

KALTCHUGA FUND

Russia Equities C (USD)



Fund fact sheet as of 30 December 2019

Quick facts

Fund category	Russian Equities
Reco. placement period	10 years
Last NAV (USD)	10,642.61
NAV frequency	Daily
ISIN	LU0462676486
Distributed in	LU, CH, FR
Risk and reward profile	1 2 3 4 5 6 7 Lower Risk Higher Risk

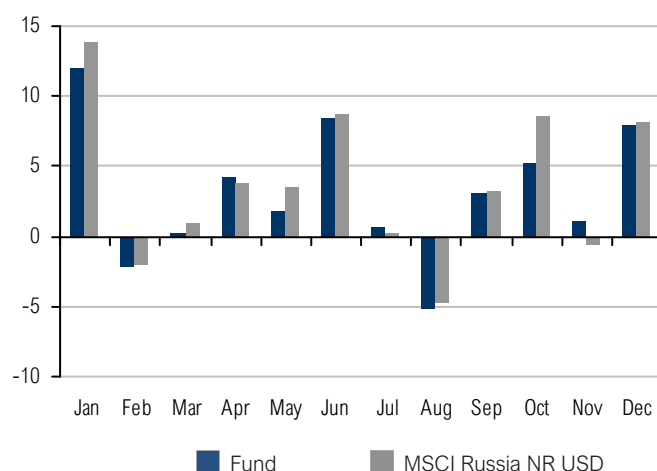
Investment objective

The Fund's objective is to outperform the MSCI Russia and achieve medium to long-term capital appreciation from long-only investments in liquid Russian equities, mainly Blue Chips. The Fund's strategy combines top down analysis together with a bottom-up stock-picking approach and doesn't use leverage or derivatives.

Cumulative performance



Monthly performances over 1 year (%)



Past performance (%) - Net returns

	Cumulative					Origin	Annualised		
	Month-to-date	Year-to-date	1 year	3 years	5 years		3 years	5 years	Origin
<i>Fund</i>	7.90%	42.44%	42.44%	40.37%	119.02%	55.95%	11.97%	16.98%	4.51%
<i>Index*</i>	8.24%	50.91%	50.91%	58.13%	155.14%	50.80%	16.52%	20.61%	4.16%

*MSCI Russia NR USD / Origin: 05/12/2009

Fund information

Legal form	SICAV UCITS
Fund domicile	Luxembourg
Fund launch date	31/03/2007
Total AUM (USD)	28,625,288.26
Fiscal year end	December 31st
Fund currency	USD
Cut-off time	See prospectus
Management company	Probus Capital Mgt SA
Custodian bank	KBL Europ. Priv. Bankers
Auditor	E&Y Luxembourg
FATCA status	Reporting FI
Solvency II	TPT file contributor
German tax	Transparent

Investment team

Jean-Louis Tauvy has been managing the Kaltchuga Funds since 1994. After being responsible for the realization of large industrial projects in Singapore, France and the USSR he became a pioneer of the Russian stock market with unique knowledge of the Russian and other FSU markets. He has a MS of Engineering from ENS des Arts et Métiers.

Alexandre Starinsky is Head of Research. MSc in Physics from Univ. Paris VI. MA in Economics & Finance and postgraduate in Post Soviet Studies from Sciences Po Paris. He has worked in Russia and Ukraine since 1993. He joined the Group in 2006.

NAV analysis

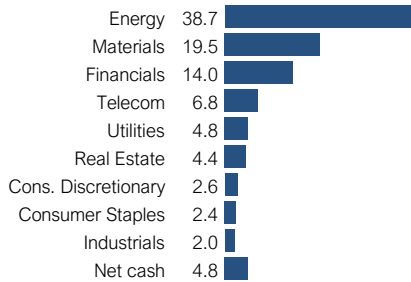
3 years figures (ann.)	Fund	Index	Value	Date
Annual volatility	16.71	18.89	52-week NAV high	10,642.61 30/12/2019
Beta	0.86		52-week NAV low	7,593.39 03/01/2019
Tracking error	4.86		Max drawdown (%)	-35.57 28/02/12-21/01/16
Sharpe	0.66	0.81		
Information ratio	-0.93			

KALTCHUGA FUND

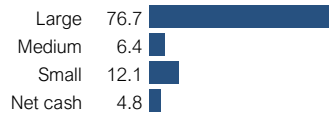
Russia Equities C (USD)

December 2019

Sectorial allocation (%)



Market cap breakdown (%)



Asset class breakdown (%)



Top 10 holdings (%)

Sberbank	9.6	Tatneft	4.8
Gazprom	9.3	MMC Norilsk Nickel	4.6
Lukoil	8.9	Rosneft	4.3
Novatek	6.4	Alrosa	3.7
Surgutneftegas	5.0	Magnitogorsk	3.3
Top 5 positions	39.1	Top 10 positions (%)	59.9

Available share classes

Class Name	ISIN	BLMG ticker	Curr.	Type	Launch date	Min. invest.	Mgt. fees	Perf. fees	OGC	Front / back load
A USD	LU0290813871	KALRUSA LX	USD	A	30/03/2007	None	2.00%	None	3.04%	Closed for subs/up to 1%
B EUR	LU0290814093	KALRUSB LX	EUR	A	16/07/2007	None	2.00%	None	3.05%	Closed for subs/up to 1%
C USD	LU0462676486	KALRUSC LX	USD	A	04/12/2009	None	1.70%	None	2.73%	Up to 2%/up to 1%
D EUR	LU0462681726	KALRUSD LX	EUR	A	04/12/2009	None	1.70%	None	2.74%	Up to 2%/up to 1%

