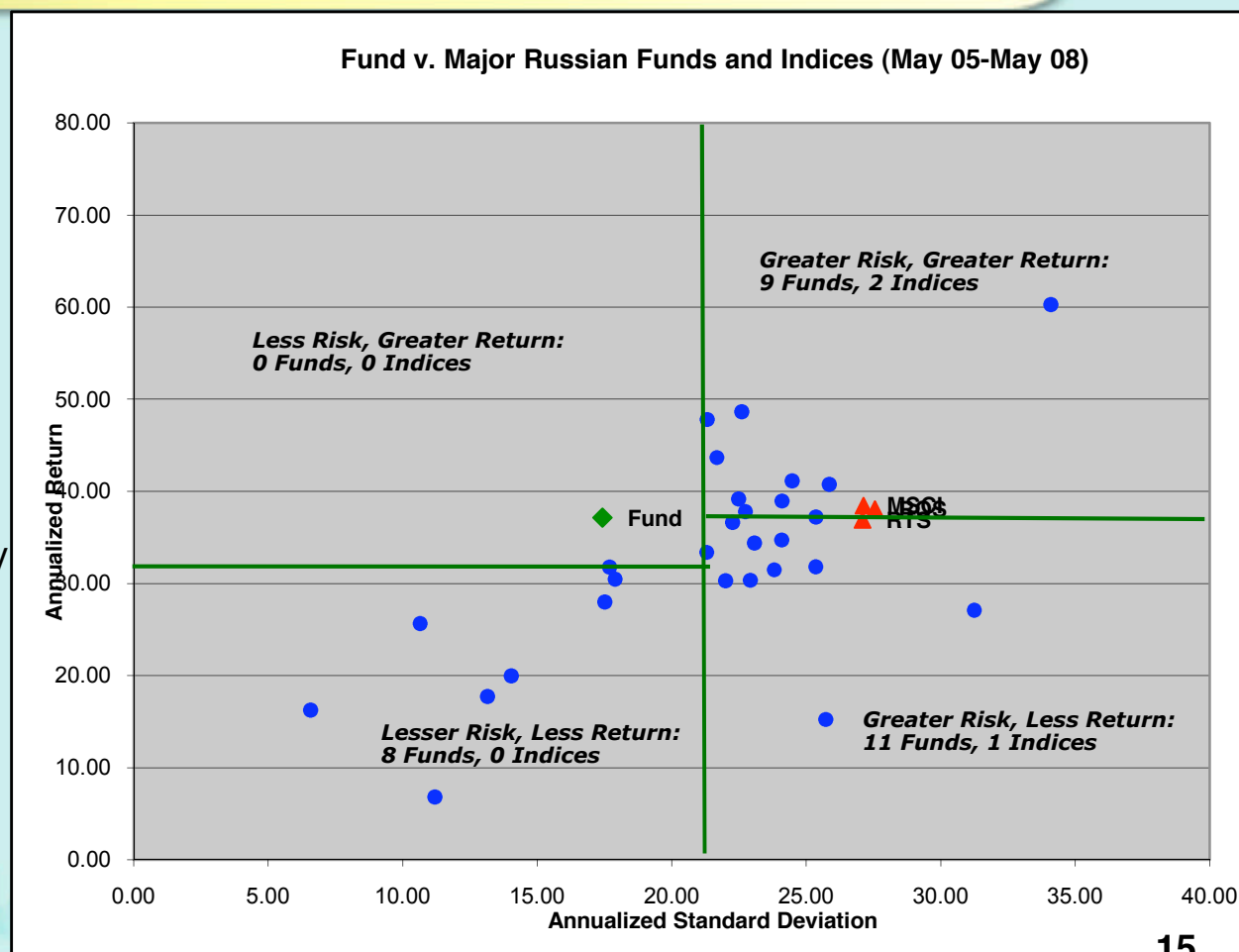
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## Comparative Performance

- Outperformed all major Russian funds and indices since inception (volatility v. return)

- ◆ Tera
- 28 Russia-focused long equity hedge funds founded on or before April 2005
- ▲ Major Russian indices (RTS, ROL and MSCI)

(Source: EurekaHedge)



## v. RTS in Down Markets – 10+%

A	B	C	D	E	F
	Reason	Time Period	RTS Performance (%)	Fund Performance (%)	Fund Outperformance (%)
1					
2	Commodities	6 May - 24 May 06	-25.1	-11.5	<b>13.6</b>
3	Oil I	1 Sep – 25 Sep 06	-12.0	-1.0	<b>11.0</b>
4	Holiday Break	9 Jan -11 Jan 07	-8.9	-0.9	<b>8.0</b>
5	Shanghai	27 Feb – 2 Mar 07	-8.8	1.7	<b>7.1</b>
6	Oil II	15 Apr – 30 May 07	-14.0	-2.3	<b>11.7</b>
7	Sub-Prime I	Aug 07	-13	-1.5	<b>11.5</b>
8	Sub-Prime II	Jan 08	-16.7	-3.0	<b>13.7</b>

