



Investor Fact Sheet

July 2010
(final)

Altima
asset management

Tera Capital Fund

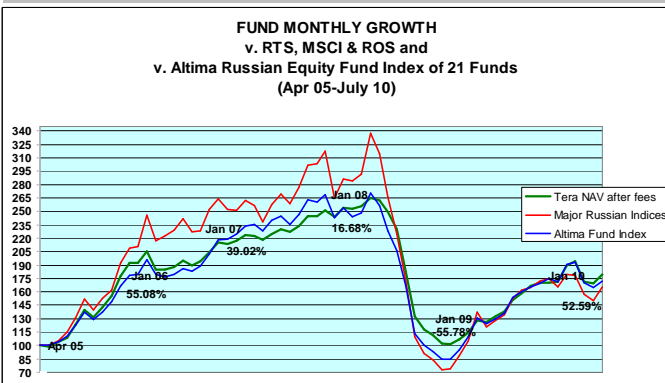
Tera Capital Fund is the only Fund of Funds in the world which pays no fees other than a success fee
No early investor in Tera saw the value of his investment fall below the amount invested at any time during the economic crisis

Fund Information

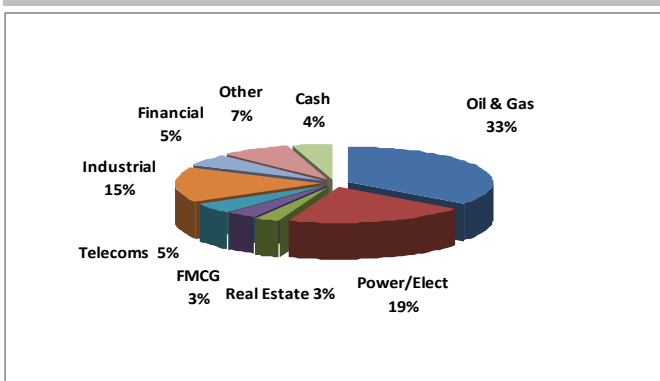
Strategy: Tera Capital Fund is a Russian-focused fund of funds that invests in 5-8 funds (usually equity funds) that are diversified by sector, size, geographic focus and strategy.

| | |
|--|--|
| Date Formed | April 2005 |
| Investment Advisor | Altima Asset Management |
| Fund Size | \$3.7 M |
| Currency | US dollar |
| Current Price (NAV) | \$179.04 |
| 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 |
| German Tax Transparency Advisor | PriceWaterhouseCoopers |
| 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 | 5.95 | 10.26 | 4.74 |
| Year-to-date | 5.41 | (3.57) | 1.44 |
| Trailing 12 months | 35.21 | 25.11 | 32.27 |
| Since Fund inception (Apr 05) | 79.04 | 65.78 | 73.57 |
| Anlzd mnthly rtn (since Fund inception) | 13.93 | 13.04 | 13.10 |
| Annualized Stand. Dev. (since inception) | 25.19 | 40.19 | 32.60 |
| Sharpe Ratio ² | 0.49 | 0.38 | 0.34 |
| Trailing 12 m Sharpe | 1.63 | 0.63 | 1.06 |

*RTS: 10.49%, MSCI: 11.10%, ROS (Crédit Suisse): 9.20%

Investment Advisor's Assessment

Russia

The biggest news story in July related to Russia was clearly the "spy scandal" and subsequent "spy exchange" with the United States. While the story certainly grabbed the headlines, both countries did everything they could to minimize the fallout from the event – and succeeded. The substance of 10 "spies" apparently put into place right after the Russian currency crisis of 1998 when Russian self-confidence was at its lowest point probably in its history was truly insignificant – in particular compared to the media attention it generated. To us, this is an excellent example of the "fear arbitrage" of which investors in Tera and Russia are taking full advantage.

This story was quickly followed by the stories of the incredible heat and smoke that Russia experienced with the same weather system hanging over Europe for almost two months – including all of July (the same weather system that caused the horrendous floods in Pakistan). Harvests, especially the wheat harvest, will be seriously reduced because of the lack of rain, but the overall affect on the Russian economy will be minimal.

Although not directly related to Russia, it is nevertheless very important that China overtook the US as the world's largest energy consumer in July. Given that Russia is the world's largest energy producer and the rapidly growing energy and other economic ties between Russia and China, this is very positive news for Russia.

On a more direct economic note, July saw lots an abundance of very positive economic news, in part because of second quarter and first half 2010 results and statistics which were announced. Due mainly to its own "cash for clunkers" program, car sales in Russia up 48% year-on-year in July. In Q2, the Russian economy grew 5.4%, up from 2.9% in Q1. Real wages increased 5.5%, retails sales rose 5.8% and unemployment fell from 7.3% to 6.8%. Growth acceleration appears to be continuing in Q3 and most experts predict that the annual growth of the Russian economy will be close to 7% of the year.

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%

Russian 2020 Eurobond prices rose 3.75% from when they were issued four months ago, with yields falling to a record low 4.61%. 2015 bond yields fell to 3.59%. Meanwhile, US yields have also dropped, but the rate on 10-year T-bills is still 2.82% – the smallest difference to Russian bonds in history.

