

**Annual report including audited financial statements
as at 31st December 2020**

KALTCHUGA FUND

Société d'Investissement à Capital Variable
Luxembourg

R.C.S. Luxembourg B123323

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KALTCHUGA FUND

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KALTCHUGA FUND

Organisation

Registered office	88, Grand-Rue L-1660 LUXEMBOURG
Board of Directors	
Chairman	Bernard LOZE LOZE ET ASSOCIES 43, Avenue Marceau F-75116 PARIS
Directors	Frédéric NEEFS Partner SUSSEX PARTNERS UK LTD. 15 Savile Row LONDON W1S 3PJ (until 20th January 2020) Jean-Marie BILLIOTTE Conducting Officer PROBUS CAPITAL MANAGEMENT S.A. (liquidated) 16, Rue Erasme L-1468 LUXEMBOURG Kim MÜLLER Analyst and Chief Investment Officer PROBUS COMPAGNIE S.A. 1, Place de St-Gervais CH-1201 GENEVA
Management Company (since 1st December 2020)	LEMANIK ASSET MANAGEMENT S.A. 106, Route d'Arlon L-8210 MAMER
Board of Directors of the Management Company	Gianluigi SAGRAMOSO Carlo SAGRAMOSO Philippe MELONI
Conducting officers of the Management Company	Philippe MELONI Jean Philippe CLAESSENS Alexandre DUMONT Gilles ROLAND Jennifer COLIN (until 31st December 2020)
Management Company (until 30th November 2020)	PROBUS CAPITAL MANAGEMENT S.A. 16, Rue Erasme L-1468 LUXEMBOURG
Board of Directors of the Management Company	Marco BERNI Jean-Marie BILLIOTTE Philippe TOUSSAINT

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Organisation (continued)

Conducting officers of the Management Company	Benoît BILLIOTTE Jean-Marie BILLIOTTE Bernard BONVIN
Investment Manager	PROBUS MIDDLE EAST LIMITED Emirates Financial Towers, South Tower, Office 1101, DIFC, Dubai United Arab Emirates (since 1st December 2020)
Depository and Paying Agent	QUINTET PRIVATE BANK (EUROPE) S.A. (formerly KBL EUROPEAN PRIVATE BANKERS S.A.) 43, Boulevard Royal L-2955 LUXEMBOURG
Administrative, domiciliary and registrar agent	KREDIETRUST LUXEMBOURG S.A. 88, Grand-Rue L-1660 LUXEMBOURG
Independent auditor	ERNST & YOUNG Société Anonyme 35E, Avenue John F. Kennedy L-1855 LUXEMBOURG
Centralising correspondent and agent in France	SOCIÉTÉ GÉNÉRALE 28, Boulevard Haussman F-75009 PARIS
Representative agent in Switzerland	CARNEGIE FUND SERVICES S.A. 11, Rue du Général-Dufour CH-1204 GENEVA
Paying agent in Switzerland	BANQUE CANTONALE DE GENEVE 17, Quai de l'île CH-1204 GENEVA

KALTCHUGA FUND

Report on activities of the Board of Directors

Market recap

Equity markets in 2020 were key beneficiaries of the 22 tn\$ in global monetary and fiscal accommodation that were introduced to support economies struggling with consequences of the Covid-19 pandemic. Based on investor hopes of fresh reflationary policies in the US, positive news on effective vaccines, the prospect of further QE from the Fed and ECB, and very distant interest rate increases from the main central banks, global equity markets and oil prices have enjoyed a sizeable rally since the start of November and in many cases have made new highs (S&P 500 +17%, NASDAQ +43%, MSCI Emerging Markets +16%, MSCI World +14%, etc.). Oil prices plunged from \$70 /bbl (Brent) at the beginning of the year to \$20 in April, then started to recover swiftly in May, stabilizing around \$40 until the end of October before surging again above \$50 in November-December, as OPEC+ countries were reaffirming their commitment to production cuts. The Brent price per bbl averaged \$43 in 2020 vs \$64 in 2019 (-32% yoy) and ended 2020 at \$51 vs \$66 at the end of 2019 (-23% yoy).

The Russian stock market was a laggard in 2020. It fell sharper than peers in March on the back of the Covid-19 outbreak and the subsequent collapse in oil prices. Despite a strong final quarter performance, it has failed to close the gap so far. However, while the MSCI Russia closed the year down 17.2%, the iMOEX rouble-denominated index ended up 8% and hit its highest ever, which shows the heavy impact of rouble depreciation (RUB:USD -16% yoy) on the performance of Russian stocks last year (Fig.1).

