

The Troika **Russia Fund**

Size of Fund, mn

USD 41.2

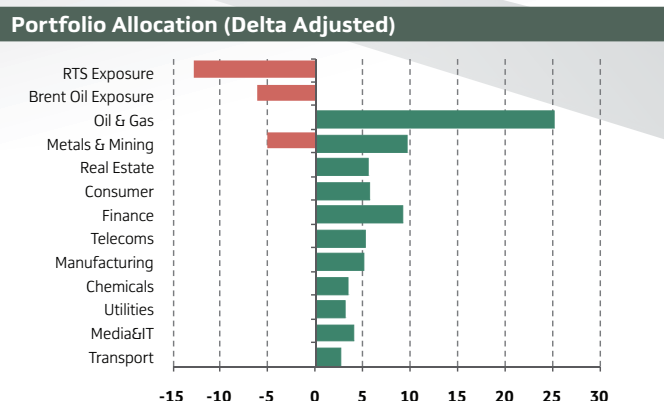
NAV Data (Troika Russia Fund Inc. net of all fees)			
Share Class	Monthly, USD	Biannual, USD	RTS Index
Launch Date	03.05.06	03.05.06	
Latest NAV	67.3	72.3	1341.1
1M return	-21.2%	-21.2%	-21.2%
YTD return	-30.6%	-30.1%	-24.2%
Since inception	-32.7%	-27.7%	-22.2%

Annualised Return Data (since inception)		
	TRF	RTS Index
Average Monthly Return	0.6%	0.5%
Standard Deviation	14.2%	11.4%
Sharpe Ratio	0.03	0.03
Risk free rate		2.1%

Top 10 positions as of NAV, %	
Sberbank	9.1
Gaprom GDR	9.1
Petropavlovsk	6.5
Rosneft	5.3
Novotek GDR	4.5
LSR Group	4.5
Akron	3.3
Severstal GDR	3.2
Enel OGK-5	3.1
Sinergia	3.1

Monthly Return Data (% change in monthly dealing US\$ share class net of all fees)													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2006	-	-	-	-	-3.9%	2.3%	2.8%	3.7%	-2.3%	6.9%	7.4%	6.1%	24.6%
2007	-0.3%	1.4%	3.6%	-0.2%	-6.5%	8.2%	4.6%	-5.6%	5.9%	6.2%	1.3%	1.4%	20.7%
2008	-19.4%	10.4%	-0.9%	-1.0%	16.5%	-7.9%	-18.5%	-22.3%	-43.8%	-49.3%	-11.9%	-11.9%	-86.9%
2009	-15.7%	7.9%	20.4%	35.0%	36.9%	-6.5%	7.2%	7.3%	21.9%	5.8%	5.1%	10.5%	226.4%
2010	8.6%	2.3%	16.5%	0.9%	-14.0%	-2.1%	7.0%	0.9%	7.2%	2.7%	4.4%	10.3%	50.6%
2011	2.9%	2.2%	3.1%	0.7%	-1.2%	-1.5%	2.9%	-19.4%	-21.0%				-30.6%

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Portfolio Exposure, %			
Long	Short	Net long	Gross
78.4	-24.2	54.2	102.6

Largest Contributors to Performance, %	
Bashneft	+0.9%
Forward contract on Brent Oil	+0.0%
Surgutneftegas	+0.0%

Largest Detractors from Performance, %	
Petropavlovsk	-3.2%
Sberbank	-2.8%
Sinergia	-2.1%

5 Day VAR at 95% confidence	3.5
Number of Holdings (incl.derivatives)	37

Market commentary and outlook

October proved to be another negative month for the Russian market. The RTS Index slid 21%, while the Troika Russia Fund also fell 21%. The main reasons for the Fund's negative performance were its option strategy and small shorts.

The Russian market again affirmed its high-volatile status in October and posted the worst monthly performance among BRIC countries (China -17%, Brazil -18% and India -7%). Sector-wise, steel (-35%) and fertilizers (-28%) were the worst performers.

Brent dropped 10% and the gold price fell 11% but were quite resilient in comparison with other basic commodities (Ni -20%, Cu -24% and Al -12%). Volatility is high for all commodities, except perhaps Brent oil. But over the medium term we think that the oil price could move 10-20% lower as global growth is slowing and demand is declining in Europe and the US. From the other side, the oil price has limited downside given instability in Middle East, the weak dollar and global economic weakness.

Russia's September PMI data was largely unchanged from August (50.0 versus 49.9), indicating that industry remains in stagnation. The combination of close to zero output growth, shrinking employment and abating inflation suggests that activity was muted in August. The State Statistics Service reported a 6.5% y-o-y rise in fixed capital investment following July's reading of 7.9%. Construction growth softened to 12.4% y-o-y in August from 17.6% y-o-y in July. Lending growth continued in August. Loan portfolio growth was 3.4% m-o-m, with corporate loans increasing 3.4% m-o-m and retail loans up 3.5% m-o-m. Ruble devaluation (around 11%) helped loan growth in local currency terms.

