



# Tera Capital Fund

## Investor Fact Sheet

December 2011  
(final)



Tera Capital Fund is the only Fund of Funds in the world which pays no fees other than a success fee  
**Tera Capital Fund: the Most Innovative Fund of Funds (based on innovation and performance) in the World**

### 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.

<b>Date Formed</b>	April 2005
<b>Investment Advisor</b>	Altima Asset Management
<b>Fund Size</b>	\$4.2 M
<b>Currency</b>	US dollar
<b>Current Price (NAV)</b>	\$157.76
<b>Min. Investment</b>	\$100,000
<b>Fees/Expenses</b>	<b>Success fee only (20%)</b>
<b>Subscription</b>	Monthly
<b>Redemption</b>	Monthly, with 30-days notice
<b>NAV</b>	Monthly
<b>Administrator</b>	Maples Fund Services
<b>Auditor</b>	Altschuler, Melvoin & Glasser
<b>Bank</b>	Bank of New York
<b>Legal Advisors</b>	Maples & Calder
<b>German Tax Transparency Advisor</b>	PriceWaterhouseCoopers
<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>	<b>Michael Wallenberg</b> , SVP EFG Bank, Geneva <b>Bruce Bean</b> , Co-Chair ABA Russian Law Committee

### Performance (net of fees)

Returns	Tera* (%)	RTS, MSCI & ROS Avg** (%)	AAM Russia Fund Index <sup>1</sup> (%)
<b>Monthly</b>	(9.67)	(10.74)	(5.88)
Year-to-date	(24.78)	(25.09)	(26.50)
Trailing 12 months	(24.78)	(25.09)	(26.50)
Since Fund inception (Apr 05)	157.76	145.23	144.36
Anlzd mnthly rtn (since Fund inception)	10.50	9.21	8.77
Annualized Stand. Dev. (since inception)	25.35	38.78	31.14
Sharpe Ratio <sup>2</sup>	0.37	0.28	0.14
Trailing 12 m Sharpe	(0.29)	(0.34)	(0.36)

\*Weight averaged, all series (currently 6) combined

\*\*RTS: (10.32)%, MSCI: (11.30)%, ROS (Crédit Suisse): (10.60)%

### January Performance (estimate; net of fees)

Returns	Tera (%)	RTS (%)	AAM RFI (%)
<b>Monthly</b>	14.10	13.30	n/a
Year-to-date	14.10	13.30	n/a
Trailing 12 months	(16.50)	(19.10)	n/a
Since Fund inception (Apr 05)	165.70	145.23	n/a
Anlzd mnthly rtn (since Fund inception)	12.46	10.80	n/a
Annualized Stand. Dev. (since inception)	25.35	38.79	n/a
Sharpe Ratio	0.39	0.29	n/a
Trailing 12 m Sharpe	(0.22)	(0.29)	n/a

### Investment Advisor's Assessment

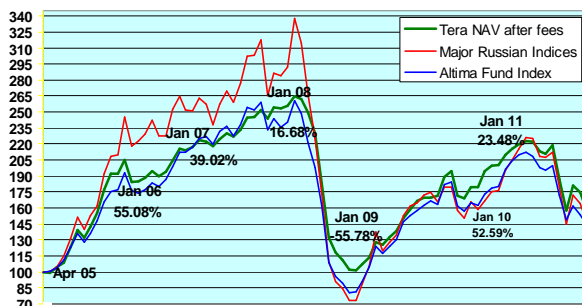
#### Russia

December was a particularly difficult month for Russia: not only did the global markets, including Russian markets, have to absorb the continuing bad news regarding the Euro debt crisis and Greek default, but Russian markets also had to deal with allegations of fraud during December 4 Duma elections and the fallout from them. Those concerns, and the large demonstration on Bolotnaya Square that followed almost immediately, brought to mind comparisons among the less-informed in the West and elsewhere of the "color revolutions" in Ukraine, Georgia and Kyrgyzstan of several years ago and the "Arab Spring" revolutions of 2011 in Tunisia, Egypt, Libya and Bahrain and rumbles elsewhere.

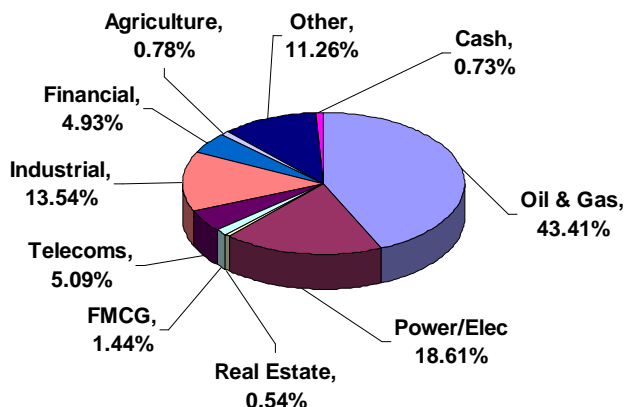
To those with a better understanding of Russia, it was and is clear that such comparisons are totally misplaced. The **last** thing Russians want is (another) revolution! Virtually every speaker at the Bolotnaya Square and the subsequent major demonstration on Sakharov Avenue on December 24 began his speech saying exactly that. Putin and Medvedev have quite quickly tried to address certain the concerns raised (e.g., renewal of direct election of regional governors and live internet cameras