In 2020, Kaltchuga Fund – Russia Equity outperformed its benchmark (Kalrusa class A USD -5.3% vs MSCI Russia Net Return -12.5%), mostly thanks to its underweight allocations in oil & gas (32.2% vs 43.6%) and also in Sberbank (9.1% vs 17.2%).

Fig.1 – MSCI Russia vs World vs EM in 2020



Source: Bloomberg

2020 Fund strategy

In 2020 winners were the metal & mining stocks, retailers, and Internet companies, while oil & gas stocks, utilities and banks were the losers. All through 2020 we were underweighting oil & gas (32.2% vs 43.6% in the MSCI Russia as of 31st December 2020), retail (3.4% vs 4.6%), Internet (6.4% vs 10.2%) and financial (15.2% vs 19.2%) sectors. We were overweight in the utilities (4.6% vs 1.1%), telecom (3.3% vs 1.7%), metal & mining (21.3% vs 19.6%), real estate (6.0% vs zero) and transportation (2.6% vs zero) sectors.

Due to lower oil prices (Brent price averaged \$43 /bbl in 2020 vs \$64 /bbl in 2019) oil & gas names saw their profits decrease and underperformed (Tatneft -46%, Gazprom -31%, Lukoil -30%, Rosneft -21%,

KALTCHUGA FUND

Report on activities of the Board of Directors (continued)

Novatek -18%, Surgutneftegas -14%). The best performing stocks could be found in the Internet sector (Yandex +58%, Mail +17%) as well as among the mining and steel companies (Polyus +79%, NLMK +20%, MMK +10%, Phosagro +9%, Norilsk +1%, Alrosa -2%) and retail and consumer stocks (Detsky Mir +13%, X5 +6%). Polyus soared on surging gold prices. Gold remains a defensive asset in case of any new global shock, and the persistence of low real yields and weak USD keeps supporting gold demand. Besides the strong recovery in global steel prices, Russian steelmakers are to be the major beneficiaries of the country's impending infrastructure boom driven by the state's National Projects. In Russia, 70% of steel demand comes from the construction sector, which benefits from the declining interest rates. While MMK is exposed at 80-90% to its local market, NLMK is an efficient exporter. Phosagro benefitted from the rebound in prices for phosphate-based fertilizers in 2020, supported by robust demand from India and Brazil. Our bet on retailer Detsky Mir returned positive results in a year of pandemics thanks to its strong online business, which contributed 23% to its Russia sales as of 9M20 (and 30% in 4Q20). The company's strategy targets a 45% share of online sales in the medium-term, which implies 40-45% online sales growth p.a. (vs 13% total sales CAGR). According to the company, the online store generates 10%+ EBITDA margin, in line with its blended EBITDA margin. We believe that secures better positioning than other e-commerce players, which are not yet at a breakeven. Comfortable leverage (1.1-1.2x net debt / EBITDA) and limited capex requirements (4-5 blnR p.a. in 2021-23F) secure the sustainability of solid dividend payouts for the coming years. The stock trades at 2021F EV/EBITDA of 6.0x and 10% DY.

In 2020 we kept a quite balanced approach between growth and value stocks. Value stocks have deleveraged and completed their large capex programs, their cash flows remain supported by low ruble costs, so they can pay generous dividends, while growth stocks are now exposed both to the ongoing digitalization process and to the stimulation of consumer demand on lower inflation and credit expansion.

In our portfolio, as of 31st December 2020, value stocks accounted for 68% (66% in our benchmark) vs 32% for growth stocks (34% in the MSCI Russia).

Outlook for 2021

In 2021, following the successful IPOs of Ozon and Sovcomflot in 2020, we expect a number of new Russian companies to hit the market in the healthcare (EMC, Medsi), retail (Fix Price, Vkusvill), car sharing (Delimobil), online cinema, and other sectors.

External factors will continue to bring volatility to the Russian market, but they shall not affect the investment case in a fundamental way, and Russian stocks have a strong potential of rerating vs their emerging peers after last year's underperformance, as was evidenced by the outperformance of the Russian equity market since early November and the beginning of the reflation trade.

We believe that Russian stocks are among the best carry trade plays in the current environment. With their superior capacity to pay dividends (thanks to their solid balance sheets, low costs in an undervalued currency, low funding costs and inflation) and to resume earnings growth when positive external factors recover in 2021 (higher commodity prices), Russian stock shall reduce the current 50% price discount to their emerging peers.

Assuming oil prices in a \$50-60 range, we see 30% upside for Russian stock prices in 2021E based on corporate earnings growth, dividend yield compression and carry trade flows.