On the political front, the biggest news was that Vladimir Putin, Russia's current prime minister, has been unofficially named (the United Russia's congress must approve the candidate later) as a candidate for the 2012 presidential election. We do not expect the country's economic policy to change as the "tandem" (Vladimir Putin and Dmitry Medvedev) has cooperated quite closely since its inception.

For us, activity in September was limited. We continued to sell small-cap stories. We sold Globaltrans, Evraz Group, Bashneft

and Mostotrest. We opened small shorts in Brent oil. We consider that Brent oil has little upside but quite significant downside risk. In addition, such shorts should act as a hedge for the portfolio.

September performance was negative. The most negative contribution was from selling put in Pertopavlovsk. In spite of the strong gold prices and the positive news flow from the company we saw some distress sellers. We are sure in the company strong financial situation and are not going to sell it by any price. The option will expire in October when we consider the distress sellers will go away and we will see more fair share price. But again, fundamentally the company trades on 5xP/E 2011 that is 40% discount to peers. The other negative performance was from vodka producer Synergy Group, which was the only large significant small-cap asset in our portfolio. The company reported margin deterioration due to additional expenses for relicensing of all its facilities to comply with new legislation (a new law was introduced to combat illegal vodka producers). But again, it was one off effect and the company slowdown can be explained only due to distress sellers. The other negative performance was from sold puts on Sberbank, Gazprom and LSR Group. These puts expire in November and December and we are not going to sell them by current distress prices.

The most positive performance was from our cash position and sold forward on Brent oil.

October will be quite an important month for Russian market. Current sentiment is so negative that we are looking closely for a possible short squeeze. Hence European and US corporate earnings will possibly be the key drivers for a bounce.

We entered October quite conservatively, with net long position accounting for around 54% of the portfolio. The main factor influencing the market in October will be 3Q corporate earnings in the US, especially from banks. We will retain a defensive position until banks have reported, and as soon as we understand that US banks are still "alive", we will increase our position to be fully invested.

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Troika Russia Fund — Key Fund Information

Structure :	Cayman master LP lus Cayman Feeder Fund with US\$ share classes;
Launch Date and Size:	May 3, 2006 with US\$42,000,000;
Listing:	Irish Stock Exchange;
Bloomberg Ticker:	TRORUFM KY;
Share Classes (2):	Monthly Dollar Class Shares and Biannual Dollar Class Shares;
Management Fee:	2% (monthly class) & 1% (biannual class);
Performance Fee:	20% (monthly class) & 15% (biannual class);
High watermark:	Yes;
Minimum investment:	US\$100,000 (monthly class) & US\$1,000,000 (biannual class);
Subscriptions:	2 days' notice (reduced by Directors' decision from 10 days until further notice);
Redemptions:	1 week notice (reduced by Directors' decision from 45 days until further notice);
Redemption Gate:	10% max each month (only as necessary);
Legal Counsel:	Dechert LLP (English and US Law) and Higgs & Johnson (Cayman Law);
Principal Broker:	Unicredit Securities International Limited
Auditor:	PriceWaterhouseCoopers (November 30 year-end)
Administrator:	JP Morgan Hedge Fund Services (Ireland) Limited;
Administrator Contact:	Michelle McDonnell at JPMorgan Hedge Fund Services (Ireland) Limited +353 1 612 4071 or michelle.m.mcdonnell@jpmorgan.com

Overview

- The investment objective of the Fund is to achieve long term total return through investment primarily in the publicly traded equity-related securities of companies operating in Russia and to a lesser extent, other CIS countries, which means at present chiefly Ukraine and Kazakhstan. The Fund expects to achieve this primarily through capital appreciation although there may well be some current income. The Fund may have both long and short positions and use leverage.
- The Fund aims to capture the majority of market returns in bullish conditions with below market volatility and to maintain positive absolute returns in bearish market conditions by, for example increasing short positions, reducing net long positions, etc.
- The Investment Adviser believes these returns can be achieved by taking advantage of local market conditions such as under/over valuation in particular stocks, uneven research coverage, lack of rigorous valuation discipline, variable liquidity, rapid changes in corporate governance and variable foreign participation.

