

## FUND COMMENTARY

In April the Fund lost -6.8% (I USD share class) thus giving up all of the year's previous gains. To compare, Kazakhstan's Kase index in USD declined -2.7%, while the MSCI Frontier index was down -4.1%, the Russian RTS\$ index -7.6% and the Turkish 100 National index down -11.9%.

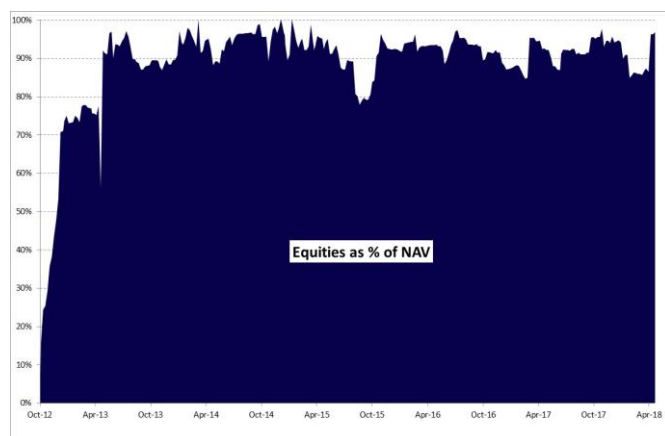
The main driver for the market retraction has been renewed rhetoric and some actions (e.g. Deripaska/Rusal) from the US on Russian sanctions. As rouble and Russian assets repriced lower, Kazakhstan just followed despite not being targeted by any negative action. The Russian rouble declined by almost 10% against the US dollar during April, which given Kazakhstan trade relations with Russia, also led to the Kazakh Tenge declining by 3% against the US dollar.

Our biggest losers for the month of April were Halyk Bank in Kazakhstan, which cost us about 1.5% in performance, and TCS, which cost us 1.2%. Halyk Bank has been one of our largest positions for a long time. This well managed bank, which will start reaping the rewards from its acquisition of Kazkommertsbank in 2018 and 2019, trades at less than 6 times 2018 earnings, according to Bloomberg consensus estimates, while a stronger Kazakhstan as a result of higher oil and commodity prices, will indirectly benefit the bank.

Assuming US sanctions directed at Russian corporates do not escalate, we are more bullish than ever on our universe:

- Oil prices have risen to an extent that the country budgets for Kazakhstan and other net exporters are in a much healthier state than in the years before.
- Renewed tensions regarding Iran may drive oil prices even higher, or at least buffer the chances of a sharp decline back to the US\$ 50 per barrel level at which Kazakhstan balances its budget.
- We have a much more bullish outlook on commodity prices in general.
- We note that even a net oil importer such as Georgia, is showing strong economic growth (IMF estimate +4.5% real GDP growth in 2018, but currently running at 5.5% annual growth).
- This positive outlook on the macro-economics, coupled with China's Belt and Road initiative also helps the long-term economic dynamic of the region.
- Despite a strong performance in 2016 and 2017, most of the stocks in our universe are still trading at low valuations on a relative and absolute basis compared to other frontier, emerging and developed markets.

As can be seen from the table below, we increased our net exposure from 86% of NAV at the start of the month, to 96% of NAV at the end of the month, which for the Fund is one of the larger shifts in exposure in recent years.



Continued overleaf

## INVESTMENT OBJECTIVE

**Long bias Equity Fund investing across the Silk Road region**

## PERFORMANCE USD I SHARE CLASS

Returns	Central Asia Fund
Last Month	-6.82%
Year to Date	-1.4%
NAV	1007.31

## FUND DETAILS

Structure	UCITS
Domicile	Luxembourg
Launch Date	Oct. 2012
Fund Size USD	\$25m
Number of Holdings	32
Dealing	Weekly

## TOP HOLDINGS

Company name	%
1 TCS Group	9.4%
2 Liberty Bank	9.4%
3 Halyk Bank	8.5%
4 KazTransOil	5.7%
5 Turquoise Hill	4.2%

## CONTACT DETAILS

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## MONTHLY PERFORMANCE SINCE INCEPTION

I USD	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	Year
<b>2018</b>	6.88%	-1.22%	0.28%	-6.82%									<b>-1.4%</b>
<b>2017</b>	3.83%	2.57%	-0.23%	4.61%	2.03%	3.44%	4.53%	3.61%	4.83%	-0.42%	-1.69%	3.60%	<b>35.1%</b>
<b>2016</b>	-9.26%	6.23%	8.07%	2.89%	5.56%	2.51%	6.39%	0.23%	3.21%	1.35%	0.13%	2.94%	<b>33.3%</b>
<b>2015</b>	-9.99%	1.74%	-1.25%	8.40%	0.11%	1.79%	-7.74%	-9.83%	-2.90%	-0.70%	-3.02%	-5.77%	<b>-26.8%</b>
<b>2014</b>	-4.66%	2.62%	-2.31%	2.39%	2.90%	4.20%	4.53%	-0.12%	-4.48%	-8.66%	-6.55%	-6.14%	<b>-16.2%</b>
<b>2013</b>	4.30%	-3.18%	-2.54%	-5.60%	-1.13%	-8.77%	6.80%	1.28%	-0.41%	1.24%	0.65%	1.98%	<b>-6.2%</b>
<b>2012</b>										-1.31%	-1.88%	1.70%	<b>-1.5%</b>

\* 2012 performance starts from October – when the Fund's first NAV was struck. Performance figures are for a day-1 investor, net of fees

## FUND COMMENTARY (CONTINUED):

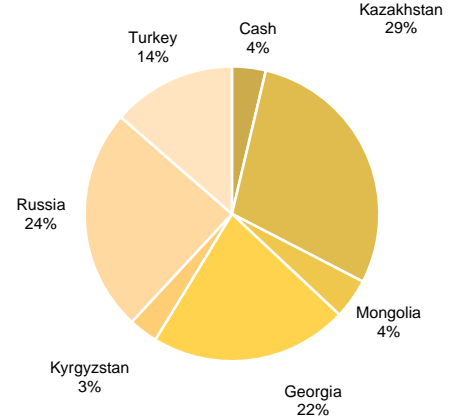
We have been concentrating our buy orders on 2 fronts:

- Stocks that have suffered “unjustly” due to the recent US sanctions on selected Russian persons and entities.
- Mining and agriculture. We view these sectors as more resilient from a macro perspective to currency volatility, while well positioned from an improved commodity outlook.