Luxembourg, 17th March 2021

The Board of Directors

Note: The information in this report represents historical data and is not an indication of future results.



Ernst & Young
Société anonyme

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Independent auditor's report

To the Shareholders of
KALTCHUGA FUND
Luxembourg

Opinion

We have audited the financial statements of KALTCHUGA FUND (the "Fund") and of its sub-fund, which comprise the statement of net assets and the statement of investments and other net assets as at 31st December 2020, and the statement of operations and other changes in net assets for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund and of its sub-fund as at 31st December 2020, and of the results of their operations and changes in their net assets for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the financial statements.

Basis for Opinion

We conducted our audit in accordance with the Law of 23rd July 2016 on the audit profession (the "Law of 23rd July 2016") and with International Standards on Auditing ("ISAs") as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" ("CSSF"). Our responsibilities under the Law of 23rd July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the "responsibilities of the "réviseur d'entreprises agréé" for the audit of the financial statements" section of our report. We are also independent of the Fund in accordance with the International Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for Accountants ("IESBA Code") as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The Board of Directors of the Fund is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our report of the "réviseur d'entreprises agréé" thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Independent auditor's report (continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors of the Fund for the financial statements

The Board of Directors of the Fund is responsible for the preparation and fair presentation of these financial statements in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the financial statements, and for such internal control as the Board of Directors of the Fund determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors of the Fund is responsible for assessing the Fund's and its sub-fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors of the Fund either intends to liquidate the Fund or its sub-fund or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the "réviseur d'entreprises agréé" for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the "réviseur d'entreprises agréé" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Law of 23rd July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the Law of 23rd July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors of the Fund.
- Conclude on the appropriateness of Board of Directors of the Fund use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's or its sub-fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the "réviseur d'entreprises agréé" to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions

Independent auditor's report (continued)

are based on the audit evidence obtained up to the date of our report of the "réviseur d'entreprises agréé". However, future events or conditions may cause the Fund or its sub-fund to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst & Young
Société anonyme
Cabinet de révision agréé



Jean-Marc Cremer

Luxembourg, 23rd April 2021

KALTCHUGA FUND

Combined statement of net assets (in EUR)

as at 31st December 2020

Assets

Securities portfolio at market value	18,866,188.92
Cash at banks and term deposits	561,098.43
Income receivable on portfolio	44,107.49
Prepaid expenses	2,745.18
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Total assets	19,474,140.02
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Liabilities

Expenses payable	88,632.29
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Total liabilities	88,632.29
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Net assets at the end of the year	19,385,507.73
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The accompanying notes are an integral part of these financial statements.

KALTCHUGA FUND

Combined statement of operations and other changes in net assets (in EUR) from 1st January 2020 to 31st December 2020

Income	
Dividends, net	942,570.06
Bank interest	3,075.86
Total income	945,645.92
Expenses	
Management fees	339,786.68
Depositary fees	12,238.28
Banking charges and other fees	68,857.22
Transaction fees	24,596.27
Central administration costs	57,035.98
Professional fees	14,699.48
Other administration costs	61,877.81
Subscription duty ("taxe d'abonnement")	8,370.77
Bank interest paid	0.92
Other expenses	36,266.35
Total expenses	623,729.76
Net investment income	321,916.16
Net realised gain/(loss)	
- on securities portfolio	-1,621,460.12
- on forward foreign exchange contracts	53,707.33
- on foreign exchange	-236.44
Realised result	-1,246,073.07
Net variation of the unrealised gain/(loss)	
- on securities portfolio	-923,944.34
- on forward foreign exchange contracts	-9,306.00
Result of operations	-2,179,323.41
Subscriptions	2,151,517.99
Redemptions	-3,939,133.25
Total changes in net assets	-3,966,938.67
Total net assets at the beginning of the year	25,451,192.13
Revaluation difference	-2,098,745.73
Total net assets at the end of the year	19,385,507.73

The accompanying notes are an integral part of these financial statements.

KALTCHUGA FUND - RUSSIA EQUITIES

Statement of net assets (in USD)

as at 31st December 2020

Assets

Securities portfolio at market value	23,084,668.76
Cash at banks and term deposits	686,560.04
Income receivable on portfolio	53,969.93
Prepaid expenses	3,359.00
Total assets	<u>23,828,557.73</u>

Liabilities

Expenses payable	<u>108,450.47</u>
Total liabilities	<u>108,450.47</u>
Net assets at the end of the year	<u><u>23,720,107.26</u></u>

Breakdown of net assets per share class

Share class	Number of shares	Currency of share class	NAV per share in currency of share class	Net assets per share class (in USD)
A USD	1,337.850	USD	10,207.24	13,655,757.33
B EUR	44.540	EUR	5,344.73	291,283.01
C USD	814.903	USD	10,115.94	8,243,506.06
D EUR	233.962	EUR	5,342.96	1,529,560.86
				<u><u>23,720,107.26</u></u>

The accompanying notes are an integral part of these financial statements.