### NAV

**FUND MONTHLY GROWTH**  
v. RTS, MSCI & ROS and  
v. Altima Russian Equity Fund Index of 19 Funds  
(Apr 05-Dec 11)



### Sector Allocation



<sup>1</sup> Altima Asset Management created this index of 21 Russia-focused equity funds created on or before May 2005 to provide an appropriate benchmark.  
<sup>2</sup> Risk free rate: 2.5%

at every voting point). While such moves are hardly sufficient to resolve all of the concerns of the demonstrators, the extremely civilized conduct of the demonstrations (by both demonstrators and law enforcement), the rapid reaction of the current government and the on-going, very open dialogue in Russia about its problems says remarkably positive things about the progress Russia has made since the Soviet Union broke up in 1991 – in stark contrast to the former Soviet republics in Central Asia, the Caucasus republics and even Ukraine.

Much more remains to be done – and corruption remains the overriding problem – but the message has been received. Notwithstanding the demonstrations, after putting in his time as prime minister, Putin seems certain to return as president – for a newly lengthened six-year term – and stability, the holy grail of any investor, would appear to be all but guaranteed going forward.

### Russian Markets

Given these European and Russia-specific concerns, stock prices fell in December. However, economic growth in Russia over the past two years has been solid if not spectacular. This rather unusual combination of reasonable economic health and falling equity prices, coupled with quite strong commodities prices, in particular oil, has resulted in some strange valuations: Gazprom, for instance, traded near the end of December at 3.1 times 2012 estimated earnings. Almost all P/E ratios dropped during the second half of 2011.

It seems clear, therefore, that with a bit more clarity regarding events in Europe and the presidential election in Russia – along with the benefits of Russian WTO membership, news of which seems to have all but disappeared – we will see significant positive performance going forward in 2012 and beyond.

One of the unique features of Russia is that it essentially ceases doing business for the first two weeks in January each year. (This is due to the effects of Russian moving from the Julian to the Gregorian calendar only in the early 20<sup>th</sup> century.) This year, for the first time, Russian markets remained open most of that period to avoid the inevitable volatility on the first day of trading after being closed for such an extended period of time after the rest of the world was back at work. Of course, liquidity was miniscule, but the desired affect was achieved.

However, because most businesses ceased working, the NAVs of Tera's underlying funds were released later than usual. As a result, in this Fact Sheet, we have included estimated January results as well as actual December results as most of January is now behind us. Those results are discussed in January First Look below.

### December Fund Performance

The Fund was down 9.67% for the month, slightly outperforming the major Russian indices (individually and together), but underperforming the AAM Fund Index.

The major reason for the underperformance against the Index was that two of the funds in the index rose more than 5% – while every other fund was down at least 5%. We have never seen such a strange distribution of performance in the funds making up the Index in over five years of calculating it. A bit of analysis makes clear what happened: one of the two funds fell over 50% in August and September this year, rose in October and fell another 23% in November. The 5% increase was simply a bit of a “dead cat bounce” after the prior losses – and

even with the December gain, that fund is still down 50% over the last five months of 2011.

The second fund is a low-volatility fund that just happened to have an unusually good month.

Without these two “outliers”, Tera would have also slightly outperformed the AAM Russian Fund Index.

### Underlying Funds and Sectors

The best performing fund underlying Tera was down 2%; the worst down 17%. The remainder were down about 9%. The best performer was the one blue-chip fund Tera invests in; the worst was the one sector fund it invests in. (That fund, in the power sector, had by far the worst annual performance as well: down 42%. The sector has become highly politicized because of renewed government price controls with the elections discussed above, notwithstanding prior commitments. We expect an extremely strong recovery in this fund in 2012).

Sector allocations were remarkably stable during the month: no sector changed more than 0.7%. This is the least change we have ever seen in the sector allocation from one month to the next. It reinforces the point made several times in past Fact Sheets: when external affects influence the Russia market, it generally does so on all stocks and sectors more or less equally (the “no place to hide” principle when there are generalized, versus stock- or sector-specific, concerns).

### Other Russian Funds

As noted above, every fund in the AAM Fund Index but two was down at least 5% in December, a strange distribution due to the unusual factors discussed above.

Perhaps most significantly, there were also no outsize drops during the month: tens of funds in the Index were down about 10%, with the worst performing down slightly over 11% -- tight clustering compared to most months.

With the close of the year came the close of another fund in the Index: the Russian Opportunities Fund. Thus, the number of funds in the Index (originally 29), each of which must have been in existence as long as Tera, has now fallen to 19.

### January First Look

As a result of further progress made on the Euro debt crisis and a better perspective regarding Russian election concerns, Russian markets have risen nicely in January. Tera is up over 14% (estimated), slightly outperforming the RTS. With two trading days left in the month as of this writing, and with additional positive news over the weekend regarding a restructuring agreement with most private Greek debt holders, there is little reason to believe that performance will change materially.

### Fund Awards



**Most Innovative Funds of Funds**  
(for innovation and performance)



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



**No. 2 ranked fund of funds in the world for 2010**



**No 1 ranked fund of funds in the world for 2005**

### Contact Information

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