- Average Fund outperformance during down markets of 10% or more (measure using the RTS index) since inception: **10.94%**



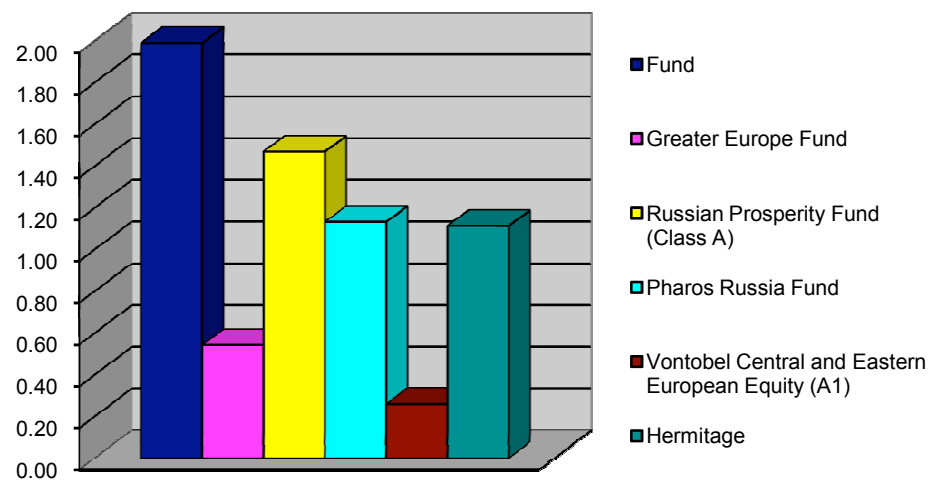


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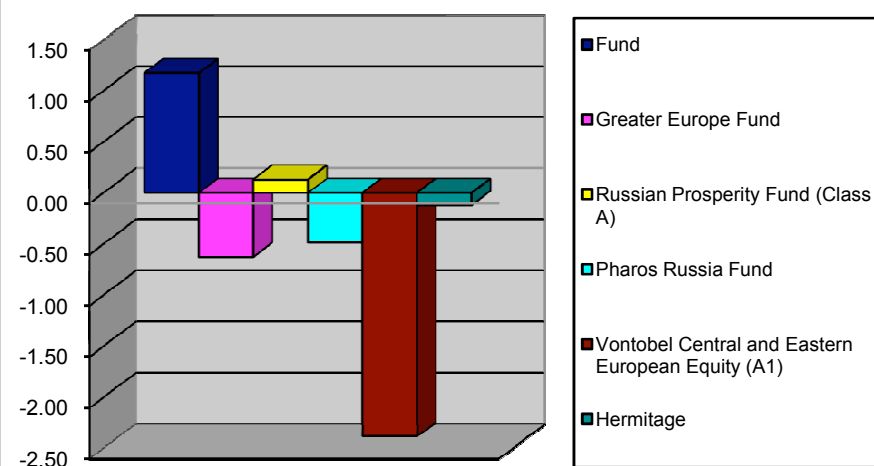
## With a Better Sharpe Ratio than Every Major Russian Fund

- Beating all major Russian funds since inception:
- And beating every major Russian fund in 2007 and 2008, a difficult period, by a wide margin:

Sharpe Ratio Since Inception (May 05-Apr 08)