KALTCHUGA FUND - RUSSIA EQUITIES

Statement of operations and other changes in net assets (in USD) from 1st January 2020 to 31st December 2020

<u>Income</u>	
Dividends, net	1,153,328.73
Bank interest	3,763.62
Total income	1,157,092.35
<u>Expenses</u>	
Management fees	415,762.98
Depository fees	14,974.76
Banking charges and other fees	84,253.70
Transaction fees	30,095.99
Central administration costs	69,789.22
Professional fees	17,986.28
Other administration costs	75,713.69
Subscription duty ("taxe d'abonnement")	10,242.48
Bank interest paid	1.12
Other expenses	44,375.50
Total expenses	763,195.72
Net investment income	393,896.63
<u>Net realised gain/(loss)</u>	
- on securities portfolio	-1,984,018.60
- on forward foreign exchange contracts	65,716.29
- on foreign exchange	-289.31
Realised result	-1,524,694.99
<u>Net variation of the unrealised gain/(loss)</u>	
- on securities portfolio	-1,130,538.30
- on forward foreign exchange contracts	-11,386.82
Result of operations	-2,666,620.11
Subscriptions	2,632,597.41
Redemptions	-4,819,923.44
Total changes in net assets	-4,853,946.14
Total net assets at the beginning of the year	28,574,053.40
Total net assets at the end of the year	23,720,107.26

The accompanying notes are an integral part of these financial statements.

KALTCHUGA FUND - RUSSIA EQUITIES

Statistical information (in USD)

as at 31st December 2020

Total net assets	Currency	31.12.2018	31.12.2019	31.12.2020
	USD	25,167,361.24	28,574,053.40	23,720,107.26

Net asset value per share class	Currency	31.12.2018	31.12.2019	31.12.2020
A USD	USD	7,625.20	10,781.99	10,207.24
B EUR	EUR	4,295.54	5,882.74	5,344.73
C USD	USD	7,511.79	10,653.54	10,115.94
D EUR	EUR	4,248.22	5,845.77	5,342.96

Number of shares	outstanding at the beginning of the year	issued	redeemed	outstanding at the end of the year
A USD	1,337.850	-	-	1,337.850
B EUR	44.540	-	-	44.540
C USD	1,130.274	199.861	-515.232	814.903
D EUR	276.363	100.754	-143.155	233.962

