

## FUND COMMENTARY

The fund lost -2.55% over the month of July bringing year to date losses to -9.1%. The losses were mostly due to negative sentiment on the broader EM universe and specifically to 3 key markets:

-Russia: Despite positive micro and macro, markets are still discounting potential for additional sanctions

-Turkey: Aggressive rhetoric from the President has not helped the Lira which is sinking lower due to unorthodox economic policies and political tensions with the US (we would expect the latter to be resolved but the Central Bank needs to implement a hawkish policy if the currency needs to be stabilised).

-China: While China's role is very important throughout the region and even more so now in the wake of the Belt and Road initiative, recent tensions over the so-called "trade war" have made market participants wary both of current downside from import duties and more importantly, the potential impact on the overall Chinese economic transformation.

MSCI Turkey lost 7% over the month, while the KASE (Kazakh index in USD) is down -15% from beginning of June to August 8<sup>th</sup>. The Shanghai index is down nearly 30% from its January highs in USD.

On a broader level, higher rates in the US remain the critical factor. Gradual normalisation of US monetary policy coupled with trade/political tension have been driving the dollar higher which has been helping EM exporters but conversely creating headwinds for hard currency borrowers.

On the positive side, we would expect global GDP and regional growth rates to continue to do well while in addition sustained commodity prices to provide that extra positive catalyst. We sometimes argue that we invest and take advantage on the difference between perception and reality. The underlying investments are continuing to do well, yet suffer because of association within their home market. Sometimes the market is correct in allocating a lower value due to the challenges of its home market but most of the time this process proves to be simplistic, emotional and tends to overshoot.

We have yet to see any fundamental change in terms of pricing, interest rates or reduced demand when it comes to our portfolio, so from a value perspective we just observe good companies trading cheap with positive and improving fundamentals getting marginally cheaper.

Pakistan: We have been paying more attention to the Pakistani market in recent months. We will be travelling there in early October with a view to potentially add Pakistan to our investment universe. The prospects are obvious, extremely attractive demographics coupled with productivity increase on the back of FDI (China being the large player with CPAC and Belt and Road) and technology upgrade. Valuations tend to be low as the country has a negative image abroad (the reality disconnect we were discussing earlier). It also has a large investment universe which is significantly different with the rest of the region providing much valued diversification. We don't expect to deploy any of the funds money before we feel we would have an edge over the existing investor community (in addition to regulatory and legal notifications to our stakeholders). Recent elections seem to show that there is a will for change. The IMF/economic programme, relations with China and the US as well the fundamental topic of corruption will likely shape the early stages of this government.

On the portfolio side, we have added a small position to Kaz Minerals on the back of the an intraday loss of -30% after an announcement of a 900m USD consideration for a mine in Russia (the market cap of the company is in excess of 4bn USD). The company has in past years over delivered and under promised and is trading on 5.8 times 2018 earnings and well geared towards growth.

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	-2.55%
Year to Date	-9.1%
NAV	928.07

## FUND DETAILS

Structure	UCITS
Domicile	Luxembourg
Launch Date	Oct. 2012
Fund Size USD	\$24m
Number of Holdings	33
Dealing	Weekly

## TOP HOLDINGS

Company name	%
1 Liberty Bank	10.2%
2 TCS Group	9.5%
3 Halyk Bank GDR	8.6%
4 KazTransOil	4.9%
5 Steppe Cement	4.4%

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## MONTHLY PERFORMANCE SINCE INCEPTION

I USD	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	Year
2018	6.88%	-1.22%	0.28%	-6.82%	-6.05%	0.63%	-2.55%						-9.1%
2017	3.83%	2.57%	-0.23%	4.61%	2.03%	3.44%	4.53%	3.61%	4.83%	-0.42%	-1.69%	3.60%	35.1%
2016	-9.26%	6.23%	8.07%	2.89%	5.56%	2.51%	6.39%	0.23%	3.21%	1.35%	0.13%	2.94%	33.3%
2015	-9.99%	1.74%	-1.25%	8.40%	0.11%	1.79%	-7.74%	-9.83%	-2.90%	-0.70%	-3.02%	-5.77%	-26.8%
2014	-4.66%	2.62%	-2.31%	2.39%	2.90%	4.20%	4.53%	-0.12%	-4.48%	-8.66%	-6.55%	-6.14%	-16.2%
2013	4.30%	-3.18%	-2.54%	-5.60%	-1.13%	-8.77%	6.80%	1.28%	-0.41%	1.24%	0.65%	1.98%	-6.2%
2012										-1.31%	-1.88%	1.70%	-1.5%

