



Deep Discount Fund Opportunities

Closed-end funds trading at deep discounts offer a compelling risk reward profile over a three year investment horizon.

Funds with illiquid underlying assets are still trading at deep discounts.

- Emerging Market closed-end funds investing in long-term assets have continued to trade at historically wide discounts since the 2008 crisis.
- We believe this has been exacerbated by shortening investment horizons; increased demand for liquidity; risk aversion and broad fund flows out of equities into fixed income investments.
- A number of large activist or value players have withdrawn from the sector after the crisis.

These discounts have persisted in spite of positive structural changes, portfolio write-downs and an improving external environment.

- Many of these funds have seen positive structural improvements in recent years. For example, some have been put into run-off with a mandate to sell assets and distribute proceeds to shareholders. This provides a clear mechanism to close the gap between price and NAV.
- Fund portfolios have also seen substantial write-downs in their carrying values in the four years since the crisis. We believe that this, in conjunction with the deep discounts mitigates investors' downside risk.
- The past six months have brought a number of positive surprises with sales at or above book value, indicating an improving environment for selling assets. We have also seen new money being raised to invest in the sector.

We believe investors buying these funds today on a three year horizon can achieve substantial returns with limited downside.

- This report highlights some of the more compelling opportunities in the sector
- Broadly speaking we believe a portfolio of these funds bought today would generate an IRR of between 15% and 20%, with most of the initial investment returned within 2 years through distributions.

Analyst

Nicolai Huls

Investment Companies Team

+44 (0) 20 7845 5960

www.countryfunds.co.uk

funds@lcfcr.co.uk

Bloomberg:

LCFR <GO>

Research

Hiroshi Funaki 020 7845 5959

h.funaki@lcfcr.co.uk

Nicolai Huls 020 7845 5969

n.huls@lcfcr.co.uk

Somaiya Piachaud 020 7845 5965

somaiya@lcfcr.co.uk

Sales

Andrew Davies 020 7845 5962

a.davies@lcfcr.co.uk

Haris Papanikolaou 020 7845 5963

haris@lcfcr.co.uk

Sophie Heslop 020 7845 5915

s.heslop@lcfcr.co.uk

Trading

Johnny Hewitson 020 7845 5967

j.hewitson@lcfcr.co.uk

James Flannery 020 7845 5968

j.flannery@lcfcr.co.uk

Corporate Finance

William Marle 020 7845 5916

w.marle@lcfcr.co.uk

John Armstrong-Denby 020 7845 5917

j.denby@lcfcr.co.uk

Investment Companies Team

+44 (0) 20 7845 5960

www.countryfunds.co.uk

funds@lcfcr.co.uk

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'Rule No.1: Never lose money.

Rule No. 2: Never forget rule No. 1'

The Tao of Warren Buffet

Introduction

We believe deep discount closed-end funds today offer a compelling investment opportunity to investors whose goal is capital preservation. The large discounts many of these funds trade at offer a healthy margin of safety, allowing room for imprecision or unforeseen events.

We believe that liquidity is both the main risk and one of the causes of the opportunity. Investors should be prepared to hold these positions for up to three years to allow for realization and distribution of the underlying portfolios. Based on the funds detailed in this report we estimate investors with this buy and hold discipline can generate an IRR of between 15% and 20%, with most of their initial investment returned within 2 years through distributions.

Background

Closed-end funds are amongst the oldest investment vehicles, dating back to the late 19th Century. Today there are over 400 closed-end funds in the UK alone, representing approximately £100 billion invested across a broad range of asset classes.

Closed-end funds offer a number of distinct advantages which account for their longevity and appeal. They offer access to less liquid strategies such as private equity and real estate, and to markets where there is some barrier to entry, but without the usual investor liquidity and size constraints these strategies entail in other formats.

Another fundamental advantage is performance. In cases where the same investment strategy is available in both open and closed-end form, the latter typically demonstrates better performance over the long term. This is partly because the manager of the closed-end fund does not have to manage liquidity flows. By contrast the open-end fund suffers regular redemptions and subscriptions and consequent portfolio rebalancing.

Similarly the closed-end structure provides some protection from fellow passenger risk. If the other investors in an open-ended vehicle are forced to redeem it has the potential to adversely impact asset prices, particularly in an illiquid strategy. In a closed-end format, these investor redemptions and subscriptions express themselves as selling or buying of the underlying shares. Although the underlying portfolio is protected, this results in discounts and premiums.

In summary, despite their size, diversity and long history, closed-end funds are often misunderstood and overlooked. Investors instead prefer to focus on mutual funds and exchange-traded funds which typically have better liquidity terms and do not have the complication of discount/premiums.

Investment Companies Team

+44 (0) 20 7845 5960
www.countryfunds.co.uk
funds@lcf.co.uk
Bloomberg: LCFR <GO>

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John Armstrong-Denby



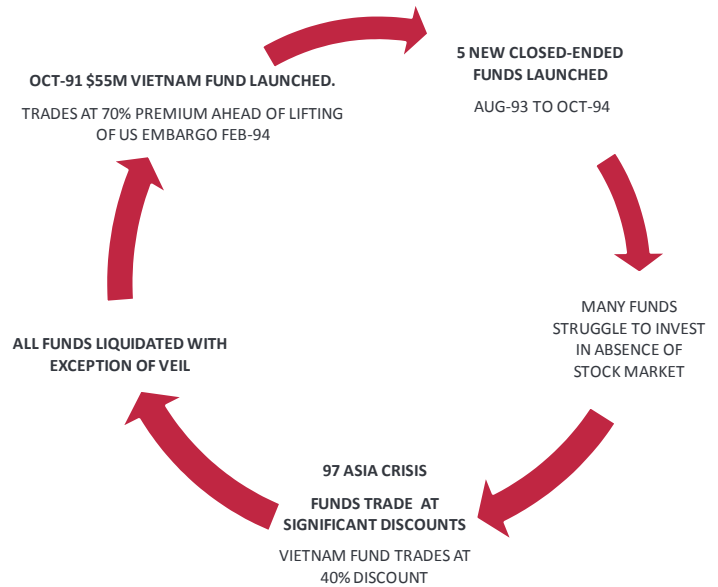
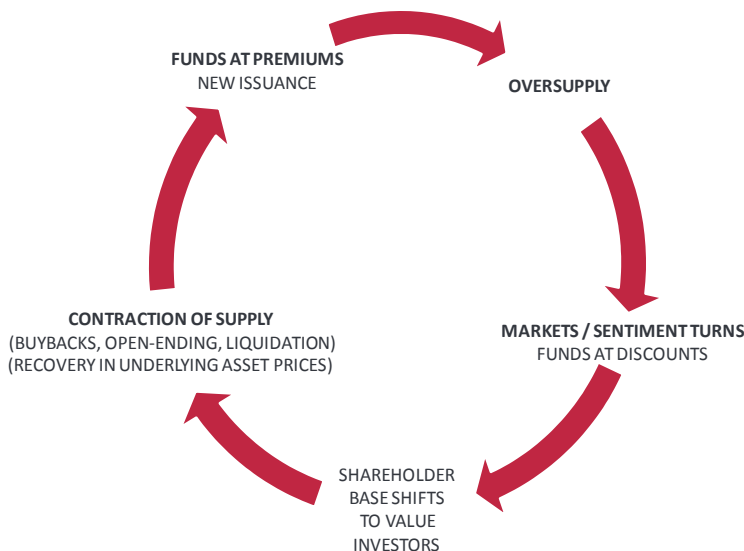
Discount / Premium Cycles

The pattern of discount / premium behaviour is inherently cyclical, and well established over the past 145 years. When funds trade at a premium, new shares are issued or funds launched to meet this demand. For example, in recent years there has been strong demand for vehicles investing in ostensibly secure assets that offer a yield. As a result many closed-end funds investing in infrastructure are currently trading at premiums and issuing new shares.

Eventually supply exceeds demand and, often accompanied by a decline in the underlying asset class and reversal in fund flows, the funds begin to trade at discounts.

Discounts then narrow as a result of a reduction in supply of shares of these funds. There are numerous mechanisms for this reduction including share buybacks; returns of capital through tender offers or dividends; open-ending and redemption of shares; or a liquidation of the fund. These discounts to underlying asset value attract value and activist investors, some of whom specialise in lobbying the Boards and managers of closed-end funds to pursue one or more of the measures described above.

We believe that discounts on closed-end funds investing in illiquid assets have passed the bottom of this cycle and hence offer a compelling investment opportunity.



Vietnam's Discount / Premium Cycles

Vietnam provides a good example of many of the patterns described here. As with many nascent frontier markets, Vietnam has restrictions on foreign investment that make a closed-end fund an appealing access vehicle.

The first Vietnam closed-end fund was launched in 1991. As the US and Vietnam normalised relations this fund's shares rallied to a 70% premium in anticipation of the lifting of the US embargo in February 1994. Five other closed-end funds were quickly launched to feed this demand. However, in the absence of a stock market and the key reforms to come, most funds struggled to invest. In the wake of the 1997 Asian financial crisis these funds fell to substantial discounts. Activist and value investors bought at deep discounts and by the early 2000's all but one had been liquidated.

10 years on Vietnam is now well into its second such discount / premium cycle. Against a backdrop of reforms, rapid GDP growth and the opening of the stock exchange, the VinaCapital Vietnam Opportunity Fund was launched in 2003 with just \$10m. It traded at a premium for the next 4 years and grew to over \$1bn in size. At the same time over 30 competing funds were launched.

In the wake of the 2008 Financial Crisis all Vietnam funds fell to record discounts – some even trading at discounts to their US\$ cash balances. They are now in the contraction of supply phase with a consequent narrowing of discounts.

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+44 (0) 20 7845 5960
www.countryfunds.co.uk
funds@lcf.co.uk
Bloomberg: LCFR <GO>

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Exceptionally wide discounts remain...

The five years preceding the 2008 financial crisis saw the launch of numerous closed-end funds investing in less liquid Emerging Markets strategies, including real estate, private equity and hedge funds. Over sixty such funds were launched on the London AIM market alone. The graph below shows the average discount of these AIM-traded EM funds.

The financial crisis created immediate distress amongst many of the original shareholders in these funds, including value and activist investors who historically have been the buyers of last resort. This combination of forced sellers and no natural buyers led to unprecedented discounts.

Whilst discount/premiums on closed-end funds investing in more liquid assets such as public equities recovered relatively quickly, discounts on funds investing in illiquid strategies have remained stubbornly wide over the past four years. We believe this is due to:

- Valuation concerns on illiquid underlying assets.
- Illiquidity of the funds themselves against a backdrop of shortening investment horizons and the conflation of liquidity with risk.
- A number of large activist or value players have withdrawn from the sector after the crisis. Those remaining typically have tighter liquidity terms.