KALTCHUGA FUND - RUSSIA EQUITIES

Statement of investments and other net assets (in USD) as at 31st December 2020

Currency	Number / nominal value	Description	Cost	Market value	% of total net assets *
Investments in securities					
Transferable securities admitted to an official stock exchange listing					
Shares					
USD	588,293	Etalon Group PCL GDR repr 1 Shares Reg S	1,056,560.97	1,017,746.89	4.29
USD	25,000	Gazprom PJSC spons ADR repr 2 Shares	112,550.00	139,850.00	0.59
USD	102,000	Globaltrans Investment Plc GDR repr 1 Sh Reg S	631,985.66	609,960.00	2.57
USD	81,583	LSR Group PJSC GDR repr 1 Share Reg S	126,482.83	186,417.16	0.79
USD	110,000	Magnitogorsk Iron Stl Wks PJSC GDR repr 13 Shares	678,011.59	1,072,500.00	4.52
USD	33,600	Mail.RU Group Ltd spons GDR Repr 1 Sh Reg-S	636,961.77	883,680.00	3.73
USD	6,000	MMC Norilsk Nickel PJSC spons ADR repr 1 Share	100,152.70	187,200.00	0.79
USD	18,000	Mobile Telesystems PJSC ADR repr 2 Shs	210,875.75	161,100.00	0.68
USD	500	NovaTek Joint St Co spons GDR repr 10 Shares	52,567.28	81,700.00	0.34
USD	22,000	Novolipetsk Steel (NLMK) GDR repr 10 Shares	404,645.90	610,280.00	2.57
USD	3,700	Oil Co Lukoil PJSC spons ADR repr 1 Share	172,220.20	252,340.00	1.06
USD	45,000	Phosagro PJSC spons GDR repr 1/3 Reg Shares	472,850.00	613,800.00	2.59
USD	63,000	Rosneft Oil Co GDR repr 1 Share Reg	506,233.91	355,320.00	1.50
USD	1,000,000	Sistema PJSC Reg	222,600.00	384,938.20	1.62
USD	14,000	TCS Group Holding Plc GDR repr 1 Share A Reg S	374,344.60	460,600.00	1.94
USD	12,000	X5 Retail Group NV spons GDR repr 1/4 Reg S	270,831.00	433,440.00	1.83
USD	9,000	Yandex NV A Reg	299,825.10	626,220.00	2.64
Total shares			6,329,699.26	8,077,092.25	34.05
Transferable securities dealt in on another regulated market					
Shares					
RUB	3,424,365	Territorial Generat Co 1 PJSC	22,429.95	517.99	0.00
RUB	92,017	Unipro PJSC	29,920.21	3,471.71	0.01
			52,350.16	3,989.70	0.01
USD*	470,000	Alrosa PJSC	575,891.12	621,136.07	2.62
USD*	200,000	Detsky mir PJSC	311,125.24	364,280.76	1.54
USD*	18,500,000	Enel Russia PJSC	259,700.00	223,777.85	0.94
USD*	581,000	Gazprom PJSC	1,621,199.99	1,660,833.35	7.00
USD*	6,000,000	Inter Rao Ues PJSC Reg	429,240.00	428,403.60	1.81
USD*	17,851	LSR Group PJSC	248,793.79	207,866.19	0.88
USD*	4,000	MMC Norilsk Nickel PJSC	861,011.35	1,273,907.48	5.37
USD*	360,000	Moscow Exchange Micex-Rts PJSC	514,091.52	772,069.86	3.25
USD*	69,500	NovaTek Joint St Co	857,791.95	1,176,203.25	4.96
USD*	23,300	Oil Co Lukoil PJSC	1,429,846.55	1,618,382.90	6.82
USD*	3,701	Phosagro PJSC Reg	139,681.29	155,841.22	0.66
USD*	2,500	Polyus PJSC	528,627.02	511,564.23	2.16
USD*	124,000	Rosneft Oil Co	670,315.78	725,292.90	3.06
USD*	200,000	Rostelecom PJSC Pref Reg	225,365.18	230,094.70	0.97
USD*	470,000	Sberbank of Russia PJSC	1,432,873.70	1,712,498.63	7.22
USD*	140,000	Sberbank of Russia PJSC Pref	219,136.00	452,942.49	1.91
USD*	410,000	Surgutneftegas PJSC	136,997.40	199,092.39	0.84
USD*	1,330,000	Surgutneftegas PJSC Pref	675,275.00	747,815.11	3.15
USD*	81,000	Tatneft PJSC	991,378.90	557,606.02	2.35
USD*	15,000	Tatneft PJSC Pref	91,969.50	95,760.79	0.40
USD*	1,196,575,635	Territorial Generat Co 1 PJSC	179,486.35	179,964.98	0.76
USD*	6,431,983	Unipro PJSC	501,788.02	241,272.04	1.02
USD*	400,000,000	VTB Bank PJSC	312,400.00	202,680.00	0.85
Total shares			13,213,985.65	14,359,286.81	60.54
			13,266,335.81	14,363,276.51	60.55

* Minor differences may arise due to rounding in the calculation of percentages.

The accompanying notes are an integral part of these financial statements.

KALTCHUGA FUND - RUSSIA EQUITIES

Statement of investments and other net assets (in USD) (continued) as at 31st December 2020

Currency	Number / nominal value	Description	Cost	Market value	% of total net assets *
<u>Open-ended investment funds</u>					
Tracker funds (UCITS)					
USD	5,000	iShares VII Plc MSCI Russia ADR/GDR UCITS ETF Cap	530,166.50	644,300.00	2.72
Total tracker funds (UCITS)			530,166.50	644,300.00	2.72
Total investments in securities			20,126,201.57	23,084,668.76	97.32
<u>Cash at banks</u>					
Current accounts at bank			686,560.04	686,560.04	2.89
Total cash at banks			686,560.04	686,560.04	2.89
Other net assets/(liabilities)				-51,121.54	-0.21
Total				23,720,107.26	100.00

*The reference currency of the security on the Moscow Exchange is RUB but the Sub-Fund's transactions on the security are expressed in USD

* Minor differences may arise due to rounding in the calculation of percentages.

The accompanying notes are an integral part of these financial statements.

