

KALTCHUGA FUND

Russia Equities C (USD)

Fund fact sheet as of 28 February 2018

Overall Morningstar Rating™



Quick facts

Fund category	Russian Equities
Reco. placement period	10 years
Last NAV (USD)	8,963.11
NAV frequency	Daily
ISIN	LU0462676486
Distributed in	LU, CH, FR
Risk and reward profile	
	Lower Risk Higher Risk

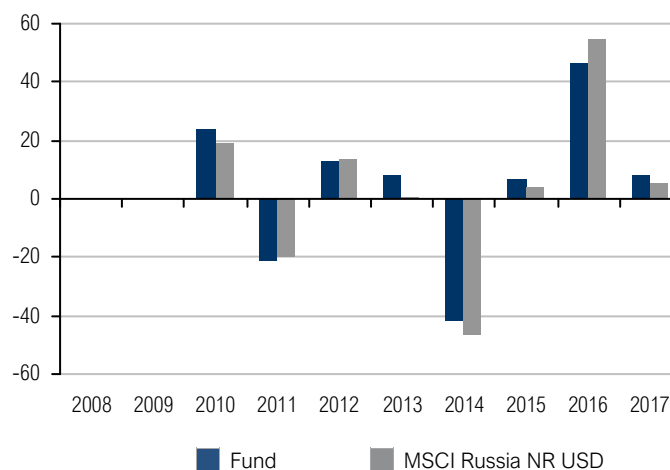
Investment objective

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



Calendar year performance (%)



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>	-0.07%	9.59%	22.50%	61.75%	13.23%	31.34%	17.38%	2.52%	3.37%
<i>Benchmark</i>	0.93%	13.62%	27.99%	58.26%	4.07%	13.99%	16.53%	0.80%	1.60%

Origin: 05/12/2009

Fund information

Legal form	SICAV UCITS
Fund domicile	Luxembourg
Fund launch date	31/03/2007
Total AUM (USD)	46,774,128.42
Fiscal year end	December 31st
Fund currency	USD
Benchmark	MSCI Russia NR 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

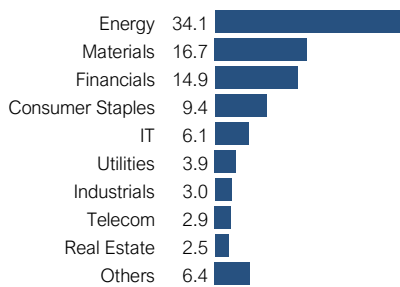
3 years figures (ann.)	Fund	Bench.	Value	Date
Annual volatility	19.48	21.92	52-week NAV high	9,179.33 26/02/2018
Beta	0.86		52-week NAV low	6,793.54 22/06/2017
Tracking error	5.66		Max drawdown (%)	-52.57 28/02/12-16/12/14
Sharpe	0.89	0.78		
Information ratio	0.15			

KALTCHUGA FUND

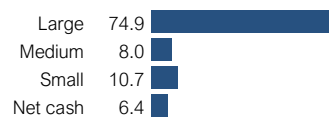
Russia Equities C (USD)

February 2018

Sectorial allocation (%)



Market cap breakdown (%)



Asset class breakdown (%)



Top 10 holdings (%)

Sberbank	9.7	X5 Retail Group	3.5
Gazprom	9.6	Yandex	3.5
Lukoil	9.1	Magnitogorsk	3.3
Novatek	5.6	Tatneft	3.3
Surgutneftegas	3.5	MMC Norilsk Nickel	3.3
Top 5 positions	37.4	Top 10 positions (%)	54.2

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	2.81%	Closed for subs/up to 1%
B EUR	LU0290814093	KALRUSB LX	EUR	A	16/07/2007	None	2.00%	None	2.81%	Closed for subs/up to 1%
C USD	LU0462676486	KALRUSC LX	USD	A	04/12/2009	None	1.70%	None	2.51%	Up to 2%/up to 1%
D EUR	LU0462681726	KALRUSD LX	EUR	A	04/12/2009	None	1.70%	None	2.53%	Up to 2%/up to 1%

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Disclaimer

This factsheet is provided for information purposes only and does not constitute or form part of an offer for shares. The Offering of the shares and the distribution of Fund's prospectus may be restricted outside of the Grand-Duchy of Luxembourg. The value of an investment in Kaltchuga Fund can fall as well as rise. An investment in the Fund is subject to a high degree of risk including the possible loss of capital. There is no assurance that the Fund will meet its investment objective.

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.

Commentary

Performance:

Despite the lower oil prices (Brent -5%), the Russian market kept its lead in February. Both indexes – RTS and MSCI Russia – added a modest 0.2%, while the MSCI EM lost 4.7% and the S&P500 was down by 3.9%, shaken by rising inflation and assumptions of policy tightening. We consider the recent market volatility as more symptomatic of a bull-market correction than the end of the cycle while global economic data remain strong. Of course, Trump's fiscal expansion produces trillion-dollar budget deficits and an increase in gross federal debt-GDP that contributes to upward pressure on US bond yields, though equity markets seem to have absorbed the prospect of higher US interest rates and bond yields. The Brent price dropped amid record growth in US oil production, now at a whopping 10 mln bbl per day, and volatility on global equity markets.

Our Fund (Class C) lost 0.1% in February (vs MSCI Russia +0.9%) and is up 9.59% YTD (vs MSCI Russia +13.62%)

Selected Position(s):

Our best performer this month was Internet holding Mail.ru (+9%) following a 25% beat on 4Q17 consensus. It remains one of the fastest growing companies in Russia (+34% YoY in 2017) with a 23-38% LFL growth guidance for 2018E. All traditional segments kept growing in 4Q17 – ad revenues +29%, MMO games +35%, IVAS (social networks) +24% and new businesses keep expanding. Retailers went in the opposite direction. X5 listed on the Moscow Exchange but this was not sufficient to support the stock's price (-7%) as the sector remains traumatized by the drama around Magnit (-10%) following its CEO & founder Sergei Galitsky's surprise sale of a 29% stake to VTB. He immediately stepped down and the uncertainty regarding the company's performance in the future has increased, which comforts our choice to stick to competitors X5 and Lenta (-6%) instead. Sberbank (+3%) announced it is to sell its Turkish assets. It is now up 24% YTD, after gaining 180% over 2016-17, and is responsible for most of our underperformance YTD, because despite Sberbank being our largest holding, we are capped at 10% in our UCITS portfolio. But this month Sberbank was outperformed by peer VTB (+8%), which jumped on 4Q17 results with a 50% consensus beat on net income. Meanwhile, Gazprom (+1%) increased its capex for Turkish Stream and the pipeline is now likely to be financed by the company.

Overview and Positioning:

The published reports pursuant to sections 241 and 242 of the Countering America's Adversaries Through Sanction Act of 2017 and related statements by administration and congressional officials suggest a low risk of a meaningful increase in sanctions of Russia or Russian individuals and corporates, given that sanctions are now inscribed in law and can only be changed by a new law, as well as a low risk of an aggressive Russian reaction that could roil the markets. Rosstat reports that disinflation resumed in January, after the headline was stable in the final months of 2017 (+2.2% YoY vs. +2.5% YoY earlier). February inflation at the level of 2.1-2.2%. The CBR cut the key rate 25bp to 7.50% only but discussions between Putin and top bankers suggest more aggressive rate cuts now, and in particular a target of 7% for mortgages against 10% now. Altogether, Russian stocks seem well footed on their path of catching up with their EM peers and shall keep reduced the gap that has been built until June last year before oil prices started to rally again. We remain very constructive on the prospects of the Russian market this year.