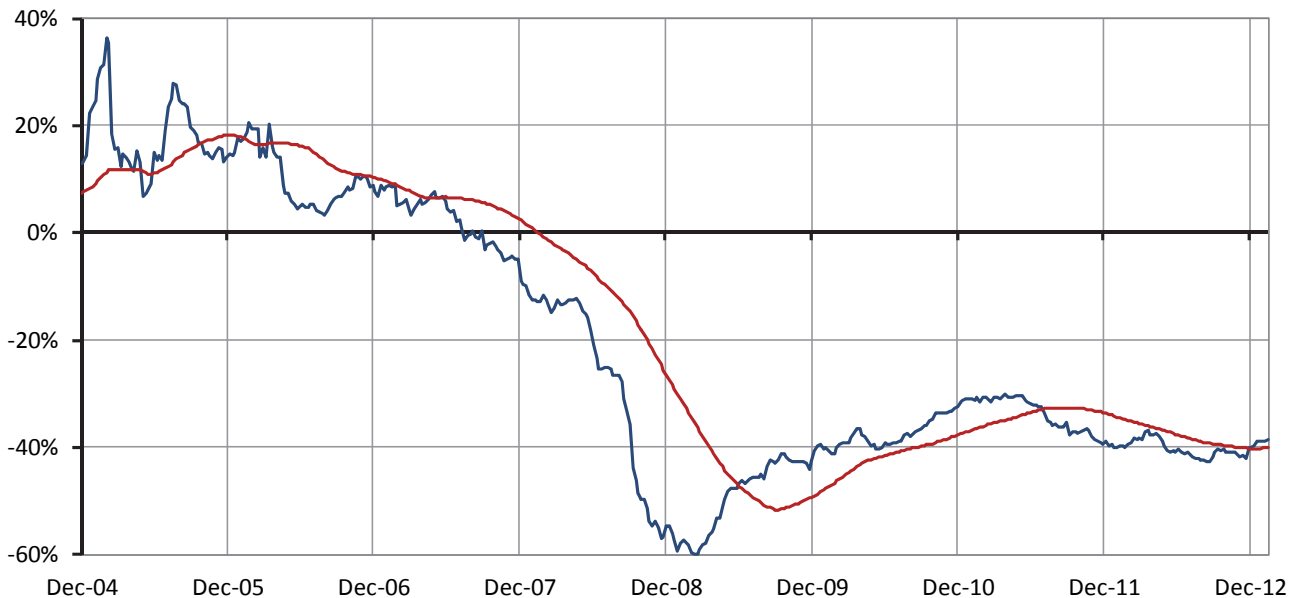
...in spite of restructurings & write-downs

Many of these funds have seen structural changes implemented to address their persistent discounts. For example, funds including ARC Capital Holdings; Kubera Cross-border Fund and Aurora Russia have now been put into formal run-off with a mandate to sell assets and distribute proceeds to shareholders. This provides a clear mechanism to close the gap between price and NAV.

Fund portfolios have also seen substantial write-downs in the four years since the crisis. As listed investment companies, these funds are typically formally revalued at least twice a year. Fund balance sheets have also been deleveraged, in many cases leaving them with net cash positions today.

The past six months have brought a number of positive surprises with sales at or above book value, indicating an improving environment for selling assets. Most recently Aurora Russia sold its largest holding for a value equivalent to the fund's entire market capitalisation. The share price rose 16% on the news.

Finally we have also seen some new long-term money being raised to invest in the sector.



Source: Edmond de Rothschild

— AIM-traded EM Funds Discount/Premium

— 52 wk moving average

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Current opportunities

In the table below we highlight nine funds that exemplify the opportunity described above, along with our estimated IRR on an investment today. We estimate that these funds can generate annualised returns of between 10% - 20% pa, or 1.3 to 1.5 times the initial investment assuming no appreciation in asset prices.

While some funds listed are still in the process of changing their investment policy, most are in run-off or coming to the end of their lives. We have estimated how long these funds will need to complete an orderly sale of their portfolios - in most cases 2 to 3 years but with some substantial distributions in the interim (see table below).

Our estimates assume no increase in NAV over the coming 3 years. In most cases we have assumed the shareholders will receive less than the current NAV.

Liquidity risk

Whilst the shares of these closed end funds are relatively illiquid, we believe this is substantially mitigated by the cash flows arising from distributions. Given the progress that has already been made since the crisis, we estimate that an investor buying a basket of funds in liquidation today should receive the bulk of the initial investment back by the end of 2014.

Based on a hypothetical portfolio consisting of ARC Capital, Trinity Capital, Kubera-Cross Border Fund, Vietnam Resources Investments and Reconstruction Capital II, we estimate that cash flow from distributions will repay the initial investment within a period of two years, with the profits being realised in the year(s) after. Our estimated return on this hypothetical portfolio is an IRR of 19% and a return of 1.4 times the original investment.

Risks

- Liquidity (see above)
- Sale of underlying portfolio takes longer than expected.
- Portfolios still overvalued.
- Insufficient alignment of interest between managers and shareholders.
- Investor forced to sell before liquidation completed.

Fund	Current Discount	Current Mid price	Current NAV	EdR estimated realisable NAV	EDR estimated IRR	Estimated completion of liquidation
ARC Capital Holdings	-27%	\$0.68	\$0.92	\$0.95	24%	Q4 2015
Aurora Russia	-39%	£0.38	£0.62	£0.48	16%	Q4 2015
East Capital Financials Fund	-40%	€175.00	€293.37	€261.00	21%	Q4 2015
Kubera Cross-Border Fund	-42%	\$0.49	\$0.85	\$0.75	23%	Q4 2015
Reconstruction Capital II	-44%	€0.49	€0.88	€0.70	17%	Q4 2015
South African Property Opportunities	-39%	£0.54	£0.87	£0.72	16%	Q4 2015
Trinity Capital**	-49%	£0.12	£0.22	£0.15	16%	Q4 2014
Vietnam Resources Investments	-23%	\$2.40	\$3.11	\$3.29	36%	Q4 2013
Yatra Capital	-46%	€3.30	€6.10	€4.46	11%	Q4 2016

Source: Edmond de Rothschild. Data as of 27 Feb

**EdR estimated NAV after a 5pence distribution in November

Investment Companies Team	Research	Sales	Trading	Corporate Finance
+44 (0) 20 7845 5960	Hiroshi Funaki	Andrew Davies	Johnny Hewitson	William Marle
www.countryfunds.co.uk	Nicolai Huls	Haris Papanikolaou	James Flannery	John Armstrong-Denby
funds@lcf.fr	Somaiya Piachaud	Sophie Heslop		
Bloomberg: LCFR <GO>				



Investment Companies Team

+44 (0) 20 7845 5960
www.countryfunds.co.uk
funds@lcr.co.uk
Bloomberg: LCFR <GO>

Research

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Somaiya Piachaud

Sales

Andrew Davies
Haris Papanikolaou
Sophie Heslop

Trading

Johnny Hewitson
James Flannery

Corporate Finance

William Marle
John Armstrong-Denby



Deep Discount Funds

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James Flannery

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John Armstrong-Denby



ARC Capital Holdings

NAV 31-Dec-12	\$0.92	Estimated Realisable NAV	\$0.95	Investments	Chinese Private Equity
Mid-Price	\$0.675	Estimated completion	Q4 2015	Bloomberg	ARCH LN
Discount	-27%	Estimated IRR	24% pa	Reuters	ARCHu.L
Market Cap	\$240m			Listing	AIM London
Net Assets	\$327m				

Expected IRR of 24% based on current share price of \$0.675; we expect \$0.95 per share to be returned over the next three years.

ARC Capital Holdings (ARCH) is a Chinese Private Equity fund managed by Pacific Alliance Group (www.pagasia.com). The lead manager is Rachel Chiang, who has been investing in private equity in Asian Consumer and Retail companies for 17 years.

Shareholders voted to put the fund into orderly realisation in January 2012. The manager has sold a number of holdings leaving a concentrated portfolio: Cash and the two largest holdings represent 75% of NAV.

Funtalk is the biggest investment in portfolio. This company is performing well. Another PAG managed private equity fund has invested \$250m in Funtalk making it a high conviction bet for the group.

The best performing companies in the portfolio are Funtalk; Xiajin Dairy; Goodbaby Listed and Buchang Pharmaceutical. Positions with issues are Jiadeli; Xian University and the Orient Home Investment Deposit where it is unclear if the fund will be able to recover the full amount or when. We expect the portfolio to be sold off in 2-3.

During a recent conference call ARCH made clear that a distribution of around \$55m (around \$0.15 per share) will be made soon. As some of the cash position is held in on-shore accounts in China not all cash can be distributed immediately; it takes time to transfer money off-shore. We expect another distribution of at least \$25m will be made before the end of this year.

EdR Estimated Portfolio Composition	Business	NAV (x\$m)	% of NAV	NAV per share	Ownership	EdR Expected exit
Funtalk	Leading National Mobile Phone Retailer	\$103.7	32%	\$0.29	21%	2013-2014
Cash	-	\$92.2	28%	\$0.26	-	-
Orient Home Real Estate	Investment Deposit	\$53.5	16%	\$0.15	-	2014
Xiajin Dairy	Dairy Company	\$26.0	8%	\$0.07	46%	2013
Orient Home Bridge Loan SI	Bridge Loan to buyer of OH Retail	\$15.8	5%	\$0.04	-	2013
Buchang Pharmaceutical	Pre-IPO, Pharmaceutical Company	\$15.5	5%	\$0.04	<1%	2013-2014
Xian University	University	\$14.0	4%	\$0.04	27%	2013
Jiadeli	Last Expected Payment from Jiadeli Sale	\$8.8	3%	\$0.02	-	2013
Other Assets	Properties	\$3.7	1%	\$0.01	-	2014
Goodbaby China Retail	Chinese Juvenile Retail Company	\$2.7	1%	\$0.01	14%	2014
Hainan	Call Option	\$0.6	0%	\$0.00	-	2014
Liabilities	Other Accruals and Payables	-\$9.4	-3%	-\$0.03	-	-
Total		\$327	100%	\$0.92		

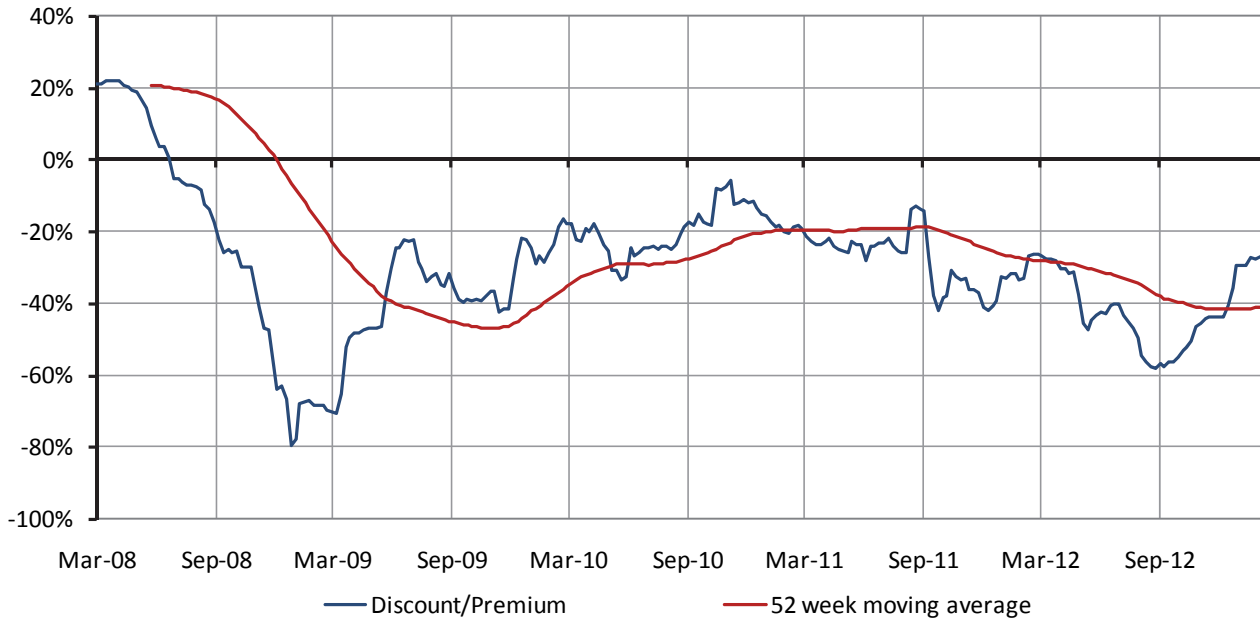
Source: ARC Capital Quarterly Reports Q3 2012 and Q4 2012, disposal announcements

