

KALTCHUGA FUND

Russia Equities D (EUR)



Fund fact sheet as of 30 June 2021

Quick facts

Fund category	Russian Equities
Reco. placement period	10 years
Last NAV (EUR)	6 582.96
NAV frequency	Daily
ISIN	LU0462681726
Distributed in	LU, CH, FR
Risk and reward profile	1 2 3 4 5 6 7 Lower Risk Higher Risk

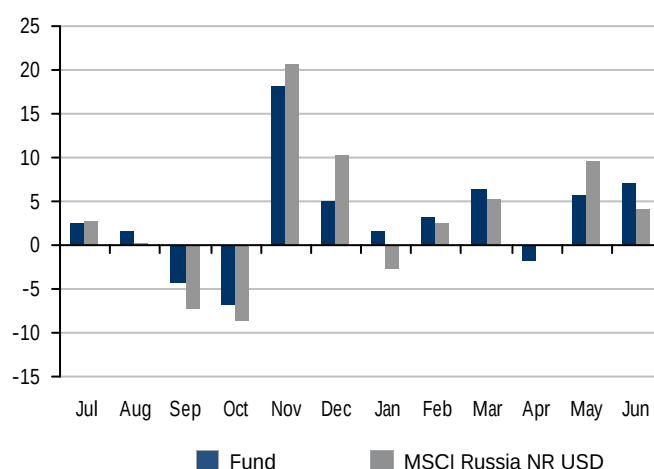
Investment objective

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
Fund	6.97%	23.73%	42.28%	41.16%	77.02%	46.66%	12.17%	12.10%	3.37%
Index*	4.19%	19.65%	38.64%	53.18%	112.89%	57.92%	15.27%	16.32%	4.03%

*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)	27 362 734.03
Fiscal year end	December 31st
Fund currency	USD
Cut-off time	See prospectus
Management company	Lemanik AM
Investment manager	Probus Middle East Ltd
Custodian bank	Quintet Private Bank
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

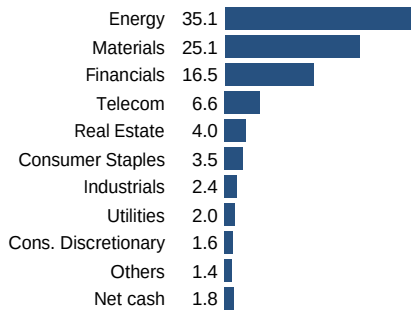
3 years figures (ann.)	Fund	Index	Value	Date
Annual volatility	27.93	28.48	52-week NAV high	6 602.67 28/06/2021
Sharpe	0.53	0.60	52-week NAV low	4 281.77 02/11/2020
			Max drawdown (%)	-48.18 21/01/20-18/03/20

KALTCHUGA FUND

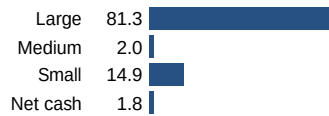
Russia Equities D (EUR)

June 2021

Sectorial allocation (%)



Market cap breakdown (%)



Asset class breakdown (%)



Top 10 holdings (%)

Gazprom	9.4	Alrosa	4.0
Sberbank	8.7	Rosneft	4.0
Lukoil	8.0	PhosAgro	3.9
MMC Norilsk Nickel	6.6	Magnitogorsk	3.7
Novatek	4.9	X5 Retail Group	3.5
Top 5 positions	37.7	Top 10 positions (%)	56.7

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	3.54%	Closed for subs/up to 1%
B EUR	LU0290814093	KALRUSB LX	EUR	A	16/07/2007	None	2.00%	None	3.54%	Closed for subs/up to 1%
C USD	LU0462676486	KALRUSC LX	USD	A	04/12/2009	None	1.70%	None	3.21%	Up to 2%/up to 1%
D EUR	LU0462681726	KALRUSD LX	EUR	A	04/12/2009	None	1.70%	None	3.24%	Up to 2%/up to 1%

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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. DIFC

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Commentary

In June global markets were quite steady and the S&P 500 and NASDAQ hit new records. The inflation panic has subsided, and bond yields have retreated on the belief that the Federal Reserve will maintain loose monetary for the foreseeable future. Investors remain cautious though that the Delta variant of Covid may derail the economic recovery. Despite the stronger dollar, oil prices kept appreciating (Brent +8.5% to \$75 /bbl), supporting the rouble (RUB:USD +0.4%, RUB:EUR +3.6%) and sending Russian indexes higher (RTS +3.5%, MSCI Russia +3.9%), outperforming emerging (MSCI EM -0.1%) and developed (S&P 500 +2.2%) peers. As expected, the Biden-Putin summit passed off without any controversy and will likely lay the foundations for a cooperation on nuclear weapons controls and climate change. The Fund gained 3.7% in June (vs MSCI Russia NR +4.2%) and is now up by 19.1% YTD (vs MSCI Russia NR +19.7%).