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

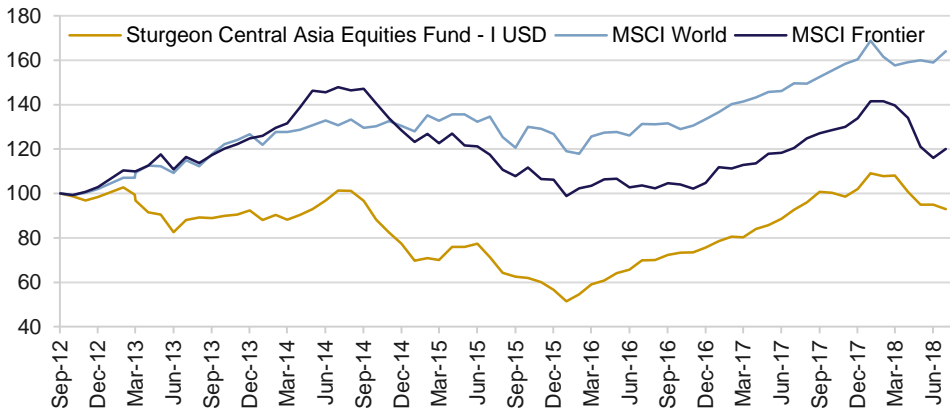
## FUND COMMENTARY (CONTINUED):

### Business Update:

After nine years, Taco has left Sturgeon Capital to pursue other opportunities. He remains a substantial shareholder in the business and a good friend. We wish him all the best and would like to thank him for his important contribution to the development of the Firm over the years. A number of his functions are being outsourced while others will be the responsibility of Lanna Gregory, who has been with Sturgeon for almost 6 years, focussing on operations. Prior to Sturgeon, Lanna's experience included working for the World Bank in the US. She holds an MBA from Imperial College Business School.

Finally, we have invited Atul Patel to serve on the fund's board in place of Taco and provide some supervisory function to our middle and back office where needed. Atul Patel has 30 years' experience in global financial markets having spent over 20 years in fund management, then transitioning to a role as CFO. During his fund management career Atul was Head of International Equities at F&C Management (now BMO Global Asset Management) where he was responsible for over \$10bn of equities. Atul also spent a few years in Kazakhstan where he was CEO/CIO of Compass Asset Management and has some familiarity with the Central Asian region having managed private and public investments for Compass in the region during his time there. Upon returning to the UK, Atul moved to the business side and has held a number of roles as CFO and is currently CFO of Visor Capital UK Limited, an investment boutique with expertise in the Central Asian region. Atul has a first degree in Mathematics and an MBA from the University of Warwick Business School.

## CUMULATIVE PERFORMANCE



## 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	-2.55%	-2.59%	-2.40%	-2.02%	Return Since Inception	-1.27%	-0.72%	-0.09%	3.18%
Three Months	-7.87%	-7.99%	-4.45%	-3.29%	Standard Deviation (%)	15.72%			
Year To Date	-9.11%	-10.27%	-6.69%	-6.79%	Sharpe Ratio	0.03			
One Year	0.12%	-1.41%	-0.96%	-2.18%	<b>Correlation</b>				
Three Years	9.85%	8.84%	6.33%	11.83%	MSCI World	0.49			
Five Years	-0.86%	-0.65%	0.55%	3.23%	MSCI Frontier	0.75			

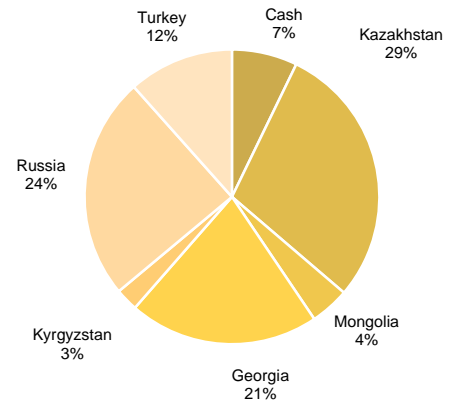
\* I USD and R EUR share classes were launched Oct. 2012, R GBP share class was launched July 2013 and R USD share class on Feb. 2014. All data is since class inception.

## 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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## GEOGRAPHICAL ALLOCATION



## STRATEGY ALLOCATION