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+44 (0) 20 7845 5960	Hiroshi Funaki	Andrew Davies	Johnny Hewitson	William Marle
www.countryfunds.co.uk	Nicolai Huls	Haris Papanikolaou	James Flannery	John Armstrong-Denby
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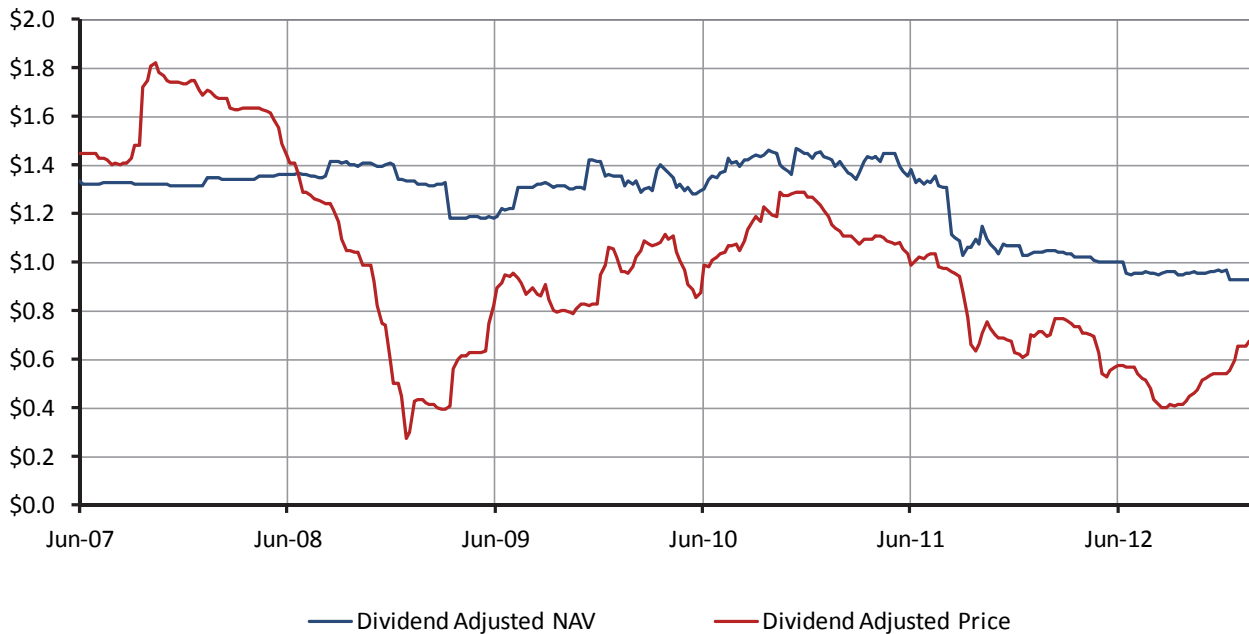
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ARC Capital Holdings Discount/Premium



NAV and Price



Source: Edmond de Rothschild

Investment Companies Team

+44 (0) 20 7845 5960
www.countryfunds.co.uk
funds@lcf.fr.co.uk
Bloomberg: LCFR <GO>

Research

Hiroshi Funaki
Nicolai Huls
Somaiya Piachaud

Sales

Andrew Davies
Haris Papanikolaou
Sophie Heslop

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ARC Capital Holdings Data

Portfolio manager	Rachel Chiang
Launch Date	June 06
Domicile	Cayman Islands
Structure	Closed-end fund
Website	www.arch-fund.com
FYE	31 December
Outstanding shares	355m
Settlement	Euroclear T+3
ISIN	KYG0450H1002
Sedol	B17NL50 GB
Auditor	KPMG
Administrator	Sanne Trust Company Limited

Board

Steven Feniger, Chairman, Independent NED
Helen Wong, Vice Chair, Independent NED
Tian-Chi (TC) Chu, Independent NED
Timothy Rucquoi-Berger, NED
Chris Gradel, NED

Fees

Management fee of 1% of NAV which is payable quarterly.

The investment manager is entitled to receive a realisation fee equal to a percentage of the net proceeds received by ARCH on the realisation of each asset, to be paid once the realisation value of any exit exceeds the audited net asset value of ARCH at 31 December 2011:

- (i) For assets realised in 2012, the fee percentage was 2.8%;
- (ii) The fee will reduce to 2.52% for assets realised in 2013;
- (iii) The fee will further reduce to 2.268% for assets realised in 2014. Thereafter, the fee percentage shall continue to reduce by 10% annum until the Company's last asset is realised.

Fund in realisation

Following the shareholder vote in January 2012, the company is a now realisation vehicle. ARCH continues to be focused on enhancing the operational capabilities and value of its remaining investee companies as it realises its portfolio. No new investments will be made and the net proceeds from the realisation of all assets will be returned to shareholders, after which ARCH will be wound up.

Estimated life of fund

The estimated exit timing of the Company's assets is between 2012 and 2015.

Distributions since in liquidation

Record Date	Amount	Type
29/06/2012	\$28,300,000	Tender Offer

Leverage

No leverage.

Investment Companies Team

+44 (0) 20 7845 5960
www.countryfunds.co.uk
funds@lcf.co.uk
Bloomberg: LCFR <GO>

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Sophie Heslop

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James Flannery

Corporate Finance

William Marle
John Armstrong-Denby



Aurora Russia

NAV 31-Dec-12	£0.62	Estimated Realisable NAV	£0.48	Investments	Russian Private Equity
Mid-Price	£0.38	Estimated completion	Q4 2015	Bloomberg	AURR LN
Discount	-39%	Estimated IRR	16% pa	Reuters	AURR.L
Market Cap	£43m			Listing	AIM London
Net Assets	£70m				

Published NAV is £0.62. We expect £0.48 per share to be returned to investors within three years producing an estimated IRR of 16%.

Aurora Russia is a Guernsey registered investment company which raised £75 million on 24 March 2006. It was established to acquire interests in small and mid-sized private companies in Russia focused on the financial, business and consumer services sectors.

In August 2011 the Board of Directors announced its commitment to an exit strategy with a two year horizon. The company and the manager are looking for potential strategic and financial buyers.

Following the sale of OSG the portfolio currently consists of three investments. Given the sale of OSG we expect Aurora to make several distributions to shareholders in the next 2 years.

On 22-Feb-13, the fund announced the sale of the strongest portfolio company, OSG. Aurora is hoping total proceeds from this sale will amount to £30.3m (slightly above than the current valuation of £29.9m):

- £21.2m is payable on closing (expected March 2013) and this amount is free and clear of any warranties.
- A further £5.4m will be put in an escrow account, of which 50% is payable 30 days following the release of the 31 March 2013 accounts – in other words most likely Q3 2013.
- The remaining 50% is payable 12 months following closing subject to any warranty claim under general commercial and tax warranties.
- A final payment of £3.3m will be paid if and when OSG achieves an EBITDA above £6.3m for the year ending 31 March 2014.

In our scenario we have assumed that this last payment will not be made and that the total proceeds from this sale will be £27m instead of the £30.3m announced.

Portfolio 30-Sep-12	Business	NAV (x £m)	% of NAV	NAV per share	Ownership	EdR Expected Exit
OSG*	Document Storage and Services	£29.90	42%	£0.27	100%	2013
Unitstream Bank	Money Transfer	£13.60	19%	£0.12	26%	2014
Superstroy	DIY Retailer	£14.30	20%	£0.13	24%	2014
Flexinvest	Credit Card Bank	£13.20	18%	£0.12	100%	2014
Other	Cash, Receivables and Liabilities	£1.05	1%	£0.01	-	
Total		£72.05	100%	£0.64		

*Aurora announced on 22nd February 2013 the sale of OSG for £30.3m.

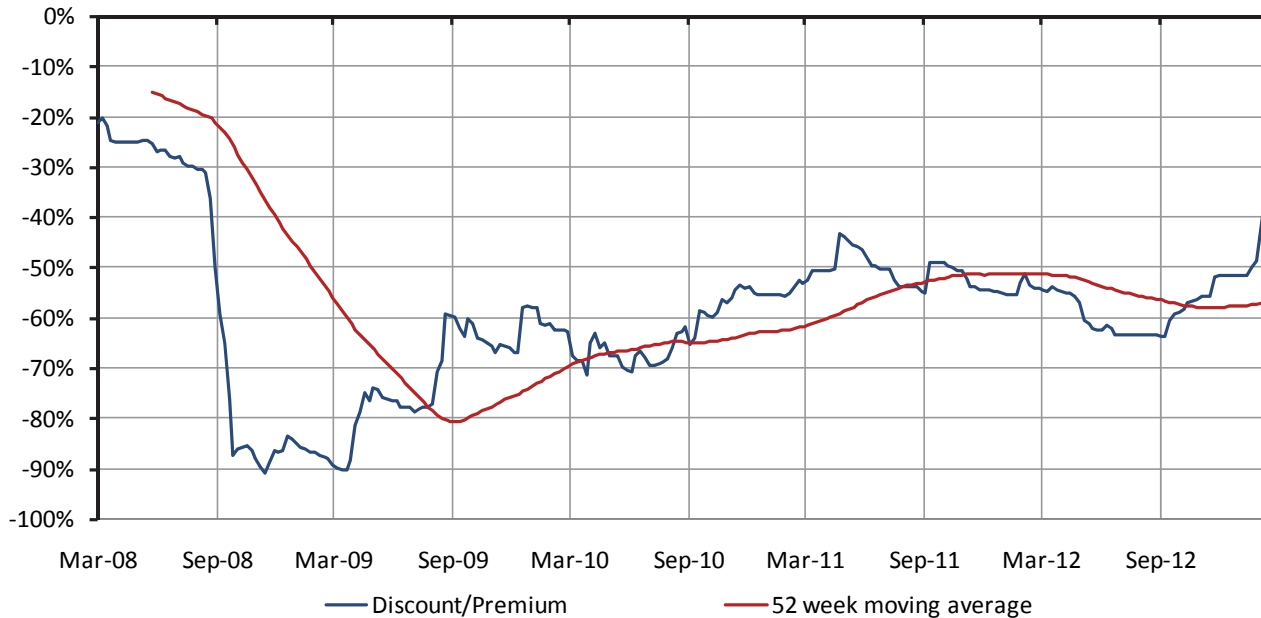
Source: Aurora's six months results ended 30 September 2012.