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Disclaimer

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Switzerland

The prospectus and the Key Investor Information Documents for Switzerland, the articles of incorporation, the annual and semi-annual report in French, the list of the purchases and sales and further information can be obtained free of charge from the representative in Switzerland: Carnegie Fund Services S.A., 11, rue du Général-Dufour, CH-1204 Geneva, Switzerland, web: www.carnegie-fund-services.ch. The Swiss paying agent is: Banque Cantonale de Genève, 17, quai de l'Île, CH-1204 Geneva. The last share prices can be found on www.fundinfo.com. For the shares of the Fund distributed to non-qualified investors in and from Switzerland and for the shares of the Fund distributed to qualified investors in Switzerland, the place of jurisdiction is Geneva. Each time performance data is published, it should be noted that the past performance is no indication of current or future performance, and that it does not take account of the commissions and costs incurred on the issue and redemption of shares. Please read the Prospectus before considering an investment in Kaltchuga Fund.

France

The centralising correspondent is Société Générale, 29 Boulevard Haussman - 75009 Paris. The official prospectus as well as the Key Investor Information Documents for France and the annual and semi-annual reports in French are available free of charge from Société Générale, 29 Boulevard Haussman - 75009 Paris, web: www.securities-services.societegenerale.com/fr.

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Commentary

Thanks to the 'phase one' US-China trade agreement and to the Fed's \$500bn leg up in repo liquidity, global markets enjoyed a relief rally to the end of the year. The S&P 500 kept beating new record highs (+2.9%) but emerging markets took even better advantage of investors' return to global risk-on mood (MSCI EM +7.2%). Thanks to higher oil prices (Brent +5.7% to \$66 /bbl), Russia outperformed its peers (MSCI Russia +7.3%, RTS +7.7%). Oil prices were supported by the OPEC+ decision to deepen production cuts. The rouble gained 3.7% against the USD and ended 2019 up 11.8%. The Fund gained +7.9% (vs MSCI Russia NR USD +8.2%, vs MSCI Russia 10/40 NR USD +7.9%) and is up +42.4% YTD (vs MSCI Russia NR USD +50.91%, vs MSCI Russia 10/40 NR USD +42.8%).

All sectors gained. Even 2019 laggards such as steel companies NLMK (+15%) and MMK (+13%) enjoyed a good run as steel prices seem to have bottomed in December. After losing 20% over the past 3 months, the nickel price rebounded too, from \$13,000 to \$14,000 per ton. Meanwhile, palladium hit a new record at \$2000 per ton, driven by the global recovery in automotive demand (accounting for 70% of total palladium demand) in a deficit market. Platinum also gained (+9%), and Norilsk surged by as much as 19% this month. Gazprom (+3%) Board of Directors approved its new dividend policy confirming its target to pay out 50% of IFRS profits by 2022. It also agreed with Ukraine's Naftogaz on a 5-year transit agreement to keep supplying the European market while US sanctions are delaying the completion of the construction of its North-Stream 2 pipeline. Surgut rallied by 17% and confirmed its rank as this year's best performing stock (+111% YTD). At the other end of the spectrum, Alrosa ends 2019 down 5%, despite regaining 11% in December as positive sentiment eventually returned to the diamond market. Alrosa's November rough diamond sales recovered and were in line with the historical average. Would this trend hold further through 2020, Alrosa could be one of the best performing stocks in 2020. Sberbank (+10%) gave its 2020 guidance – ROE above 20%, NIM of 5.1-5.3%, corporate loan growth of 6-8%, retail loans + 12-14%.

The Central Bank, during its last meeting of the year, cut its benchmark rate by 25 bps to 6.25%, down 150 bps from a year ago, while inflation was down to 3.5% yoy in November. Rates offered on deposits are now as low as 4-6% in roubles, which may now drag some local savings into the domestic equity market. The RTS index, although it has rallied by 45% in 2019 and refreshed its six-year high, remains a compelling value opportunity offering as much as 7.4% dividend yield in average, with a 2020E P/E of 6.5x and a 50% discount to the MSCI Emerging Markets. 2020 started with Trump's mounting pressure on Iran, triggering a spike in oil prices (and a rise in Russian stock prices). Would the crisis escalate, and risks increase around the Ormuz strait, we would expect oil prices to surge, which would have a negative effect on global growth expectations and global stock prices, but would nevertheless benefit Russia's investment case. Another possible development in 2020 is that Ukrainian president Zelensky agrees on a peace deal with Russia about the war in Donbas, in the wake of the past Normandy format meeting that took place in Paris last month, and we believe this could trigger a lift of some EU sanctions and give some additional boost to the Russian stock market. Even on our base case scenario, in absence of a negative global event, with interest rates remaining close to their minimum across the developed world and oil prices in their current \$55-75 range (Brent), we believe Russian assets will keep benefitting greatly from carry trade flows and make the Russian stock markets an outperformer in 2020 again. More details upcoming in our 2019 recap report.