Oil & Gas stocks outperformed thanks to the strong oil prices – Gazpromneft (ex-dividend) +14%, Lukoil +13%, Novatek +11%, Rosneft (ex-dividend) and Gazprom +8%, Tatneft +7%. For a third consecutive month Gazprom has decided against booking extra pipeline capacity through Ukraine. This is despite the fact that European gas prices are trading at multi-year highs, with European gas inventories well below the 5-year average.

Retailers were strong too with X5 up 17% and Ozon +11%, while the banking sector showed mixed results - Sberbank lost 2% while VTB remained flat, but Tinkoff (TCS) surged by another 17% this month. Founder Oleg Tinkov extended his voluntary lockup for another 6 months and reiterated his commitment to double the company's market capitalization from its current 15 bln\$ to 30 bln\$ in a few years. TCS hosted their second strategy day since mid-May with a focus on its SME-services segment this time (10% of income in 2020). They target >30% revenue CAGR in FY20-23E with >500k SME customers in 2023E (+65% vs. FY20). More generally, the company keeps benefitting from the accelerated consumer shift to online and May RAS data showed a second consecutive month of almost 6% mom net loan growth, bringing growth over 4M21 to 20% YTD, so the company is clearly on track to comfortably top its "more than 30% net loan growth" IFRS guidance. TCS trades on 17.5x and 14.0x P/E for 2022E and 2023E, respectively.

Shares of steel producers and other metal stocks were heavily sold due to a tax initiative unveiled by the Russian government to combat rising domestic prices. The stronger US dollar and the release of metal inventories by China had already triggered a decline in the global metal prices. Then, the Russian economy minister decided steel, nickel and copper be subject to export duties of around 15% in the period Aug-Dec 2021. It impacted Norilsk (-6%), NLMK (ex-dividend -12%), and MMK (ex-dividend -4%). Based on our price and output assumptions, NLMK and MMK shall give out 5% and 10%, respectively, of their 2021E EBITDA.

As gold prices decreased by 7%, Polyus (ex-dividend) lost 11% and Polymetal 9%.

Alrosa surged by 15%, bolstered by strong demand and low inventories on the diamond market. Gem prices per carat rose from \$91 in 4Q20 to \$113 in 1Q21 and an estimate \$143 in 2Q21, still c20% below the highs. This enabled Alrosa to generate c12% of FCF in 1H21, helped by a sale of inventory and customers advances on a tight market. Alrosa trades on 11x 2022E P/E, 7.1x EV/EBITDA and 13% dividend yield.

Phosagro (flat) marked a pause after its 46% YTD rally. Baltic MAP prices kept rising in June (+16% mom) and are now almost 100% YTD at \$715 per ton. Phosagro trades on 8.1x 2021E P/E and 7.1x EV/EBITDA.

In the digital sector, Mail (-2%) keeps underperforming its rival Yandex (+5%). It is now twice cheaper on 2022E metrics – P/E of 21.1x vs 42.8x and EV/EBITDA of 9.9x vs 21.9x, which is unjustified in our view.

The Russian stock market has opened the second half of 2021 on a positive note, with cyclical stocks leading the charge supported by higher oil prices. Although concerns over the spread of the Delta variant of Covid cast a shadow over the reflation trade, there is a stronger likelihood of a continued economic recovery with higher-than-normal inflation, helping cyclicals and value stocks. Oil prices remain in an upward trend. OPEC+ uncertainty has brought volatility to the oil market though. Structurally, we still think the cartel has strong reasons to keep prices in the range of the last several years (Brent below US\$80/bbl), because higher prices incentivize US shale production and the shift to renewables.

The Central Bank of Russia raised its benchmark rate by 50 bps to 5.50%. and its release explicitly guided for further rate hikes at the upcoming policy rate meetings. It is likely to raise its benchmark rate on 23 July to 6.00-6.25%. The main reason for such tightening is inflation, estimated at 6.5% in June, fostered by the stronger demand environment. Unemployment decreased to 4.9% at the end of May from 5.9% at end of 2020, migrants are coming back, and salaries are on the rise (+8% yoy nominal and +2% yoy real in May). Retail trade increased by 35% in April and 27% in May following -1.4% in 1Q21. Retail lending was up 19.6% in April and 21.1% in May after +16.2% in 1Q21. Federal budget spending increased significantly too, up 21% in May vs 3% in March and April, with stronger than expected revenue flows from oil exports. Indeed, the Russian economy has improved all across the board in 2Q21. Industrial production increased by 7.6% yoy in April and 11.8% in May

(despite the lower oil output, constrained by the OPEC+ agreement), following -0.9% in 1Q21. Construction +6.9% and +7.7% yoy after +0.2% in 1Q21. Russia's GDP added 10.9% yoy in April and May vs -1.0% in 1Q21. Based on these data, we assume GDP growth in 2021 shall significantly exceed the 3.0% consensus forecast.