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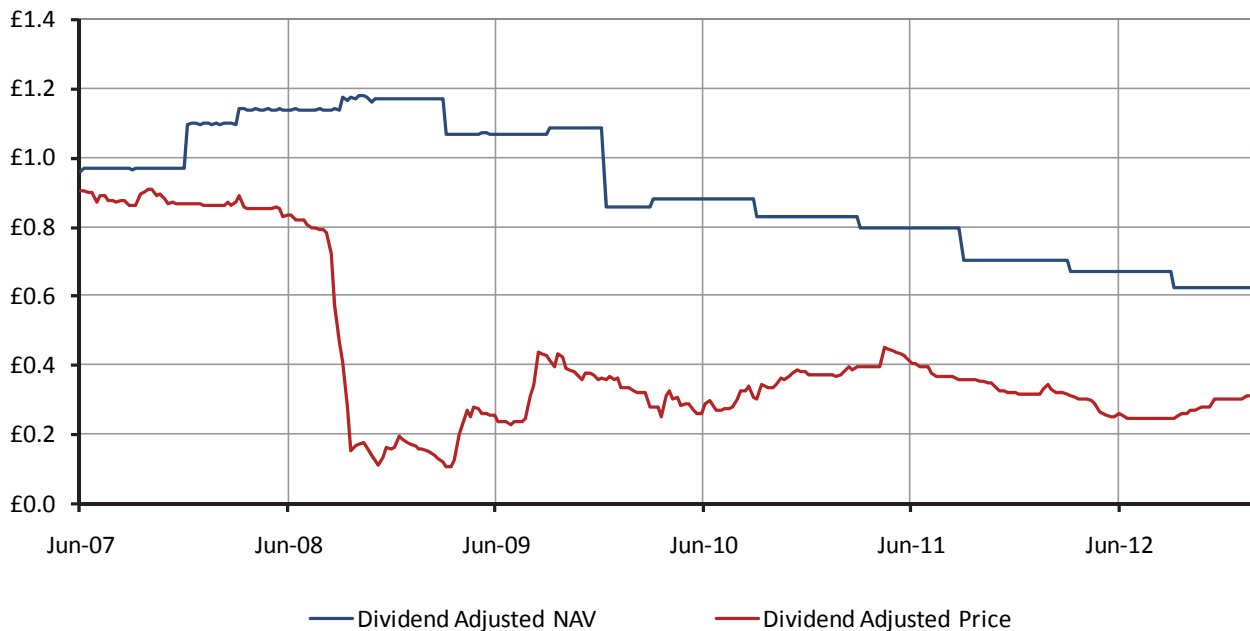
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Aurora Russia Discount/Premium



NAV and Price



Source: Edmond de Rothschild

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Aurora Russia Data

Portfolio manager John McRoberts *since inception*
Moscow/London

Leverage
No leverage at fund level.

Launch Date Mar-06
Domicile Guernsey
Structure Closed-end fund
Website www.aurorarussia.com
FYE 31 December

Life of Fund
Initially it was expected that the portfolio would be liquidated by the end of 2013, but we expect this to be extended by a year.

Outstanding shares 112.5m

Distributions since in liquidation
No distributions to date.

Settlement Euroclear T+3
ISIN GB00B0Z52Y71
Sedol BOZ522Y7

Auditor KPMG
Administrator Kleinwort Benson Fund Services

Board

Geoffrey Miller - NEC
Grant Cameron - NED
Gilbert Chalk - NED
Tim Slesinger - NED
John Richard Whittle - NED

Fees

Management is incentivised to sell assets. Annual management fee is 1.5%.

Performance fee is paid out as follows:

- (1) 2.5% of the value of any disposals realised up to £45m;
- (2) 7.5% of any disposals realised between £45m - £99m and;
- (3) 20% of the value of any disposals realised over £99m.

Performance fee to decline 20% per annum from 1 January 2012 in respect of the 2.5% tranche, and by 20% per annum from 1 January 2013 in respect of each of the other tranches.

Investment Companies Team

+44 (0) 20 7845 5960
www.countryfunds.co.uk
funds@lcf.co.uk
Bloomberg: LCFR <GO>

Research

Hiroshi Funaki
Nicolai Huls
Somaiya Piachaud

Sales

Andrew Davies
Haris Papanikolaou
Sophie Heslop

Trading

Johnny Hewitson
James Flannery

Corporate Finance

William Marle
John Armstrong-Denby



Investment Companies Team

+44 (0) 20 7845 5960
www.countryfunds.co.uk
funds@lcr.co.uk
Bloomberg: LCFR <GO>

Research

Hiroshi Funaki
Nicolai Huls
Somaiya Piachaud

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Sophie Heslop

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Johnny Hewitson
James Flannery

Corporate Finance

William Marle
John Armstrong-Denby



East Capital Financials Fund

NAV 31-Dec-12	€293.37	Estimated Realisable NAV	€261	Investments	Russian Private Equity
Mid-Price	€175	Estimated completion	Q4 2015	Bloomberg	LCFR
Discount	-40%	Estimated IRR	21% pa	Reuters	-
Market Cap	€93.5m			Listing	OTC Traded
Net Assets	€156.7m				

We expect €265 per share to be returned to investors by the end of 2016 producing an estimated IRR of 21%.

East Capital Financials Fund is an OTC-traded closed-end feeder fund, investing in an underlying private equity limited partnership (LP). The LP invests in financial companies in Russia, Georgia and Ukraine.

The fund is managed by East Capital, a leading asset manager in Eastern Europe and China with around €3.4bn under management in public and private equity.

The LP was launched in January 2006 with €327m, rising to €500m in June 2007 through a second closing and a rights issue. The feeder fund owns around 57% of the LP. Here we are discussing the OTC-traded feeder fund which trades on a large discount.

The fund/LP is currently in realisation mode. There are no outstanding commitments; no leverage at the fund level and the investment period ended in 2009. EE-DF may require a small additional investment that has been budgeted for. The LP currently has 12 holdings and is 65% invested in Russia, 17% in Georgia, 12% in Ukraine and 6% in cash.

The top three holdings represent almost 64% of NAV. Bank of Georgia is listed in London and is the most likely candidate to be sold, especially since the increase in share price lately. Probusinessbank is a potential IPO candidate, markets permitting. Asia-Pacific Bank is the best performing bank in portfolio with the strongest growth. Most likely exit for this position is a trade sale.

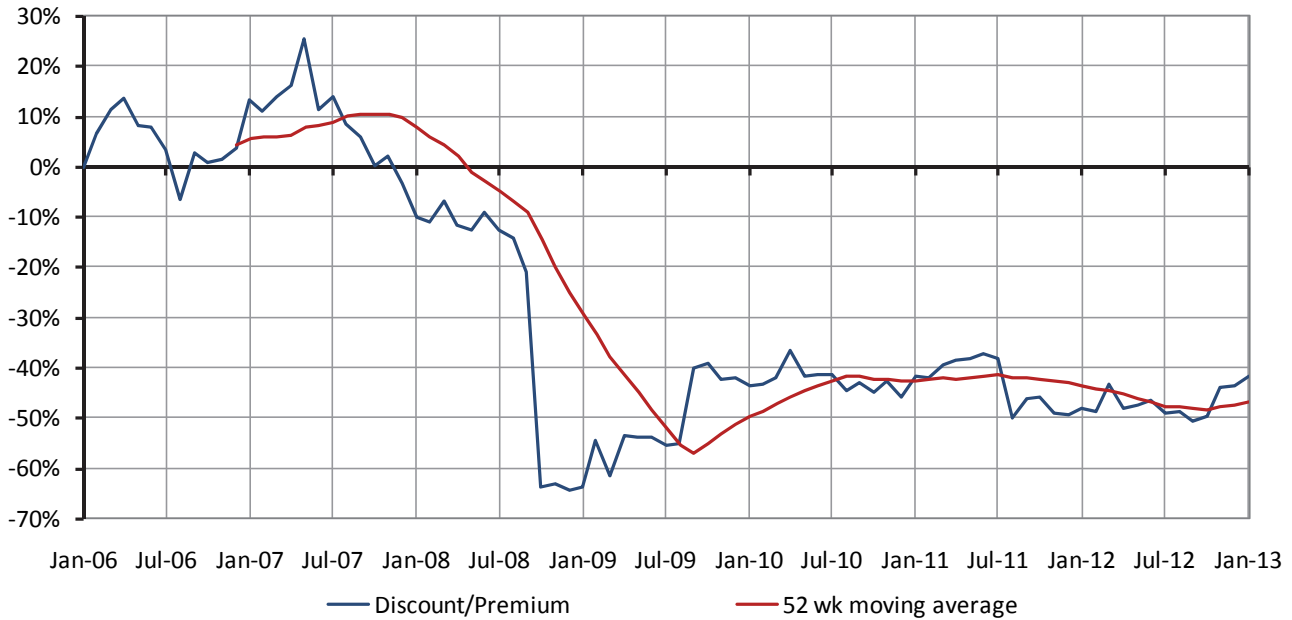
Portfolio*	Business	% of NAV	NAV per share	Ownership	EdR Expected exit
Probusinessbank	Bank, among top 40 in Russia	28%	€ 81.56	20%	2013-2014
Bank of Georgia	Bank, leading bank in Georgia	17%	€ 50.17	11%	2013-2014
Asian-Pacific Bank	Bank, Far East Russia	19%	€ 54.86	18%	2013-2014
Locko Bank	Bank, Moscow based	9%	€ 26.40	11%	2013-2014
Platinum Bank	Consumer Finance, Ukraine	6%	€ 18.19	24%	2013-2014
Pivdennyi Bank	Bank, Odessa reion in Ukraine	5%	€ 13.79	10%	2014-2015
Akibank	Bank, Russian Republic of Tarastan	4%	€ 12.32	20%	2013
Cash and Deposits	-	4%	€ 11.15	-	-
Morgan & Stout	Debt Collection Agency, Moscow	4%	€ 11.15	33%	2013-2014
FIA Bank	Bank, Samara region in Russia	3%	€ 7.92	20%	2013-2014
NadraBank	Bank, Ukraine	1%	€ 4.11	1%	2013-2014
ED-EFAG	Debt Collection Agency, JV with Intrum Justitia	1%	€ 1.47	25%	2013-2014
Cash Feeder Fund					
Total NAV including cash in Feeder Fund			100%	€ 293.37	

* Estimated for 31 Dec by EdR based on East Capital Financial Fund Quarterly Report Q3 2012 & Dec 12 factsheet