In addition, Russian CDS's fell 32 basis points to 164 at the end of July, falling more than Brazil (21), Mexico (18) or China (14) during the month as investors grow more and more confident in Russia.

Russian H1 trade surplus rose to \$93.9 billion, more than double H2 2009 (\$41.1 billion). Exports increased 52% from H1 2009 (to \$188.8 billion); imports increased 42% to \$95 billion. As a result, Russian foreign currency reserves reached \$469.3 B by mid-July – less than 10% below pre-crisis levels.

The Russian government announced sales of major stakes in state-owned companies, including Rosneft, Sberbank and VTB, between 2011-13. Estimated proceeds should be approximately \$30 billion. This again is good news for Russian equities, at it will expand the interest in and liquidity of the market.

The Russian government also announced that it will cut government employees by 20% over three years (5% by April 1, 2011, 10% by April 1, 2012 and 20% by April 1, 2013), which should be excellent news for private enterprise of all types.

Markets

The Russian Trading System (RTS) celebrated its 15th anniversary in July. There were 15 stocks listed and trading totaled \$750,000 on the first day of trading 15 years ago. There are now over 500 stocks listed and daily trading exceeds \$4 billion.

UBS issued a report on July 30 stating that Russia, China and Brazil (in that order) presented an “attractive opportunity” at current valuations (Bloomberg, July 30). The long-term Global Emerging Market P/E ratio is 13.3 and a “fair” valuation would be around 15. Russia, with valuations of 6-7, is by far the most attractive market in the world, UBS stated. HSBC Global Asset Management largely concurred in UBS's conclusions (<http://noir.bloomberg.com/apps/news?pid=20601095&sid=aq269g6012eY>).

July Performance

July was a bit of a strange month for the Fund – and for virtually all investment funds. While the Fund was up almost 6% -- excellent monthly performance by any standard – major Russian market indices were up just over 10%. Strangely enough, of all of the funds that we track, exactly **one** fund beat the Russian market performance and only **three** beat Tera's performance. Hence, while Tera rose 5.95%, the Altima Fund Index rose only 4.74%. Where did the RTS and other index performance go? Much of the growth appears to have been unusually concentrated in those few stocks that make up the three major Russian fund indices. In other words, July was a bit of a statistical anomaly that we had not seen before.

Nevertheless, Tera outperformed almost all other funds in July. It also remains well ahead of the major Russian funds indices YTD: **+5.41%** compared to **-3.57%** for the indices. (For reference, the RTS alone is up 2.2% YTD; the ROS index is down over 5%.) YTD Tera also remains ahead of the AAM Fund Index, which is up just over 1%.

The Fund's **Sharpe Ratio is 1.63 over the past 12 months, compared to 0.63 for the major indices and 1.06 for other Russian funds.** The recent rebalancing of

the Fund has further increased what was already a tremendous advantage in terms of stability and return that Tera held over other funds and the indices. This is clearly reflected in these Sharpe Ratio numbers.

Tera's volatility continued to drop: volatility fell to 7.27 and annualized standard deviation fell to 25.19, compared to volatility of 11.60 for the major Russian stock exchange index average (11.72 for the RTS) and 9.41 for the AAM Fund Index. Standard deviation was 40.19 for the major Russian indices (40.61 for the RTS) and 32.60 for the AAM Fund Index.

The Fund's oil and gas sector investment fell significantly in July, to 33%, continuing a trend that began earlier this year. However, given the potential appreciate in oil prices, we do not expect the allocation to this sector to fall to below 20%, where it was pre-crisis, for the foreseeable future. (Of course, we have always been and will always remain far below the RTS level of 65-70% in this sector.) There were no other significant sector reallocations in July, as several different sectors absorbed the 5% drop in the oil and gas sector.

Underlying Funds

Our underlying funds performed remarkably similarly in July, ranging from just over 5% to just under 8%. There were no major investments in or reallocations among underlying funds during July.

We are, however, planning on replacing our one “blue chip” fund, in which about 12% of Tera is invested. The fund manager appears to be “losing his touch” a bit and we are currently actively seeking a replacement fund. (In July, this fund was the worst performer among the 6 funds in which Tera is currently invested.) The change will probably begin in September and take two months.

Other Russian Funds

As noted above, of all of the funds in the AAM Russian Fund Index, exactly **one** fund beat the Russian market performance and only **three** beat Tera's performance. However, none of the funds in the AAM Fund Index lost money in July; the worst performance was just over 1%. Again, it was a strange month with a good portion of the index growth very narrowly focused. As a result, while the performance of most funds was good or even very good, it was almost impossible to outperform the indices – the first time that has happened in over 5 years of Tera's existence.

August First Look

August is a major vacation month and volumes and activity clearly reflected that through the half-way point. The major Russian indices are down about 1.5%; Tera, however, was up 0.75% at the mid-point of the month. We do not expect any major changes during the second half of the month, other than a slight improvement in performance over the next two weeks. We also expect Tera to outperform the markets for the 6th time in 8th months in 2010.

Fund Awards



No. 1 ranked fund of funds in the world for **March 2010**



No 8 ranked fund of funds in the world for **2009**

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