Investment strategy

- Currently the Fund has identified a securities universe of around 150 domestic, ADR/GDR and London/NY listed companies, operating in Russia, Ukraine and Kazakhstan. The Fund currently expects to invest not more than 20% in less liquid issues, including pre-IPO private placements (that are traded OTC).
- Maximum 30% of the fund are invested outside Russia. Maximum 20% in any one issuer. Maximum 150% net long. Maximum 250% gross long. Minimum 0% net long.
- Investment Manager maintains a detailed macro scenario for the region which leads to recommendations for sector, factor, country, currency, gross and net portfolio weightings and risk levels.
- Investment Manager's internal research and valuation modelling (emphasis on DCF) leads to recommended long, short and pair trade positions. The Fund expects to hold 40-70 underlying positions over time and to use primarily ADR/GDR and NY/London listed companies for short positions. Currently, Ukrainian and Kazakh companies will only be selected on a stock by stock basis.
- The Fund may also invest in certain OTC derivatives, including options, baskets and notes and use traded futures. Cash is held in US\$ and local currency exposure is hedged into US\$, as necessary to manage risk.

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Key Investment Professionals

- **Oleg Larichev** is the CIO of Investment Advisor. He has over 12 years' experience in Russian securities with Troika. Before this he was an economic expert with the Russian European Centre for Economic Policy. He has an MA in Maths from Moscow State University and an MA in Economics from the New Economic School, Moscow.
- **Linchik Evgeny** has more than 10 years experience in Russian and CIS capital markets as trader/portfolio manager and analyst. More than 6 years of analytical experience gave him significant knowledge in such sectors as consumer goods, steel, telecom, utilities etc. During his carrier, Evgeny worked in such companies as Ericsson, Deloitte and Renaissance Capital where he received strong industry knowledge. Worked as portfolio manager/analyst in Renaissance Capital, Evgeny specialized in investing in the 2nd tier stocks in Russia and CIS, and was co-fund manager of Renaissance Infrastructure Fund and Small Cap Fund with investments more than \$300m. Evgeny graduated from Bauman Moscow State Technical university, studied MBA program in AIBEË and passed MOF Cyprus Portfolio Manager Certification.
- **Rufat Askerov** has more than 15 years' experience as a portfolio manager and trader in investment companies. While working as chief trader of ZAO Troika Dialog Investment Company's equity desk he was nominated as the best Russian equity trader for 2000 and 2001. During his portfolio management career he managed assets for one of the largest family offices in Russia. Rufat has wide experience in trading blue chips and second tier stocks in Russia and the CIS. He focuses on special situations and block trading of second tier stocks. Rufat graduated from the Moscow Institute of Transport Engineering with a Bachelor of Science degree, specializing in computer system programming.

Risk Management

- The Investment Manager has set up a risk oversight committee comprising Valery Silivanov and Vitaliy Natarov who communicate regularly with Investment Advisor's representatives to provide independent oversight and risk control of the Fund investments (the "Risk Oversight Committee"). The Risk Oversight Committee reviews recent trades and positions taken by the Fund. It also reviews performance and risk data and confirms compliance with the Fund's investment objective and restrictions and any other agreed strategies, limits or constraints.
- **Valery Silivanov (Russian)**. Mr Silivanov has a M.Sc in Applied Mathematics from Moscow Institute of Physics and Technology and is a CFA charterholder. Between 1995 and 1998 he undertook various roles related to financial markets for Alfa Bank (Moscow) and Renaissance Capital (Moscow). Also, from April to June 1997 Mr Silivanov participated in a professional training program with NatWest Bank (UK) under the Chancellor's Financial Sector Scheme sponsored by the British government. He has been with Troika Dialog since April 2000 and currently holds the position of Deputy Head of Risk management.
- **Vasily Illarionov (Russian)**. Mr Illarionov has a M.A Economics (Cum Laude) degree and a PhD in Finance from the People's Friendship University of Russia. Vasily began his career in 2002 at the Federal Financial Markets Service, the Russian financial regulatory authority, where he was responsible for the oversight of investment funds and legal developments relating to collective investment schemes. Between 2006 and 2008, Mr Illarionov was employed by Troika Dialog Asset Management as a Compliance Officer, and in 2008 he became responsible for the business development at Troika Dialog Asset Management. Currently, Vasily is a director of the Fund Structuring and Maintenance Department of Troika Dialog Asset Management. Mr Illarionov is a CFA level 3 candidate and holds certificates in series 1.0 (asset management and brokerage specialist) and 5.0 (collective investment schemes specialist) issued by the Federal Service for Financial Markets ("FSFM"). Mr Illarionov has also passed the IMC, an FSA and industry recognised exam.
- The Risk Oversight Committee reviews investment activities, risk reports, performance, counterparty limits, market liquidity data, the macro scenario outlook, exposure limits for sector weightings, factor risks, F/X, country weightings, net long, leverage, etc.
- Beta is a part of the strategy. VAR is reviewed weekly or as necessary.
- OTC derivatives are used to help to manage volatility and improve risk-adjusted returns.
- Risks inherent to ongoing exposure to Russia/CIS markets include inter alia political, legal, tax, corporate governance, settlement, organised crime, liquidity, currency, disclosure, etc. risks.

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