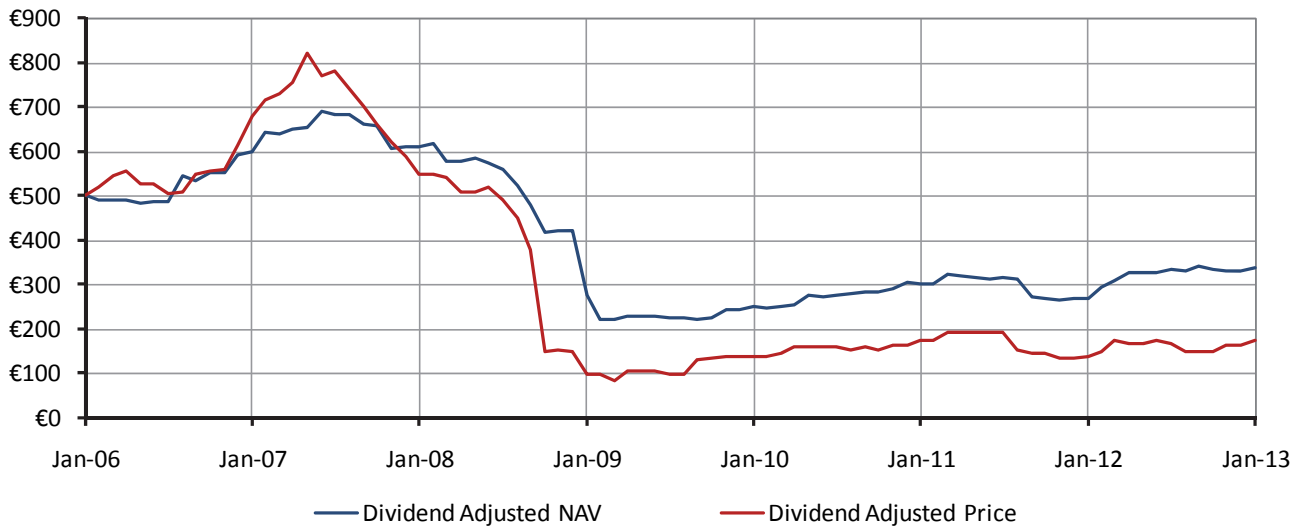
Investment Companies Team	Research	Sales	Trading	Corporate Finance
+44 (0) 20 7845 5960	Hiroshi Funaki	Andrew Davies	Johnny Hewitson	William Marle
www.countryfunds.co.uk	Nicolai Huls	Haris Papanikolaou	James Flannery	John Armstrong-Denby
funds@lcf.co.uk	Somaiya Piachaud	Sophie Heslop		
Bloomberg: LCFR <GO>				



East Capital Financials Fund Discount/Premium



NAV and Price



Source: Edmond de Rothschild

Investment Companies Team

+44 (0) 20 7845 5960
www.countryfunds.co.uk
funds@lcrf.co.uk
Bloomberg: LCFR <GO>

Research

Hiroshi Funaki
Nicolai Huls
Somaiya Piachaud

Sales

Andrew Davies
Haris Papanikolaou
Sophie Heslop

Trading

Johnny Hewitson
James Flannery

Corporate Finance

William Marle
John Armstrong-Denby



East Capital Financials Fund Data

Portfolio manager Margot Jacobs

Launch Date Jan-06
Domicile Sweden
Structure Closed-end fund
Website www.eastcapital.com
FYE 31 December

Outstanding shares 534,194

Settlement Euroclear T+3
ISIN SE0001599622
Sedol

Auditor KPMG
Administrator

Board

Justas Pipinis, Chairman
Jean-Marie Laporte
Bengt Dennis

Fees

The fund charges a 2% management fee based on committed capital minus divestments.

While there is possibility that a performance fee will be charged, we do not expect this to happen as the NAV of the fund is currently at 40% below the NAV at the launch of the fund.

Leverage

No leverage at fund level.

Life of Fund

Both the feeder fund and the LP have a fixed life scheduled to end January 2013, with three possible 12 month extensions. The board have used one, extending the life to January 2014.

Distributions since in liquidation

Record Date	Amount	Type
29/01/2013	\$33,000,000.00	Tender offer
11/10/2012	\$28,289,100.32	Tender offer

Investment Companies Team

+44 (0) 20 7845 5960
www.countryfunds.co.uk
funds@lcf.co.uk
Bloomberg: LCFR <GO>

Research

Hiroshi Funaki
Nicolai Huls
Somaiya Piachaud

Sales

Andrew Davies
Haris Papanikolaou
Sophie Heslop

Trading

Johnny Hewitson
James Flannery

Corporate Finance

William Marle
John Armstrong-Denby



Investment Companies Team

+44 (0) 20 7845 5960
www.countryfunds.co.uk
funds@lcr.co.uk
Bloomberg: LCFR <GO>

Research

Hiroshi Funaki
Nicolai Huls
Somaiya Piachaud

Sales

Andrew Davies
Haris Papanikolaou
Sophie Heslop

Trading

Johnny Hewitson
James Flannery

Corporate Finance

William Marle
John Armstrong-Denby



Kubera Cross-Border Fund

NAV 31-Dec-12	\$0.85	Estimated Realisable NAV	\$0.75	Investments	Indian Private Equity
Mid-Price	\$0.49	Estimated completion	Q4 2015	Bloomberg	KUBC LN
Discount	-42%	Estimated IRR	23% pa	Reuters	KUBCq.L
Market Cap	\$54m			Listing	AIM London
Net Assets	\$93m				

We expect \$0.75 per share to be returned to investors over the next 3 years, producing an estimated IRR of 23%.

Kubera Cross-Border Fund is a private equity fund with investments in cross-border companies, primarily businesses that operate in the US-India corridor.

Lead partners Kumar Mahadeva and Ramanan Raghavendran have together co-invested 9% (a total of \$12.2m) in each fund investment, helping to align interests.

Kubera Cross-Border Fund has become a realisation vehicle. This means that the company makes no new investments and its objective is to realise its investments in an orderly fashion and return the net proceeds of such realisations to shareholders.

The best performing companies in the portfolio are Essel Shyam and Synergies Castings. Adayana has been under pressure as its biggest client, the US government, has been cutting spending in the past few years; it is hoped that revenues will recover after winning a large contract from the US government.

We believe Essel Shyam is most likely to be sold first, followed by Synergies Castings. Adayana needs to deleverage and recover revenue growth which will delay its sale.

Around \$0.18 of NAV is held in cash/escrow/tax accounts. The escrow and tax account are the result of the sale of Venture Infotek in 2010. We estimate it will take 6-18 months to receive the money from the escrow and tax accounts.

Portfolio 31-December-12	Business	NAV (x\$m)	% of NAV	NAV per share	Ownership	EdR Expected exit
Synergies Castings	Indian Alloy Wheel Vendor	\$26.7	29%	\$0.24	58%	2013-2014
Essel Shyam Communications	Independent Indian Media Broadcasting	\$25.1	27%	\$0.23	28%	2013
Adayana	E-learning & Training	\$18.3	20%	\$0.17	31%	2014-2015
Venture Infotek*	Amount of Escrow Holdbacks and Withholding tax	\$12.8	14%	\$0.12	-	2013-2014
Ocimum Biosolutions	Genomics Outsourcing Company	\$2.0	2%	\$0.02	33%	2013-2015
Spark Capital	South Indian Investment Bank	\$1.6	2%	\$0.01	9%	2013-2015
GSS Infotech	Provider of IT Infrastructure Management	\$0.6	1%	\$0.01	6%	2013-2015
Kejriwal Stationary	Manufacturer & Distributor of Stationary Products	\$0.0	0%	\$0.00	25%	2013-2015
Cash		\$6.0	6%	\$0.06		
		\$93.1	100%	\$0.85		

*Venture Infotek was sold in August 2010. The current valuations represents cash still expected to be received by the Investment Manager as a result of the sale in August 2010.

Investment Companies Team	Research	Sales	Trading	Corporate Finance
+44 (0) 20 7845 5960	Hiroshi Funaki	Andrew Davies	Johnny Hewitson	William Marle
www.countryfunds.co.uk	Nicolai Huls	Haris Papanikolaou	James Flannery	John Armstrong-Denby
funds@lcf.co.uk	Somaiya Piachaud	Sophie Heslop		
Bloomberg: LCFR <GO>				

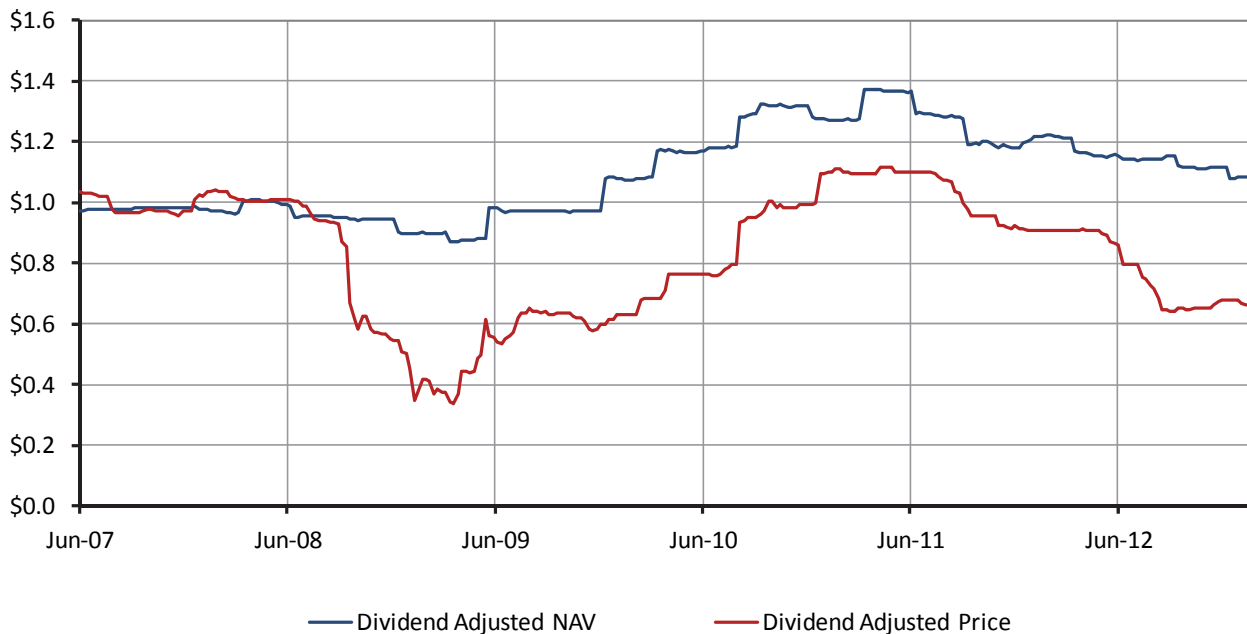
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Kubera Cross-Border Fund Discount/Premium



NAV and Price



Source: Edmond de Rothschild

Investment Companies Team

+44 (0) 20 7845 5960
www.countryfunds.co.uk
funds@lcf.fr.co.uk
Bloomberg: LCFR <GO>

Research

Hiroshi Funaki
Nicolai Huls
Somaiya Piachaud

Sales

Andrew Davies
Haris Papanikolaou
Sophie Heslop

Trading

Johnny Hewitson
James Flannery

Corporate Finance

William Marle
John Armstrong-Denby



Kubera Cross-Border Fund Data

Portfolio manager Ramanan Raghavendran
Launch Date Dec-06
Domicile Cayman Islands
Structure Closed-end fund
Website www.kuberacrossborderfund.com
FYE 31 December

Outstanding shares 109.7m

Settlement Euroclear T+3
ISIN KYG522771032
Sedol B1L54Q4 GB

Auditor KPMG
Administrator Cim Fund Service Ltd

Board

Martin Adams, Independent Director
Michael Tyler, Independent Director
Ramanan Raghavendran, Director

Fees

Board of Directors restructured the investment manager's contract to align interests of shareholders. With effect from 1 January 2013 the annual management fee payable is fixed for the calendar years 2013, 2014 and 2015, as follows:

- (I) 2013 and 2014 \$1,997,076, equal to the fee paid in calendar year 2012.
- (II) 2015: \$1,697,515, 15 per cent. Reduction from the fee to be paid in 2013 and 2014.