KALTCHUGA FUND - RUSSIA EQUITIES

Industrial and geographical classification of investments as at 31st December 2020

Industrial classification

(in percentage of net assets)

Energy	32.07 %
Raw materials	21.28 %
Financials	15.17 %
Technologies	6.37 %
Cyclical consumer goods	5.83 %
Utilities	4.54 %
Industrials	4.19 %
Investment funds	2.72 %
Non-cyclical consumer goods	1.83 %
Real estate	1.67 %
Telecommunications services	1.65 %
Total	<u>97.32 %</u>

Geographical classification **

(by domicile of the issuer)
(in percentage of net assets)

Russia	79.43 %
Cyprus	8.80 %
British Virgin Islands	3.73 %
Ireland	2.72 %
The Netherlands	2.64 %
Total	<u>97.32 %</u>

**All companies conduct their business activities in Russia and CIS

KALTCHUGA FUND

Notes to the financial statements

as at 31st December 2020

Note 1 - General information

KALTCHUGA FUND (the "Fund") is organised as a "Société d'Investissement à Capital Variable" ("SICAV") with multiple Sub-Funds organised under Luxembourg law. The Fund is governed under the Council Directive 2009/65/EC as amended and the provisions of Part I of the law of 17th December 2010 as amended.

The Net Asset Value per Share is determined each Bank Business Day in Luxembourg and Moscow (referred to as the "Valuation Day").

The Net Asset Value as well as the issue and redemption prices are available to the interested persons as of each Valuation Day at the registered office of the Fund.

A copy of the articles of incorporation, the full prospectus and the KIID, the most recent unaudited semi-annual report and the most recent annual report including audited financial statements are made available free of charge at the registered office of the Fund, 88, Grand-Rue, L-1660 LUXEMBOURG.

Note 2 - Significant accounting policies

a) Presentation of the financial statements

The financial statements of the Fund are prepared in accordance with the Luxembourg legal and regulatory requirements concerning undertakings for collective investment and with generally accepted accounting principles in Luxembourg. The financial statements of the Fund have been prepared on a going concern basis.

b) Valuation of assets

The value of any cash in hand or on deposit, discount notes, bills and demand notes and accounts receivable, prepaid expenses, cash dividends and interest declared or accrued as aforesaid and not yet received, is deemed the full amount thereof, unless in any case the same is unlikely to be paid or received in full, in which case the value thereof is arrived at after making such discount as the Board of the Fund may consider appropriate in such case to reflect the true value thereof.

The value of all portfolio securities which are listed on an official Stock Exchange or traded on any other regulated market is valued at the last available price in Luxembourg on the principal market on which such securities are traded, as furnished by a pricing service approved by the Board. If such prices are not representative of the fair value, such securities as well as other permitted assets, including securities which are listed on a Stock Exchange or traded on a regulated market, are valued at a fair value at which it is expected that they may be resold, as determined in good faith by and under the direction of the Board.

The value of securities which are not quoted or dealt in on any regulated market is valued at the last available price in Luxembourg, unless such price is not representative of their true value; in this case, they are valued at a fair value at which it is expected that they may be resold, as determined in good faith by and under the direction of the Board.

The value of other assets is determined prudently and in good faith by and under the direction of the Board in accordance with generally accepted valuation principles and procedures.

c) Acquisition cost of securities in the portfolio

The acquisition cost of the securities held by the Sub-Fund that are denominated in a currency other than the reference currency of the Sub-Fund is converted into this currency at the exchange rate prevailing on the date of purchase.

KALTCHUGA FUND

Notes to the financial statements (continued)

as at 31st December 2020

d) Net realised gain/(loss) on securities portfolio

The realised gains and losses on securities portfolio are calculated on the basis of the average acquisition cost and are disclosed net in the statement of operations and other changes in net assets.

e) Investment income

Dividend income is recorded at the ex-date, net of any withholding tax.

Interest income accrued and overdue are disclosed net of any withholding tax.

f) Valuation of forward foreign exchange contracts

Open forward foreign exchange contracts are valued at forward market rates for the remaining period from valuation date to the maturity of the contracts. Net unrealised gains or losses of open contracts are disclosed in the statement of net assets. Net variation of unrealised gains or losses and net realised gains or losses are disclosed in the statement of operations and other changes in net assets.

g) Formation expenses

Formation expenses were amortised on a straight line basis over a period of 5 years.

h) Conversion of foreign currencies

Cash at banks, other net assets, liabilities and the market value of the securities in portfolio expressed in currencies other than the reference currency of the Sub-Fund are converted into this currency at the exchange rate prevailing on the date of the financial statements. Income and expenses expressed in currencies other than the reference currency of the Sub-Fund are converted into this currency at the exchange rate prevailing on the date of the transaction. Net realised gains or losses on foreign exchange are disclosed in the statement of operations and other changes in net assets.

i) Combined financial statements

The combined financial statements of the Fund are expressed in EUR and are equal to the corresponding items in the financial statements of the Sub-Fund converted into this currency at the exchange rate prevailing at the date of the financial statements.

