

KALTCHUGA FUND

Russia Equities C (USD)



Fund fact sheet as of 31 October 2019

Overall Morningstar Rating TM



Quick facts

Fund category	Russian Equities
Reco. placement period	10 years
Last NAV (USD)	9 762.09
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

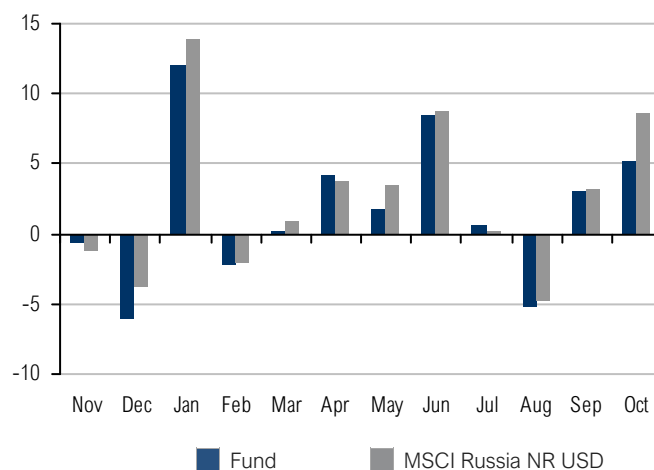
Investment objective

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					Annualised			
	Month-to-date	Year-to-date	1 year	3 years	5 years	Origin	3 years	5 years	Origin
<i>Fund</i>	5.25%	30.65%	22.06%	47.94%	49.31%	43.05%	13.95%	8.35%	3.68%
<i>Index*</i>	8.60%	40.37%	34.30%	73.29%	62.54%	40.27%	20.13%	10.20%	3.48%

*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)	24 812 987.83
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

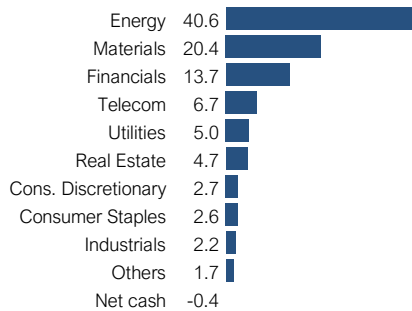
3 years figures (ann.)	Fund	Index	Value	Date
Annual volatility	17.33	19.60	52-week NAV high	9 842.24 30/10/2019
Beta	0.86		52-week NAV low	7 390.75 27/12/2018
Tracking error	4.76		Max drawdown (%)	-37.95 28/02/12-16/12/14
Sharpe	0.74	0.95		
Information ratio	-1.30			

KALTCHUGA FUND

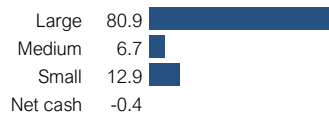
Russia Equities C (USD)

October 2019

Sectorial allocation (%)



Market cap breakdown (%)



Asset class breakdown (%)



Top 10 holdings (%)

Gazprom	10.5	Tatneft	4.8
Sberbank	9.3	MMC Norilsk Nickel	4.8
Lukoil	8.7	Rosneft	4.7
Novatek	6.9	Alrosa	3.7
Surgutneftegas	5.0	PhosAgro	3.7
Top 5 positions	40.3	Top 10 positions (%)	62.0

Note : Two UCITS investment limits were passively reached simultaneously on October 31st Net Asset Value.
Necessary measures have been taken by the investment manager team to adjust the portfolio on the following NAV.

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.securites-services.societegenerale.com/fr.

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Commentary

In October, markets kept rebounding from their August trough as, despite the continuing contraction in global manufacturing, risk appetite improved on news that the US and China had reached a consensus on the first phase of their trade deal. Dovish central banks in the US and in Europe added some support too, and Russia stepped in with its second rate cut in two months. While the Fed went for another 25-bp cut, the Central Bank of Russia cut its repo rate by 50 bps to 6.5%. Oil markets were remarkably stable (Brent -0.9%) around \$60, and the rouble gained 1.2% to the USD (now up 8.5% YTD). Russian stocks strongly outperformed both their emerging peers (MSCI Russia +7.8%, RTS +6.7% vs MSCI EM +4.1%) and also developed markets (the S&P 500 was up 2.0% and reached a new record high). The Fund gained 5.2% (vs MSCI Russia NR +8.6%) and it is up by 30.3% YTD (vs MSCI Russia NR +40.4%).

Russia's outperformance this month was once again driven by heavyweights Gazprom (+16%), Lukoil (+11%) and Norilsk Nickel (+8%). Gazprom got some boost from Denmark's approval of the construction of Nord Stream-2 in its exclusive economic zone. Lukoil surged thanks to its new dividend policy (it will now pay out 100% of "adjusted" free cash flow) and dividend recommendation above the street's expectations. Combined with its new stock buy-back program, we trust Lukoil will return in excess of 10% per annum in the next 3 years. Norilsk reported another good operational quarter in 3Q19 while palladium (+6%) expanded its rally, coming close to the \$1,800/oz mark.

Surgut (+22% commons) remained on a speculative streak, although we still have no information about what is happening at one of Russia's richest and less transparent companies.

Steel mills were behind the pack again with NLMK (went ex-dividend this month) down 10% and MMK down 6%. In the wake of falling global prices, domestic prices are also shifting lower now but we nevertheless see excellent value in those companies. Driven by higher free cash flow, Magnitogorsk announced a R 1.65 ps dividend for 3Q19, which implies 100% pay-out ratio of FCF and offers a robust 4.5% dividend yield for the quarter. The BoD of Novolipetsk recommended a dividend of R 3.22 ps for 3Q19, yielding 2.6%.

Consumers were mixed. Yandex (-5%) had a rough day when the parliament introduced a draft law proposing to limit foreign voting power to 20% in 'significant' Russian IT companies. X5 (-4%) retail sales growth slowed to 12.8% yoy in 3Q19 from 14.8% yoy in 1H19. **Meanwhile, the company announced very aggressive plans to capture a 20% market share in 10 years from today's 11.6%, which assumes 12% CAGR. Now trading at 5.4x 2020E EV/EBITDA and given its excellent operational performance as of late, it looks rather attractive yet.** Detsky Mir (+9%) released a strong 3Q19 trading update, seeing revenue growth accelerating to 19% yoy, from 16% YoY in 1H19. The company stated to move towards greater affordability, providing cheaper collections, leveraging private labels and investing in prices through promotional actions. As a result, the LFL check was up 1.0% yoy and traffic surged 9.6% yoy.

We topped up our position in Alrosa (+1%, went ex-dividend this month). The company commented that it saw an upward trend in sales at the end of Q3 and its sales guidance is now likely to be met at the upper bound. We also increased our exposure to telecom operator MTS (+9%), another good dividend-payer, which got some relief after controlling shareholder Vladimir Evtushenkov dismissed fears of the ADR de-listing.

The positive mood in the main equity markets continues, reflecting central bank liquidity provision, especially from the Fed, as well as expectations that 'phase one' of US-China trade talks can be resolved soon. Russian stocks have entered their 4th week of rally and the RTS is now back to levels unseen since 2013, although still 30% under its 2011 high. Brent surpassed \$62 /bbl amid expectations that a US-China trade deal might mitigate global recession risks and help stabilize demand. November should be a positive month for equity markets, and we assume Russian stocks shall continue to outperform both peers and developed peers.