In the event that, during the period from 2013 to 2015, the NAV of the Company falls by over 85% of the NAV prevailing on 1 January 2013, then the fee payable for the remaining life of the Company shall revert immediately to 2% per annum of NAV, or a fixed fee to be determined by the Independent Directors at the time to ensure an orderly wind-down.

Leverage
No leverage.

Life of Fund
Originally the Investment Management Agreement (IMA) between Kubera and the investment manager was for an initial term of seven years ending 26 December 2013. The IMA has been extended for such period as the Investment Manager deems appropriate, not to exceed three years, i.e. until 26 December 2016, to allow the investment manager to effect an orderly disposal of the fund's assets.

Distributions

Ex-Date	Amount	Type
25/07/2012	\$0.02	Return of capital

Investment Companies Team

+44 (0) 20 7845 5960
www.countryfunds.co.uk
funds@lcf.fr
Bloomberg: LCFR <GO>

Research

Hiroshi Funaki
Nicolai Huls
Somaiya Piachaud

Sales

Andrew Davies
Haris Papanikolaou
Sophie Heslop

Trading

Johnny Hewitson
James Flannery

Corporate Finance

William Marle
John Armstrong-Denby



Investment Companies Team

+44 (0) 20 7845 5960
www.countryfunds.co.uk
funds@lcf.co.uk
Bloomberg: LCFR <GO>

Research

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Nicolai Huls
Somaiya Piachaud

Sales

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Sophie Heslop

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Reconstruction Capital II

NAV 31-Dec-12	€0.88	Estimated Realisable NAV	€0.70	Investments	Eastern Europe PE
Mid-Price	€0.49	Estimated completion	Q4 2015	Bloomberg	RC2 LN
Discount	-44%	Estimated IRR	17% pa	Reuters	RC2.L
Market Cap	€50m			Listing	AIM London
Net Assets	€88m				

We expect €0.70 per share to be returned to investors over the next three years producing an estimated IRR of 17%.

Reconstruction Capital II (RC2) is an AIM traded closed-end fund launched in December 2005, with two follow-on offerings in May 2006 and December 2007 raising a total of €137m. The fund invests in private equity in Romania, Serbia and Bulgaria and is managed by New Europe Capital. Ion Florescu, the lead manager, owns 4% of the fund.

The manager has been preparing the portfolio for sale. We expect the sale of the portfolio is likely to take a further three years. The investment objective and policy of the company has been amended so that no new investments will be made. Further investments into existing portfolio companies will be permitted in certain circumstances pending their realisation and, following each realisation, all proceeds will be returned to the shareholders after setting aside a sufficient amount for working capital purposes.

The fund's biggest position is East Point Holdings. The company is being reorganised / restructured to improve profitability and to decrease leverage. The private equity arm of Franklin Templeton owns the other 37% of EPH.

At Policolor restructuring is largely complete and the manager is now working on improving profitability.

Top Factoring is performing relatively well and has seen strong growth in the past couple of years. We believe Top Factoring and Albalact, a relatively liquid investment to be sold first. Other assets that might be sold are the non-core real estate assets of East Point Holdings and Policolor.

We believe RC2's ability to realise current NAV is contingent on their realisation of the non-core real estate assets.

Portfolio 31-December-12	Business	NAV (x€m)	% of NAV	NAV per share	Ownership	EdR Expected Exit
East Point Holdings	Conglomerate	€ 36.6	38%	€ 0.37	63%	2015
Policolor Group	Coatings Producer	€ 26.7	28%	€ 0.27	40%	2013-2015
Top Factoring	Receivables collection company	€ 14.8	15%	€ 0.15	93%	2013-2014
Albalact	Romanian Quoted Dairy Company	€ 4.9	5%	€ 0.05	25%	2013
Mamaia Resort Hotels	Hotel	€ 4.7	5%	€ 0.05	63%	2015
Klas	Bakery	€ 1.8	2%	€ 0.02	11%	2015
Listed Equities		€ 0.5	1%	€ 0.00	-	
Cash		€ 1.3	1%	€ 0.01	-	
Loans to subsidiaries		€ 4.8	5%	€ 0.05	-	
Liabilities		-€ 8.6		-€ 0.09	-	
Total		€ 87.8	100%	€ 0.87		

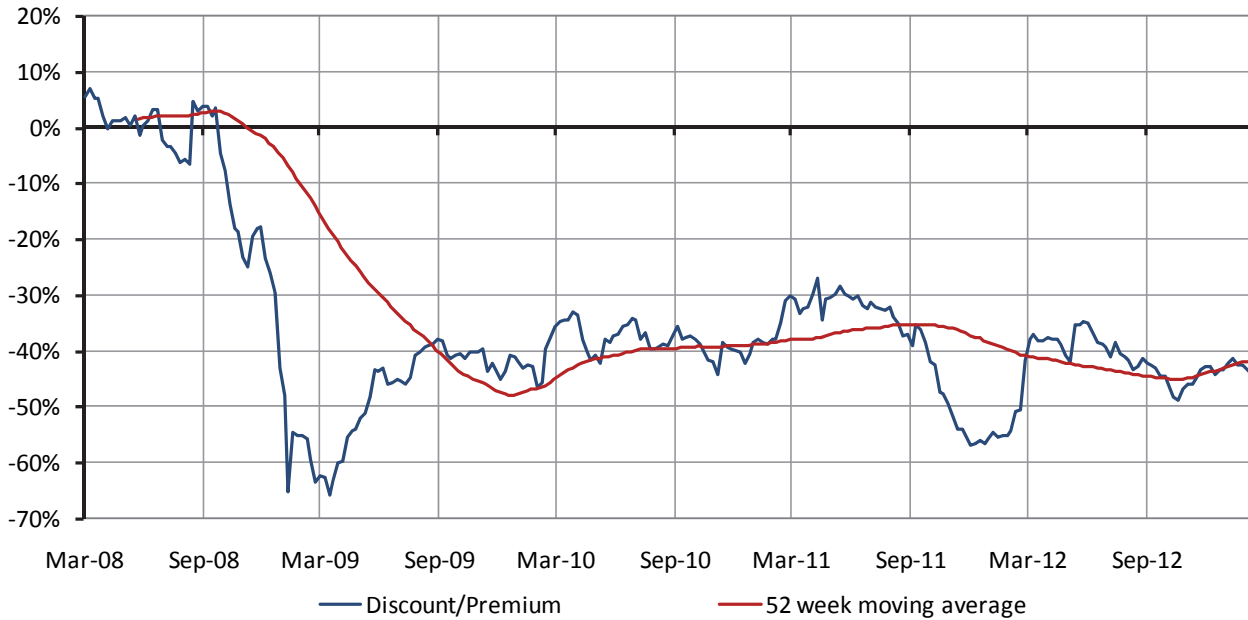
Source: RC2 Q4 Quarterly Report 2012

Investment Companies Team	Research	Sales	Trading	Corporate Finance
+44 (0) 20 7845 5960	Hiroshi Funaki	Andrew Davies	Johnny Hewitson	William Marle
www.countryfunds.co.uk	Nicolai Huls	Haris Papanikolaou	James Flannery	John Armstrong-Denby
funds@lcf.co.uk	Somaiya Piachaud	Sophie Heslop		
Bloomberg: LCFR <GO>				

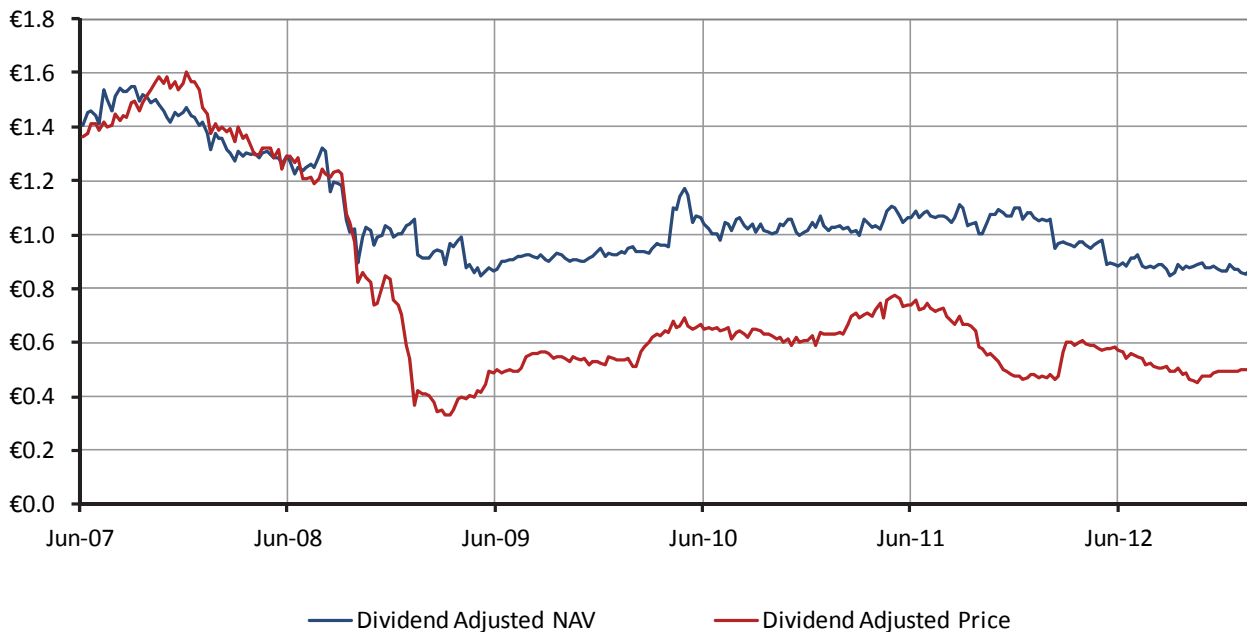
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Reconstruction Capital II Discount/Premium



NAV and Price



Source: Edmond de Rothschild

Investment Companies Team

+44 (0) 20 7845 5960
www.countryfunds.co.uk
funds@lcf.co.uk
Bloomberg: LCFR <GO>

Research

Hiroshi Funaki
Nicolai Huls
Somaiya Piachaud

Sales

Andrew Davies
Haris Papanikolaou
Sophie Heslop

Trading

Johnny Hewitson
James Flannery

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Reconstruction Capital II Data

Portfolio manager	Ion Florescu (since inception) Bucharest / London
Launch Date	Dec-05
Domicile	Cayman Islands
Structure	Closed-end fund
Website	www.reconstructioncapital2.com
FYE	31 December
Outstanding shares	100m
Settlement	Euroclear T+3
ISIN	KYG741521028
Sedol	B0QPWH9
Auditor	PWC
Administrator	Sanne Trust Company Limited

Board

Howard Golden (Chairman)
Ion Alexander Florescu
Markus Winkler
Dirk Van den Broeck
Robert Petch

Fees

The investment adviser and investment manager will together receive an aggregate fee of 2.25% of the NAV per annum, paid monthly in arrears.

There is a performance fee of 20% of any increase in the NAV over an annually compounding hurdle rate of 8%. If the manager exits at current NAV no performance fee will be paid.

The manager currently does not receive any fees at present because of the shortage of cash at the fund level. The payment of the fees will be delayed until there is enough cash in the fund.

Leverage

Approximately €5m of leverage at fund level. It is expected that proceeds from realisations will initially be used to repay this leverage. There are also some outstanding management fees that need to be paid to the investment manager.