At the date of the financial statements, the exchange rate used for the combined statements is the following:

1	EUR	=	1.2236000	USD	US Dollar
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j) Revaluation difference

The item "Revaluation difference" in the combined statement of operations and other changes in net assets represents the valuation difference of the net assets at the beginning of the financial year of the Sub-Fund converted into the reference currency of the Fund with the exchange rates applicable at the beginning of the financial year and the exchange rates applicable at the end of the financial year.

k) Transaction fees

Transaction costs disclosed under the item "Transaction fees" in the expenses of the statement of operations and other changes in net assets are mainly composed of broker fees incurred by the Fund and of fees relating to liquidation of transactions paid to the depositary as well as of transaction fees on financial instruments and derivatives and of fees relating to term deposits.

KALTCHUGA FUND

Notes to the financial statements (continued)

as at 31st December 2020

Note 3 - Management fees

Until 30th November 2020, the Board of Directors of the Fund has appointed PROBUS CAPITAL MANAGEMENT S.A. as its management company (the "Management Company") to provide management, administration and distribution services. The Management Company was registered as a management company pursuant to the stipulations of Chapter 15 of the amended Law of 17th December 2010 relating to Undertakings for Collective Investment.

Since 1st December 2020, the Board of Directors of the Fund has decided to appoint LEMANIK ASSET MANAGEMENT S.A., a public limited liability company incorporated under the laws of the Grand Duchy of Luxembourg, authorised and regulated by the Chapter 15 of the amended Law of 17th December 2010 relating to Undertakings for Collective Investment as management company of the Fund in replacement of PROBUS CAPITAL MANAGEMENT S.A..

For the services rendered by LEMANIK ASSET MANAGEMENT S.A., the Sub-Fund pays an annual Management fee of a maximum of 0.30% of the total net assets.

Since 1st December 2020, the portfolio management of the currently existing Sub-Fund RUSSIA EQUITIES is delegated to PROBUS MIDDLE EAST LIMITED, a private company incorporated under the laws of the United Arab Emirates, authorised and regulated by the Dubai International Financial Authority. The portfolio manager is entitled to the annual Investment Management fee payable monthly in arrears of the average Net Asset Value of the Sub-Fund as follows:

- for the Classes A and B Shares: 2% per annum;
- for the Classes C and D Shares: 1.7% per annum.

Note 4 - Central administration costs

The item "Central administration costs" disclosed in the statement of operations and other changes in net assets is mainly composed of the administrative agent and the transfer agent fees.

Note 5 - Subscription duty ("*Taxe d'abonnement*")

The Fund is governed by Luxembourg law.

Pursuant to the legislation and regulations in force, the Fund is subject to an annual "*taxe d'abonnement*" of 0.05% which is payable quarterly and calculated on the basis of the net assets of each Sub-Fund on the last day of each quarter.

Pursuant to Article 175 (a) of the amended law of 17th December 2010 the net assets invested in undertakings for collective investment already subject to the "*taxe d'abonnement*" are exempt from this tax.

Note 6 - Forward foreign exchange contracts

As at 31st December 2020, the Sub-Fund is not committed in any forward foreign exchange contracts.

KALTCHUGA FUND

Notes to the financial statements (continued)

as at 31st December 2020

Note 7 - Change in investment

The statement of change in investment for the reporting period is available free of charge at the registered office of the Fund.

Note 8 - Events

With effect from 16th January 2020, KBL EUROPEAN PRIVATE BANKERS S.A. changed its name to QUINTET PRIVATE BANK (EUROPE) S.A..

PROBUS CAPITAL MANAGEMENT S.A. liquidated in December 2020, therefore the Board of Directors has decided to appoint LEMANIK ASSET MANAGEMENT S.A. as management company of the Fund, in accordance with the law of 17th December 2010 on undertakings for collective investment, with effect as from 1st December 2020.

The portfolio management of the currently existing Sub-Fund RUSSIA EQUITIES is delegated to PROBUS MIDDLE EAST LIMITED, a private company incorporated under the laws of the United Arab Emirates, authorised and regulated by the Dubai International Financial Authority.