Sharpe Ratio Mar 2007-Mar 2008





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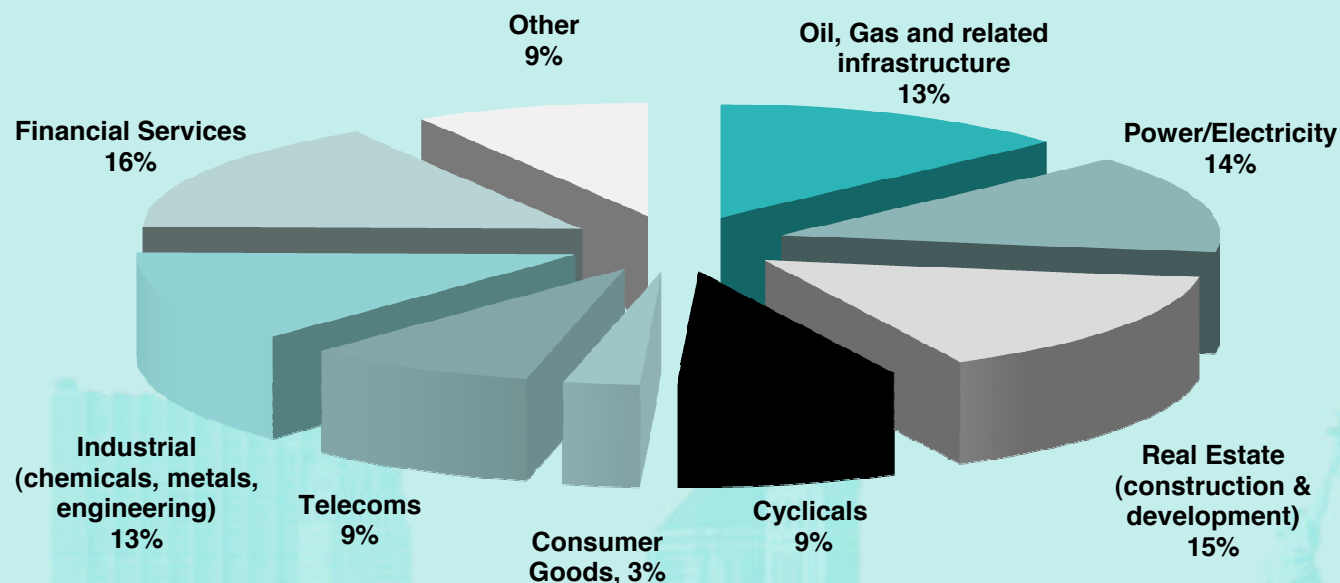
## How can a FoF outperform funds?

1. Tera dynamically allocates its assets among smaller, lesser known funds with experienced management companies
2. Tera does not only invest in Russia (although well over 50% of its assets are invested there and the best benchmarks for Tera are still Russia-based)
3. Tera's sector mix is very different from that of most Russia funds and all Russian indices
4. Tera incurs absolutely no expenses or fees, other than a success fee, generally giving it 2-2.5% performance benefit over almost all other hedge funds
5. Major Russian companies are expanding into other countries, diluting their performance; Tera does not invest in many such companies



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## Sector Mix



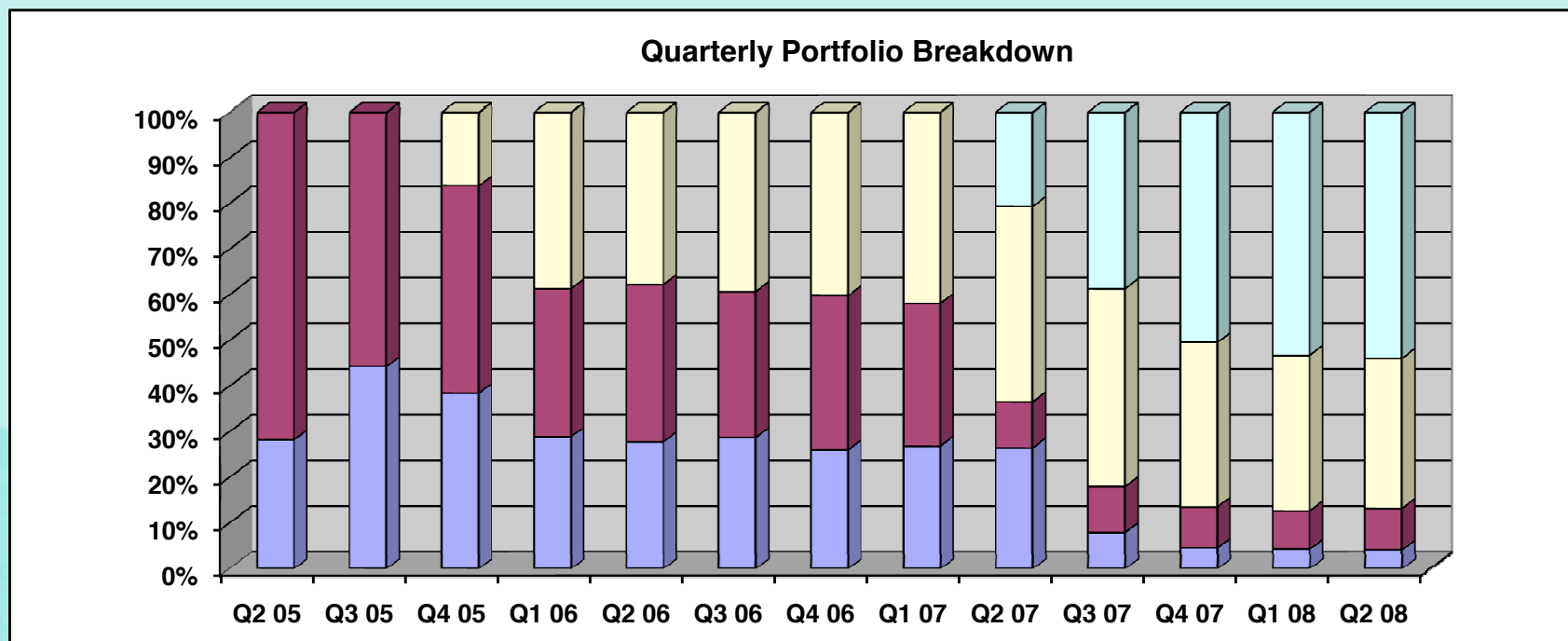
- By way of comparison, oil & gas companies make up over 54% of the RTS index and a comparable percentage of other indices



