

## FUND COMMENTARY

The fund lost -5.29% over the month of October. The KZKAK Index (-1.4%) and MSCI Turkey (-0.7%) have outperformed both MSCI Russia (-8%) and broader MSCI Frontier Markets (-4%). Generally Central Asian region performed better than developed markets with S&P 500 down almost 9% and MSCI Europe down almost 10%. Georgian Lari took a hit depreciating 3.3%, Kazakh Tenge depreciated 1.4%, while the Ruble depreciated slightly. Turkish Lira on the other hand had a good month appreciating 7.5%. Commodities have corrected, Brent was down 6.2% and Copper was down 2.3%.

Kazakhstan reached a settlement over the profit sharing agreement with the consortium led by Shell and Eni which operate Karachaganak oil and gas field. Under the agreement the government will receive an additional USD 1.1bln in a one off payment and about USD 400m annually going forward. Kazakhstan has started the privatisation process for the world's largest uranium producer, Kazatomprom. It plans to IPO up to 25% of shares as GDRs on the LSE. Kazatomprom's uranium production accounts for 20% of the global output. The IPO process should conclude in November 2018.

In Uzbekistan President Mirziyoyev together with President Putin have started the project or the first Uzbek nuclear power plant. The plant should cover around 20% of Uzbekistan's electricity needs and be operational by 2028. Further details will be negotiated and clarified between Uzbekatom and Rosatom.

In Georgia the first round of Presidential elections was won by Salome Zurbishvili, backed by the ruling Georgian Dream Party getting 38.64% of the votes and Grigol Vashadze, backed by the alliance of opposition parties receiving 37.74% of the votes. They will face each other in the second round on the December 2.

In Armenia the parliament parties have agreed to hold snap general elections in December. It is expected that the leader of the mass protests, which took place in April and May, Nikol Pashinian will win the majority.

Turkmenistan has agreed with Russia's Gazprom to resume gas exports to Russia starting from January 2019.

Azerbaijan's president Ilham Alyev and his Turkish counterpart Recep Tayyip Erdogan have opened the new refinery in Turkey, owned by Azeri state oil company SOCAR. Valued at USD 6.3bln, it is the largest foreign direct investment in Turkey and should help reduce the deficit of oil products on the Turkish market.

DP Eurasia, Halyk Bank and Georgia Healthcare Group were the main positive contributors to the portfolio. DP Eurasia recovered after refinancing its FX loan into local currency and continuing the strong roll out of its shops in Russia. Halyk Bank stock price is supported by the banking market consolidation in Kazakhstan, the Bank being the main beneficiary of the process. Georgia Healthcare Group's share price rebounded after the Georgia Investment Day in London as the company expects to finish its heavy CAPEX spending and focus on shareholder returns.

TCS Group, Yandex and Turquoise Hill Resources were the main negative contributors to the performance. TCS was sold down in line with the broader Russian market correction. Turquoise Hill Resources suffered after it announced a delay by three quarters in the start of its underground mine production and awaiting for a decision on the electricity plant construction. Yandex was down on the speculation that Sberbank is about to take a significant stake in the company, which both companies denied.

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## INVESTMENT OBJECTIVE

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

## PERFORMANCE USD I SHARE CLASS

Returns	Central Asia Fund
Last Month	-5.29%
Year to Date	-20.95%
NAV	807.23

## FUND DETAILS

Structure	UCITS
Domicile	Luxembourg
Launch Date	Oct. 2012
Fund Size USD	\$17.5m
Units in Issue (USD I)	21,252
Number of Holdings	32
Dealing	Weekly

## TOP 10 HOLDINGS

Company Name	%
1 Liberty Bank Ord	12.8%
2 Halyk Savings Bank GDR	9.3%
3 TCS Group	8.3%
4 KazTransOil	6.1%
5 Steppe Cement	4.8%
6 TBC Bank	3.5%
7 Georgia Healthcare Group	3.2%
8 Mail.ru Group	2.9%
9 Tav Havalimanlari	2.9%
10 DP Eurasia	2.6%

## 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%	-9.15%	1.10%	-5.29			-20.95%
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

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## FUND COMMENTARY (CONTINUED):

In October we attended the Georgia Investment Day in London, where participating companies included Bank of Georgia, Georgia Healthcare Group and Georgia Capital. In attendance was the Prime Minister of Georgia and the Minister for Economic Development. The key takeaway from the meetings was that Georgia continues its reform efforts, focusing on attracting FDIs, privatisations and education. The efforts are reflected in the high GDP growth rate of 5.5% in the 2Q18. Record high FDI inflow of 12.5% of GDP in 2017 and very strong foreign tourist numbers are helping to mitigate the structural weakness of high current account deficit.