COVID-19 resulted to a strong contraction of the global economy, which impacted the Russian economy via the current account. The trade balance shrank as commodity prices, Russia's primary source of export revenues, plummeted, triggering a depreciation of the Russian rouble and subsequent capital outflows. In our stock universe, both exporters and domestic stocks were hit – exporters by a slump in demand on export markets, particularly oil, and domestic stocks by a slump in domestic demand coupled with rouble depreciation. But overall, Russian companies managed to remain profitable in 2020, thanks to their low levels of leverage, low capex engagements and cheap cost base supported by the weaker rouble. Although the pandemic forced most companies to postpone or reduce dividend payments, Russian stocks remain much more attractive than their emerging peers by the measure of their dividend yields, which reached 7.0% on 2021E earnings. External factors continue to bring volatility to the Russian market, but when the pandemic situation stabilizes thanks to the progress of the global vaccination campaign, we trust Russian stocks have a strong potential of rerating vs their emerging peers after last year's underperformance, as was evidenced by the outperformance of the Russian equity market since last November and the beginning of the reflation trade

Note 9 - Subsequent events

There are no significant subsequent events.

KALTCHUGA FUND

Additional information (unaudited)

as at 31st December 2020

1 - Risk management

As required by Circular CSSF 11/512, as amended, the Board of Directors of the Fund needs to determine the global risk exposure of the Fund by applying either the commitment approach or the VaR ("Value at Risk") approach.

In terms of risk management, the Board of Directors of the Fund decided to adopt the commitment approach as a method of determining the global exposure.

2 – Remuneration

Remuneration policies and practices

The Management Company has established and applies a remuneration policy and practices that are consistent with, and promote, sound and effective risk management and that neither encourage risk taking which is inconsistent with the risk profiles, rules, the Prospectus or the Articles of Incorporation nor impair compliance with the Management Company's obligation to act in the best interest of the Fund ("the Remuneration Policy").

The Remuneration Policy includes fixed and variable components of salaries and applies to those categories of staff, including senior management, risk takers, control functions and any employee receiving total remuneration that falls within the remuneration bracket of senior management and risk takers whose professional activities have a material impact on the risk profiles of the Management Company, the Fund or the Sub-Funds. Within the Management Company, these categories of staff represent 24 persons.

The Remuneration Policy is in line with the business strategy, objectives, values and interests of the Management Company, the Fund and the Shareholders and includes measures to avoid conflicts of interest.

In particular, the Remuneration Policy will ensure that:

- a) the staff engaged in control functions are compensated in accordance with the achievement of the objectives linked to their functions, independently of the performance of the business areas that they control;
- b) the fixed and variable components of total remuneration are appropriately balanced and the fixed component represents a sufficiently high proportion of the total remuneration to allow the operation of a fully flexible policy on variable remuneration components, including the possibility to pay no variable remuneration component;
- c) the measurement of performance used to calculate variable remuneration components or pools of variable remuneration components includes a comprehensive adjustment mechanism to integrate all relevant types of current and future risks.

The following table shows the fixed and variable remuneration in 2020 for the Identified Staff (24 persons), who is fully or partly involved in the activities of all the funds managed by the Management Company. For the purposes of the below disclosures, where portfolio management activities have been formally delegated to another entity, the remuneration of the relevant identified staff of the delegate has been excluded, as it is not paid out by the Management Company or by the Fund.

KALTCHUGA FUND

Additional information (unaudited) (continued)

as at 31st December 2020

Staff expenses split into fixed and variable remuneration

Wages and salaries

- a. Fixed
- b. Variable

Staff expenses broken down by categories of staff subject to UCITS V pay rules (in EUR)

Staff code	Fixed remuneration	Variable Remuneration	Total
S	1,713,062.72	266,000.00	1,979,062.72
R	1,244,301.59	61,500.00	1,305,801.59
C	470,797.86	35,000.00	505,797.86
O	0	0	0

S = Senior Management

R = Risk takers, which includes staff members whose professional activities can exert material influence on UCITS or AIFs managed by Lemanik Asset Management S.A. ("LAM").

C = Staff engaged in control functions (other than senior management) responsible for risk management, compliance, internal audit and similar functions.

O = Any other staff member receiving total remuneration that takes them into the same remuneration bracket as senior management and risk-takers, whose professional activities have a material impact on LAM's risk profile.

A paper copy of the summarised Remuneration Policy is available free of charge to the Shareholders upon request.

No material changes have been made to the Remuneration Policy.

3 - Information concerning the transparency of securities financing transactions and of reuse of cash collateral (regulation EU 2015/2365, hereafter "SFTR")

During the reporting period, the Fund did not engage in transactions which are subject to the publication requirements of SFTR. Accordingly, no information concerning the transparency of securities financing transactions and of reuse of cash collateral should be reported.