



Tera Capital Fund

Investor Fact Sheet

May 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 won its award as the most innovative fund of funds in Europe for 2011, Tera's second such award

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, regional focus and strategy.

Date Formed	April 2005
Investment Advisor	Altima Asset Management
Fund Size	\$4.1 M
Currency	US dollar
Current Price (NAV)	\$148.71
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	(18.04)	(22.15)	(18.32)
Year-to-date	(5.74)	(11.03)	(9.85)
Trailing 12 months	(29.53)	(37.38)	(31.93)
Since Fund inception (Apr 05)	148.71	130.10	132.96
Anlzd mnthly rtn (since Fund inception)	9.50	8.43	8.82
Annualized Stand. Dev. (since inception)	26.33	39.23	31.31
Sharpe Ratio ²	0.27	0.23	0.20
Trailing 12 m Sharpe	(0.81)	(0.87)	(1.15)

*Weight averaged, all series (currently 9) combined

**RTS: -22.07%, MSCI: -22.42%, ROS (Crédit Suisse): -21.95%

Investment Advisor's Assessment

Russia

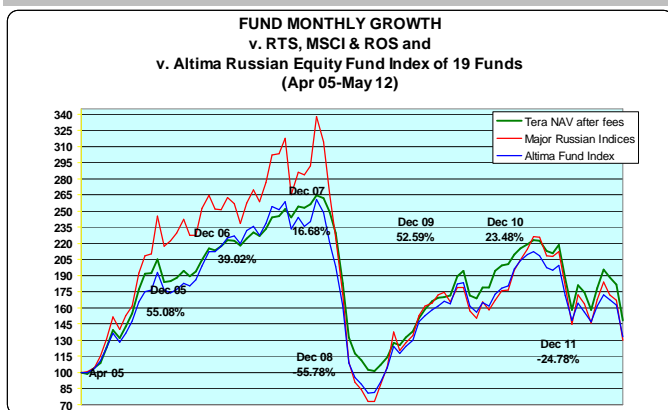
May was a disaster for global equity markets, in particular for Russia, due to increasing concerns over the results of Greek elections and Spanish banks and debt levels. Major Russian indices all fell about 22%, making May the worst month for Russian stocks since October 2008.

Against this dismal global macroeconomic background, however, Russia continued to produce extremely strong domestic numbers. **Unemployment reached an all-time low** in May (last reached for one month in May 2008): falling from **5.8% to 5.4%**; the number of unemployed fell by 279,000 to 4.1 M. At the same time, **real wage growth** remained steady at a remarkable **11.1%**. **Russian consumption continued to grow rapidly**: retail trade increased by 6.8% year-on-year, further increasing the tempo from April's 6.5%. **Real disposable income grew** by 3.6% year-on-year, again up from April (2.1%). In the commercial sector, **investments in fixed assets grew by 7.7%** year-on-year; YTD, investment grew by 12.1%. High investment levels are one of the main positive surprises of the economy thus far in 2012. Meanwhile, **producer prices fell by 2.4% from April's record-low levels due to falling oil prices**: oil fell 15.2% in May. As a result, **producer price growth dropped to 3.1% annually in May from 6.7% April. This is the lowest inflation level in Russia since the breakup of the Soviet Union.**

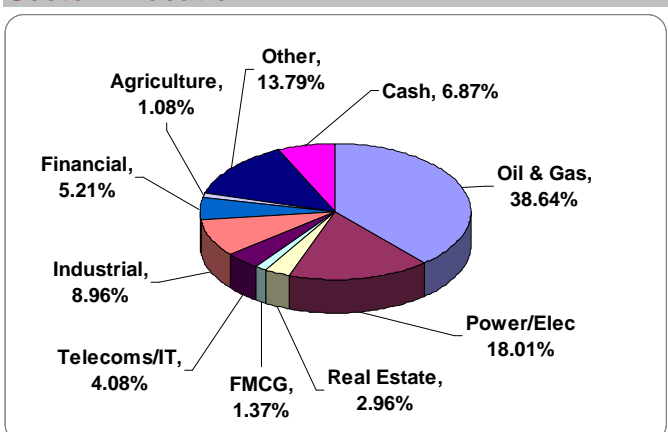
Further, the Russian budget enjoyed a **surplus of 0.2%** of GDP. As a result, the YTD budget deficit has shrunk to just **0.3% of GDP**.

After Vladimir Putin's presidential inauguration, the new government was announced on May 21. Its composition provides grounds for optimism. The ministers focused on the economy and finance are all committed to reform.

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%

Approximately 75% of the new cabinet did not serve in the previous government.

Russian Markets

If one invests in Russia, one must become used to volatility. One of the best statistics to illustrate this is the fact that every year since 1995 **Russia has been one of the 10 best or 10 worst markets** in the world – and one does not have to wait a full year to experience volatility on the Russian market. In May, Russia was the worst-performing equity market in the world; in June, it will almost certainly be the best.

At the end of May, the P/E ratio for the entire Russian market was approaching 4 – levels not seen since the depths of the 2008-09 market crash. Again, we are confident in a strong short-term recovery, unless the Euro zone countries find yet another way to depress markets.

May Fund Performance

The **Fund was down 18%** in May, its worse performance since October 2008. However, the news was far from all bad: it **outperformed the Russian indices by a remarkable 4 percentage points**. It also slightly outperformed the AAM Fund Index, which set a record for performance dispersion.

As a result, YTD Tera is almost **6 percentage points ahead of Russian indices** and over **4 percentage points ahead of the Fund Index**. Over the past 12 months, Tera is now **eight percentage points** ahead of the index average.

These comparative results are even more impressive when one realizes that one underlying fund, the one sector-specific fund Tera has invested in, plunged 35% during the month (see below). Without that fund, Tera's performance would have been a full three percentage points higher.

Underlying Funds and Sectors

The chart below shows the May 2012 performance of the funds in which Tera is invested. All but one of the positions significantly outperformed markets and peers. As mentioned above, the power sector fund was decimated – due to concerns over changes in the pricing mechanism authorized by the federal government.

Strategy	Size	Perform.
Diversified, 1 st and 2 nd echelon	Sm	-15%
Diversified, 2 nd echelon (class A)	Med	-15%
Diversified, 2 nd echelon (class B)	Med	-15%
Blue chip	Lg	-17%
Aggressive, long-short	Sm	-16%
Aggressive, 2 nd & 3 rd echelon	Sm	-17%
Sector (power)	Sm	-35%

Not surprisingly, **sector allocations were also volatile** in May: oil & gas allocations fell 6%, retail fell 3% and industrial fell 1%. Meanwhile, cash jumped 3%, real estate 2.5% and financial 2% as the underlying funds took more defensive investment stances.

Other Russian Funds

Every fund in the AAM Fund Index fell in May, with a very wide spread in performance (in stark contrast to every other month this year during which performance has been remarkably uniform). The best funds fell just over 10% while the worst fell over 24%. A 14% spread is highly unusual, although not unheard of. Nevertheless, only 6 funds of the 20 funds remaining in the index outperformed Tera.

June First Look

June has been a roller coaster month. Russian markets immediately turned positive after May closed and have remained there throughout the month, but the level has been highly variable. Near the end of June, the news after the 19th Euro zone crisis summit was extremely positive, sending oil prices up a near-record 9.4% in one day and Russian markets up nearly 6%. With limited information from the underlying funds received on June results at the time of this writing, it is not clear how much the Fund will be up in June; it is quite clear, however, that it will be up significantly.

Fund Awards



Most Innovative Funds of Funds
(for innovation and performance)



No. 6 ranked fund of funds in the world, YTD 2012 (April)



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

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