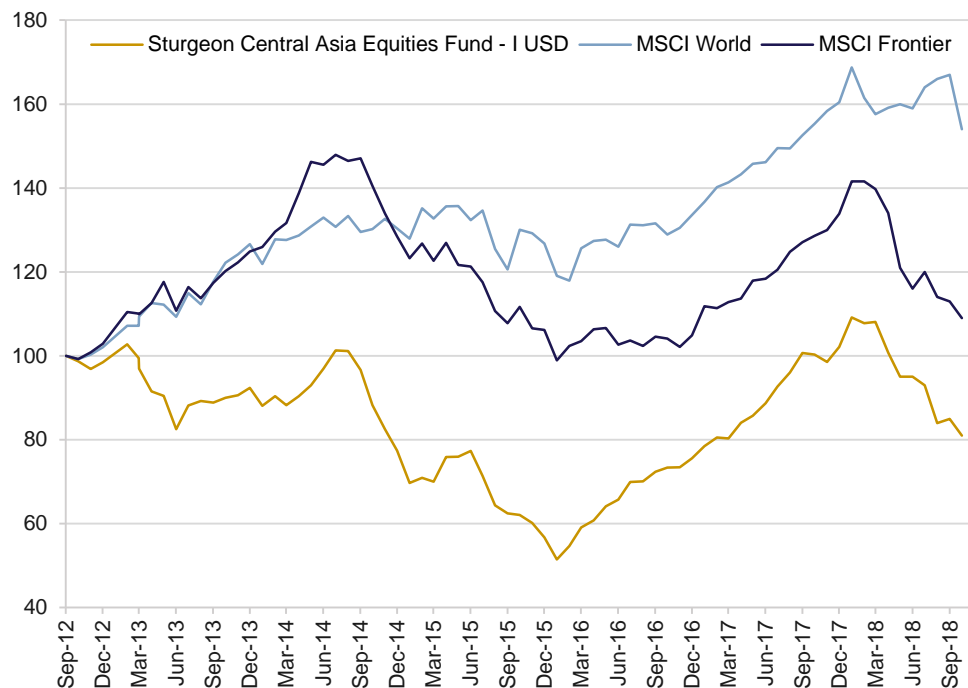
The targeted investments in education are intended to increase the share of people in hired work from 48% now, to 60% in the longer term, which in turn would help structural GDP growth. The government has a target of achieving 7.2% GDP growth in the medium term and getting the investment grade rating from the rating agencies. Overall we like the developments in Georgia and we keep our high allocation to the market. Should no external shock derail the economy, our Georgian investments should profit from the positive macro backdrop.

The company meetings have confirmed our positive view on Georgia Healthcare Group and Georgia Capital. Georgia Healthcare Group is at the end of its heavy CAPEX cycle and according to our model should enjoy increasing FCF starting from this year. It has opened its two flagship hospitals in Tbilisi, which along with the increasing occupancy rates should start contributing to the bottom line. After reducing the debt level, the company will be in the position to pay dividends. Valued at 2019 P/E 12x and with double digit DCF upside, the company offers an attractive exposure towards growing consumer sector in Georgia.

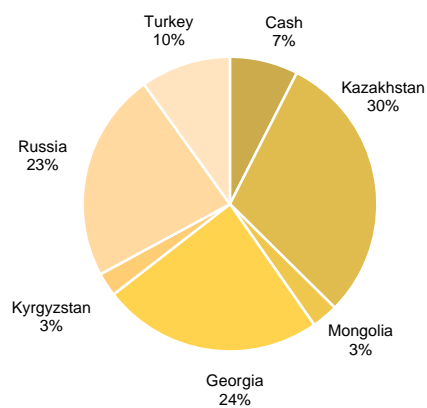
Georgia Capital is a highly successful investment company with a proven track record of identifying, developing and exiting investments in Georgia. Its team has completed three listings on the LSE - Bank of Georgia, Georgia Healthcare Group and Georgia Capital itself. The next targets for the exit are in the renewable energy and real estate business. Georgia Capital plans to invest in the education sector by building and operating private schools. Given its track record and good economic outlook, Georgia Capital gives us diversified exposure towards growing Georgian economy. The current buy-back program offers some protection on the downside. On our numbers the stock offers 25% discount to NAV based on 2018 figures and 43% discount to NAV based on 2019 figures.

Over the month of October we also spent a week in Karachi, Pakistan to assess and prepare for its addition to our investment universe. We were particularly struck by the energy, dynamism and impact of technology over this 200m+ market. We met brilliant entrepreneurs and talented investors. Pakistan has recently elected Imran Khan as its Prime Minister, which seems to have defied traditional Pakistani politics challenging corruption and religious extremism. There is a lot of hope, yet the country is currently going through an IMF programme to deal with its hard currency liability. The market is currently trading at half of where it was 18 months ago in dollar terms. Multiples have shrunk and we would expect some more pain to come. However dealing with difficult reforms would be a bullish sign for us, even if it comes at some cost in the short term. The quality of companies, the demographic dividend and technology adoption seem attractive themes to have exposure to. Government reforms could be the catalyst.

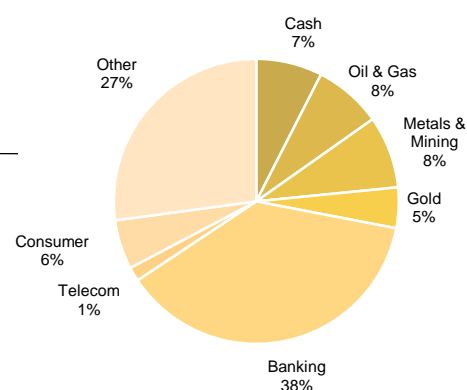
## CUMULATIVE PERFORMANCE



## GEOGRAPHICAL ALLOCATION



## SECTOR ALLOCATION



## CONTACT DETAILS

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## 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	-5.29%	-5.33%	-3.30%	-3.71%	Return Since Inception	-3.46%	-3.58%	-1.98%	0.79%
Three Months	-13.02%	-13.13%	-10.98%	-11.06%	Standard Deviation (%)	15.98%			
Year To Date	-20.95%	-22.05%	-16.93%	-17.10%	Sharpe Ratio	-0.14			
One Year	-19.49%	-20.72%	-18.48%	-18.24%	<b>Correlation</b>				
Three Years	9.17%	8.23%	6.97%	13.50%	MSCI World	0.49			
Five Years	-2.15%	-3.41%	0.91%	0.55%	MSCI Frontier	0.69			

\* 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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