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## Underlying Fund Allocation

- Tera dynamically allocates its investments in underlying funds



(From inception through Q2 2008; four underlying funds as of June 30, 2007)





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## Tera/Altima Risk Management

1. Experienced management team with proven track record
2. Extensive Eastern European and CIS transactional expertise
3. Broad network of well-placed contacts
4. Over 30 years of in-region experience in top two managers
5. Proven ability to crisis manage
6. Managers have invested significant amounts of their own funds
7. Structured to minimize political, banking system and other macroeconomic risks in target market
8. Have survived seven market corrections of 10% or more since inception with excellent performance



Tera Capital Fund

## Experienced Management Team

1. Timothy Enneking
  - a. US citizen with 16 years experience in Russia, CIS and throughout Europe
  - b. Created and successfully managed three closed PE funds
  - c. Former VP M&A of largest independent European IP/telecommunications firm
  - d. Completed over \$11 b of transactions in his career
  - e. Expert negotiator
  - f. Three graduate degrees in international business
2. Alexander Polykovskiy
  - a. Founded and operated his own businesses in Russia for 17 years
  - b. 6 years experience in various PE projects and funds
  - c. DBA Finance, specializing in project finance and investment



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## General Information

1. Minimum initial investment: US: US\$ 100,000  
Non-US: US\$ 10,000
2. Management fee: none
3. Expenses borne by Fund: none
4. Success fee: 20% of capital gains
5. High-water mark: Yes
6. Valuation (NAV): Issued monthly at the end of month directly by Administrator to investor
7. Redemptions: 30-days notice, 30 days for payments, subject to fund availability



Tera Capital Fund

## Tera/Altima Administration

**1. Administrator:**

Maples Finance Limited  
P.O. Box 1093GT  
George Town  
Grand Cayman, Cayman Islands, BWI  
URL: [www.maplesfinance.com](http://www.maplesfinance.com)  
Contact: Ms. Robyn Joe  
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E-mail: [robyn.joe@maplesfinance.com](mailto:robyn.joe@maplesfinance.com)

**2. Legal Advisors (US):**

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Stamford, CT 06901  
Tel.: 1 (203) 325-5084  
[www.fdh.comm](http://www.fdh.comm)

**3. Legal Advisors (Cayman Islands):**

Maples and Calder  
PO Box 309GT  
Ugland House, South Church Street  
George Town  
Grand Cayman, Cayman Islands, BWI  
URL: [www.maplesandcalder.com](http://www.maplesandcalder.com)  
Contact: Mr. Sean Scott, Esq.  
Tel. 44 207 466 1653  
E-mail: [sscott@maplesandcalder.com](mailto:sscott@maplesandcalder.com)

**4. Auditor:**

Altschuler, Melvoin & Glasser (Cayman)  
27 Hospital Road, PO Box 1168GT  
Grand Cayman, Cayman Islands, BWI  
URL: <http://www.amgnet.com/>  
Contact: Alex Bodden  
Tel.: 1 (345) 946-0166  
E-mail: [alex.bodden@boddenanglin.com](mailto:alex.bodden@boddenanglin.com)

**5. Registered Office:**

M&C Corporate Services Limited  
P.O. Box 309GT  
Ugland House, South Church Street  
George Town  
Grand Cayman, Cayman Islands, BWI

**6. Bank:**

Bank of New York  
New York, USA  
ABA # 021 000 018  
SWIFT: IRVTUS3N  
For credit to: Maples Fund Services  
Account # 890-0527-242  
Ref: Tera Capital Fund - 609709/RZJ





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