Life of Fund

At the EGM of December 2012 shareholders voted to continue the company as presently constituted for a further two years, until the Annual General Meeting is convened in 2014.

Distributions since in liquidation

No distributions have been made since the fund has gone into liquidation.

Investment Companies Team

+44 (0) 20 7845 5960
www.countryfunds.co.uk
funds@lcf.co.uk
Bloomberg: LCFR <GO>

Research

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Nicolai Huls
Somaiya Piachaud

Sales

Andrew Davies
Haris Papanikolaou
Sophie Heslop

Trading

Johnny Hewitson
James Flannery

Corporate Finance

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John Armstrong-Denby



Investment Companies Team

+44 (0) 20 7845 5960
www.countryfunds.co.uk
funds@lcf.co.uk
Bloomberg: LCFR <GO>

Research

Hiroshi Funaki
Nicolai Huls
Somaiya Piachaud

Sales

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Sophie Heslop

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Johnny Hewitson
James Flannery

Corporate Finance

William Marle
John Armstrong-Denby



South African Properties Opportunities

NAV 31-Dec-12	£0.87	Estimated Realisable NAV	£0.72	Investments	South African Property
Mid-Price	£0.54	Estimated completion	Q4 2015	Bloomberg	SAPO LN
Discount	-39%	Estimated IRR	16% pa	Reuters	SAPO.L
Market Cap	£33m			Listing	AIM London
Net Assets	£52.5m				

We expect £0.72 per share to be returned by December 2015 producing an estimated IRR of 16%.

South African Property Opportunities ("SAPRO") was launched AIM and CISX markets in October 2006, to invest in real estate assets across the commercial, industrial and residential sectors in South Africa.

SAPRO's current strategy is to execute an optimal liquidation of its holdings once all appropriate consents have been achieved. In October 2010 Group Five, a large South African construction and development firm, was appointed as the new investment manager. The management contract was structured to incentivise Group Five to realise assets at or around the December 2010 CBRE valuations.

SAPRO is making progress liquidating the portfolio: Eight assets have been sold or partially sold to date.

Portfolio 30-June-12	Region	Project	NAV (x m)	Sales Receipt 1-7-2012 to 30-11-2012 (x m)	Pending Sales Receipt (x m)	Available for Sale	Preparing for Sale	EdR Expected Exit
African Renaissance	Pretoria	Commercial/Residential	-				✓	2014-2015
Brakpan	Johannesburg	Commercial	-				✓	2014-2015
Clayville	Johannesburg	Industrial	-				✓	2014-2015
Emberton	Durban	Residential/Mixed Use	-				✓	2013-2015
Gosforth Park	Johannesburg	Industrial	-	ZAR 109.90	ZAR 16.10	✓		2013-2015
Hughes	Johannesburg	Industrial	-	ZAR 1.20		✓		2013-2015
Acacia Park	Durban	Industrial	-	ZAR 5.00	ZAR 5.10	✓		2013-2015
Imbonini Phase I	Durban	Industrial	-		ZAR 1.20	✓		2013-2015
Imbonini Phase II	Durban	Industrial	-			✓		2013-2015
Kindlewood	Durban	Residential	-	ZAR 1.80	ZAR 3.60	✓		2013-2015
Kyalami	Johannesburg	Residential	-				✓	2014-2015
Lenasia	Johannesburg	Commercial	-				✓	2014-2015
Lilianton/Driefontein	Johannesburg	Residential/Commercial	-				✓	2014-2015
Longland	Johannesburg	Mixed Use	-		ZAR 125.00	✓		Jun-13
Starleith	Johannesburg	Mixed Use	-		ZAR 18.00	✓		Jun-13
Wedgwood	Johannesburg	Mixed Use	-		ZAR 106.00	✓		Jun-13
Debt Levels (30 November 2012)			£	5.51				
Total (ZAR)				ZAR 736.89	ZAR 117.90	ZAR 275.00		
Total (GBP)			£	52.47	£ 8.40	£ 19.58		
Total per share (GBP)			£	0.87	£ 0.14	£ 0.32		

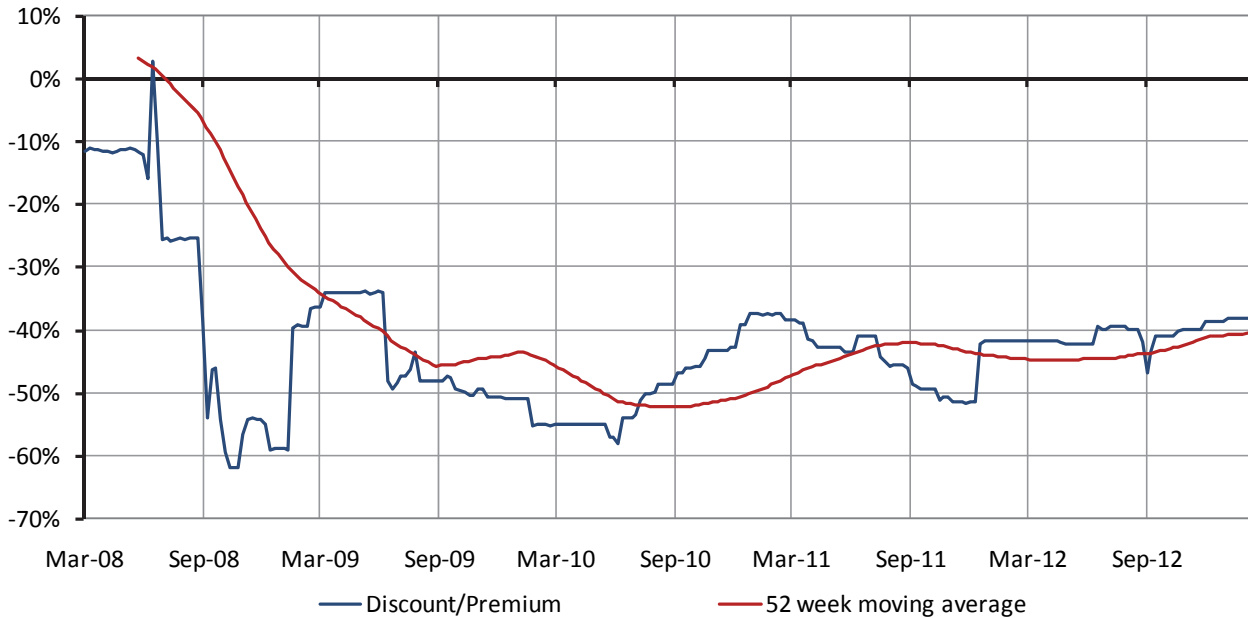
Source: SAPO's Final Results for the year ended 30 June 2012

Investment Companies Team	Research	Sales	Trading	Corporate Finance
+44 (0) 20 7845 5960	Hiroshi Funaki	Andrew Davies	Johnny Hewitson	William Marle
www.countryfunds.co.uk	Nicolai Huls	Haris Papanikolaou	James Flannery	John Armstrong-Denby
funds@lcf.co.uk	Somaiya Piachaud	Sophie Heslop		
Bloomberg: LCFR <GO>				

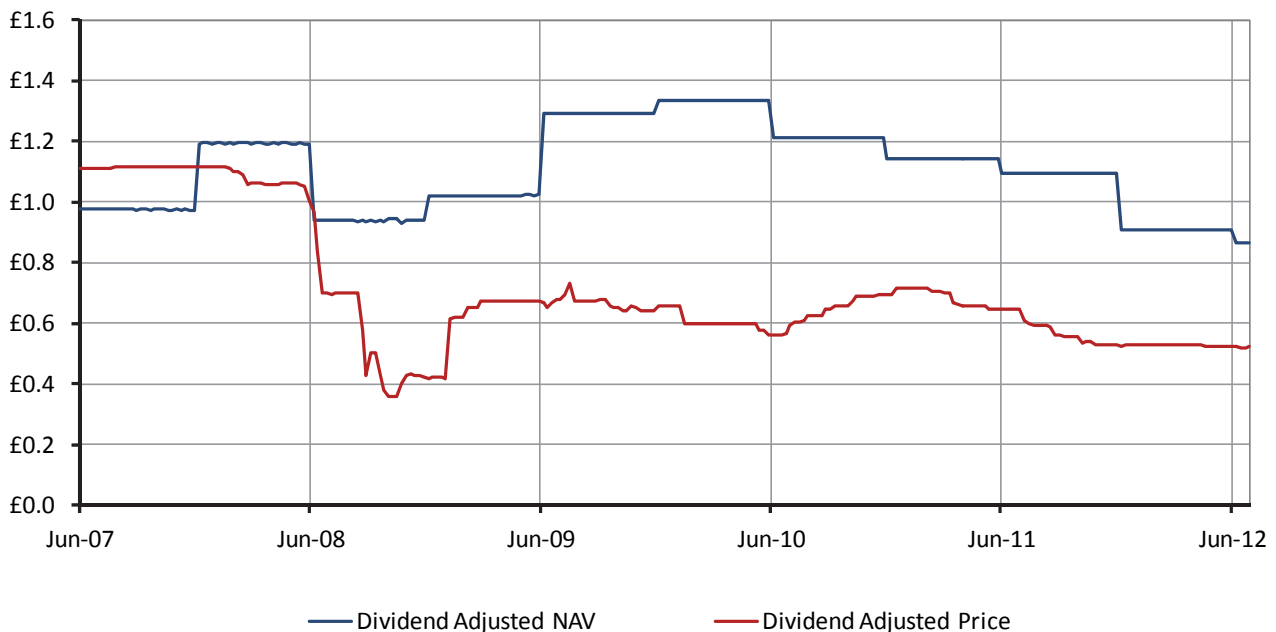
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South African Properties Opportunities Discount/Premium



NAV and Price



Source: Edmond de Rothschild

Investment Companies Team

+44 (0) 20 7845 5960
www.countryfunds.co.uk
funds@lcf.co.uk
Bloomberg: LCFR <GO>

Research

Hiroshi Funaki
Nicolai Huls
Somaiya Piachaud

Sales

Andrew Davies
Haris Papanikolaou
Sophie Heslop

Trading

Johnny Hewitson
James Flannery

Corporate Finance

William Marle
John Armstrong-Denby



South African Properties Opportunities Data

Portfolio manager	Group Five	Leverage There was £5.51m of leverage at the end of November 2012.
Launch Date	Oct-06	Distributions since in liquidation No distributions have been made so far.
Domicile	Isle of Man	
Structure	Closed-end fund	
Website	www.saprofund.com	
FYE	31 December	
Outstanding shares	62.3m	
Settlement	Euroclear T+3	
ISIN	GB00B16GQJ90	
Sedol	B16GQJ9	
Auditor	PWC	
Administrator	Galileo Fund Services	

Board

David Hunter, NED
John David Chapman, Executive Director
Craig Justin McMurray, Executive Director
David J. Saville, NED
Stephen C. Coe, NED

Fees

From 4 October 2010 Group Five became the investment manager and revised the investment management agreement. Their fee is £500,000 per annum payable monthly in arrears.

Group Five is also entitled to a sales fee of up to 3% of the gross proceeds on disposal of the fund's projects (such fee is net of external brokerage costs incurred). These fees are payable on sale and have been considered when determining the net realisable value of the inventory.

The Group has accrued a performance fee due to Group Five Property Developments (Pty) Limited based upon the market value of the portfolio. This only becomes payable on the eventual sale of these assets so long as the sales values are better than certain agreed benchmarks.