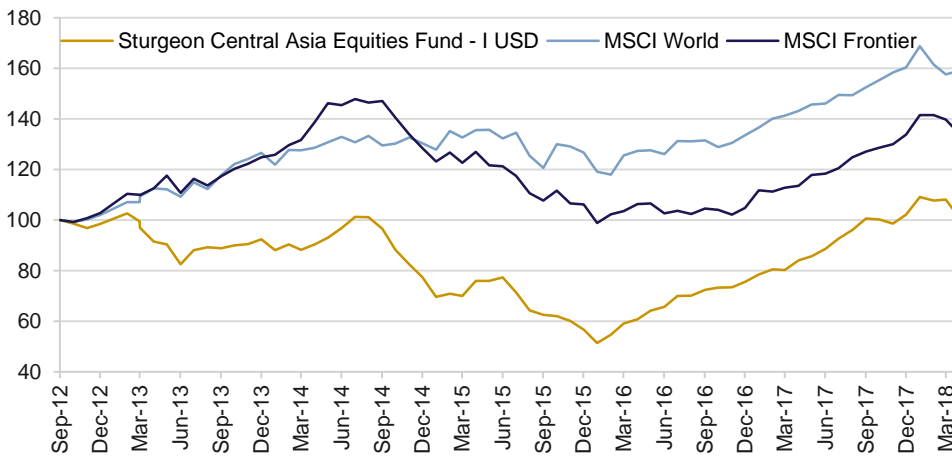
The recent and potential continued volatility will throw up opportunities in a number of stocks that have attractive fundamentals, and are unjustly caught in the selling wave. As we have this month, we will take advantage of this volatility to the best of our ability.

A question that often arises is why the exposure to Russia and Turkey? Our allocation to these countries are in stocks listed on the Istanbul and Moscow exchanges. Many, if not most of these stocks, have substantial exposure to Central Asian countries (e.g. Coca Cola Icecek's regional bottling operations) and provide good/cheap hedging or diversification benefits, e.g. Turkish Airlines or Aeroflot. They will suffer from higher oil prices, but do well in a stable environment, and are the gateways to business and tourism travel in and out of Central Asia.

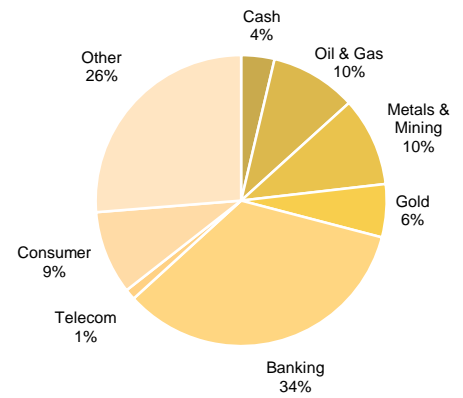
## GEOGRAPHICAL ALLOCATION



## CUMULATIVE PERFORMANCE



## STRATEGY ALLOCATION



## FUND STATISTICS

Performance (%)	USD I	USD R	EUR R	GBP R	Risk & Return: Since Inception	USD I	USD R	EUR R	GBP R
One Month	-6.82%	-6.88%	-4.88%	-4.48%	Return Since Inception	0.13%	1.20%	0.72%	4.06%
Three Months	-7.70%	-8.09%	-5.73%	-5.92%	Standard Deviation (%)	15.82%	16.36%	14.34%	14.34%
Year To Date	-1.36%	-2.47%	-2.35%	-3.62%	Sharpe Ratio	0.09	0.15	0.12	0.35
One Year	19.86%	18.03%	5.84%	8.12%	<b>Correlation</b>				
Three Years	12.89%	11.90%	7.95%	13.08%	MSCI World	0.51	0.49	0.42	0.28
Five Years	0.77%	1.02%	1.47%	3.92%	MSCI Frontier	0.69	0.72	0.56	0.49

\* I USD and R EUR share classes were launched Oct. 2012, R GBP share class was launched July 2013 and R USD share class on Feb. 2014. All data is since class inception.

## FUND TERMS

	USD I	USD R	EUR R	GBP R
Minimum Subscription	200,000	5,000	5,000	5,000
Additional Subscription	No minimum	No minimum	No minimum	No minimum
Management Fee	1.5%	2%	2%	2%
Performance Fee	20% with high water mark	20% with high water mark	20% with high water mark	20% with high water mark
ISIN Code	LU0815065403	LU0815065312	LU0815065585	LU0815065742
Bloomberg Code	STCAEIU LX	STCAERU LX	STCAEIE LX	STCAERS LX
Management Company	Alter Domus	Alter Domus	Alter Domus	Alter Domus
Administrator	RBC	RBC	RBC	RBC
Custodian	RBC	RBC	RBC	RBC
Subscription	Weekly	Weekly	Weekly	Weekly
Redemption	Weekly	Weekly	Weekly	Weekly

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