<i>Investment Companies Team</i>	<i>Research</i>	<i>Sales</i>	<i>Trading</i>	<i>Corporate Finance</i>
+44 (0) 20 7845 5960	Hiroshi Funaki	Andrew Davies	Johnny Hewitson	William Marle
www.countryfunds.co.uk	Nicolai Huls	Haris Papanikolaou	James Flannery	John Armstrong-Denby
funds@lcf.co.uk	Somaiya Piachaud	Sophie Heslop		
Bloomberg: LCFR <GO>				



Investment Companies Team

+44 (0) 20 7845 5960
www.countryfunds.co.uk
funds@lcf.co.uk
Bloomberg: LCFR <GO>

Research

Hiroshi Funaki
Nicolai Huls
Somaiya Piachaud

Sales

Andrew Davies
Haris Papanikolaou
Sophie Heslop

Trading

Johnny Hewitson
James Flannery

Corporate Finance

William Marle
John Armstrong-Denby

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Trinity Capital

NAV 31-Dec-12	£0.22	Estimated Realisable NAV	£0.15	Investments	Indian Real Estate
Mid-Price	£0.12	Estimated completion	Q4 2014	Bloomberg	TRC LN
Discount	-49%	Estimated IRR	16% pa	Reuters	TRC.L
Market Cap	£24m			Listing	AIM London
Net Assets	£47m				

We expect £0.15 per share to be returned by the end of December 2014 producing an estimated IRR of 16%.

Trinity raised £250m in April 2006 to invest in direct real estate and related entities across India, with a particular focus on the office, retail, hospitality and residential sectors.

In March 2009, shareholders voted to change Trinity's investment policy to gradually dispose of assets over time and return capital to investors.

In the last interim report (published December 2012) the Board of Directors have stated that they hope to report significant progress in realising assets in the coming months.

After successfully selling down many assets, the portfolio currently consists of six investments of which four are with a joint venture partner, SachsenFonds.

We believe the biggest challenges are the investments where SachsenFonds is a co-investor. Trinity Capital is only able to sell these investments if SachsenFonds agrees, complicating the exit process. The relationship between Trinity Capital and SachsenFonds is strained; SachsenFonds has tried to recover some of its losses from Trinity Capital in the past but have lost all court cases to date. The fund is hoping to reach a compromise to expedite the sale of the remaining assets.

Two of the jointly held investments have been subject to indicative offers. Residential project Jodhana is also expected to be sold by the end of 2013 or early 2014 as Trinity Capital is planning to exercise its put option which might result in proceeds equal to around 10% of NAV.

EdR Estimated Portfolio Composition	Region	Project	NAV (xm)	% of NAV	NAV per share	SachsenFonds as JV partner	Stated Exit Strategy
Uppal IT Park	Greater Noida	SEZ	£13.80	29%	£0.07	Yes	Looking for any realisation strategies
Lokhandwala	Mumbai	Redevelopment	£5.60	12%	£0.03	Yes	Indicative offers under discussion
Luxor Cyber City	Gurgaon	SEZ	£5.10	11%	£0.02	Yes	Indicative offers under discussion
Jodhana Developers	Rajasthan	Residential Project	£5.00	11%	£0.02	No	Development cash flows
MK Malls	Mumbai	Commercial Office	£7.50	16%	£0.04	Yes	
Horizon Countrywide Logistics	Mumbai	Logistics	£6.60	14%	£0.03	No	Put option to sell at end of 2013
Cash			£9.90	21%	£0.05		
Provisions/Liabilities			-£6.70	-14%	-£0.03		
Total			£46.80	100%	£0.22		

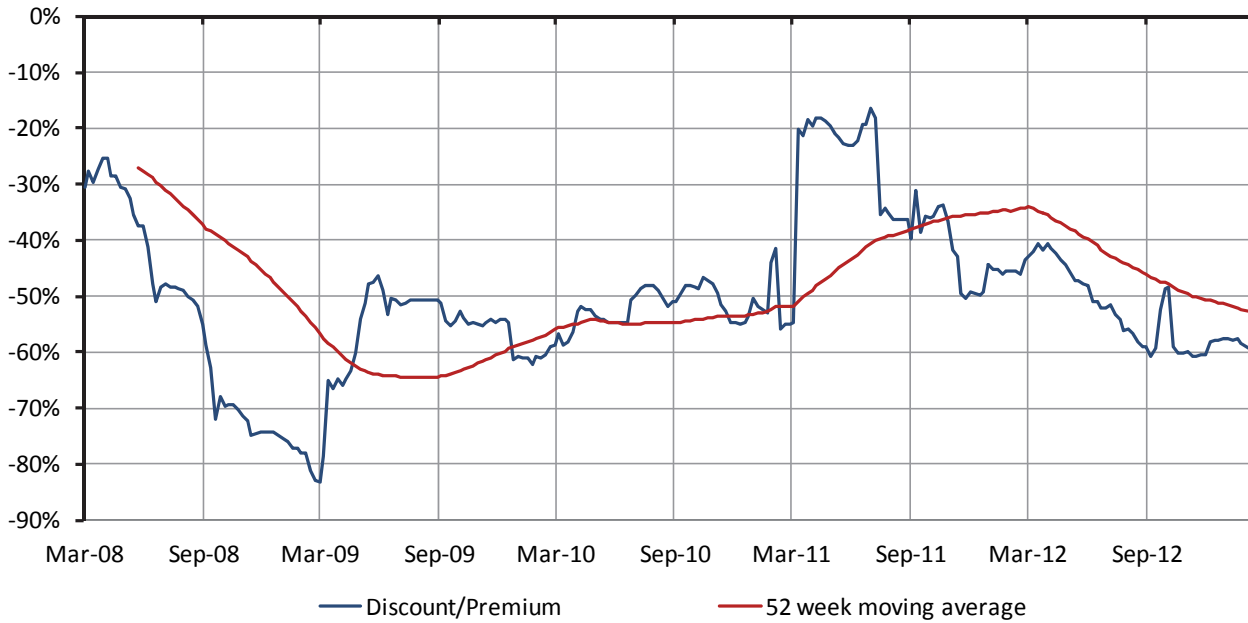
Source: Trinity Capital Interim Report and distribution announcement

Investment Companies Team	Research	Sales	Trading	Corporate Finance
+44 (0) 20 7845 5960	Hiroshi Funaki	Andrew Davies	Johnny Hewitson	William Marle
www.countryfunds.co.uk	Nicolai Huls	Haris Papanikolaou	James Flannery	John Armstrong-Denby
funds@lcf.co.uk	Somaiya Piachaud	Sophie Heslop		
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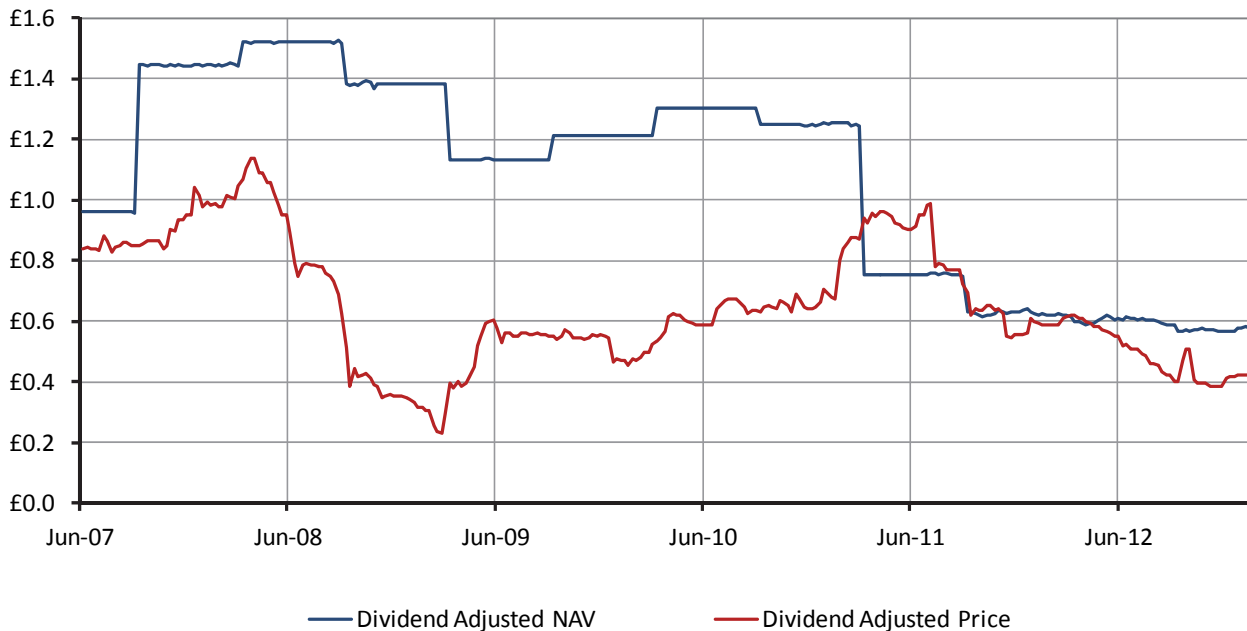
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Trinity Capital Discount/Premium



NAV and Price



Source: Edmond de Rothschild

Investment Companies Team

+44 (0) 20 7845 5960
www.countryfunds.co.uk
funds@lcf.co.uk
Bloomberg: LCFR <GO>

Research

Hiroshi Funaki
Nicolai Huls
Somaiya Piachaud

Sales

Andrew Davies
Haris Papanikolaou
Sophie Heslop

Trading

Johnny Hewitson
James Flannery

Corporate Finance

William Marle
John Armstrong-Denby



Trinity Capital Data

Portfolio manager	Philip Scales
Launch Date	April-06
Domicile	Isle of Man
Structure	Closed-end fund
Website	www.trinitycapitalplc.com
FYE	31 March
Outstanding shares	211m
Settlement	Euroclear T+3
ISIN	GB00B0ZL5243
Sedol	B0ZL524
Auditor	KPMG
Administrator	IOMA Fund

Board

Martin Michael Adams, NEC
Stephen Coe, NED
Graham Smith, NED
Pradeep Verma, NED

Fees

On 18 June 2011, Trinity Capital appointed Indiareit as investment manager. Indiareit is entitled to a fee of \$2.2m in the first year of the contract, \$1.89m in the second year, and \$1.69m in the third and subsequent years. Indiareit is also entitled to a performance fee of 7.5% of realised net proceeds received by the group for the disposal of its investments. After the third anniversary of the contract, 50% of the management fees will be set-off against performance fees.

A provision is made for the performance fees to which Indiareit would be entitled based on the fair value of all investments, apart from the exempted assets noted above. It amounted to £3,270,000 at 30 September 2012.

The directors' incentive plan provides for payments to Martin Adams, Pradeep Verma and Johns Chapman amounting to 0.75%, 0.375% and 0.175% respectively of amounts distributed to shareholders.

Leverage

No leverage, but £6.7m in liabilities and provisions.

Life of Fund

As soon as the assets are sold the fund will be dissolved.

Distributions since in liquidation

Ex-Date	Amount	Type
31/10/2012	£0.05	Return of capital
23/11/2011	£0.05	Return of capital
25/07/2011	£0.06	Return of capital
02/03/2011	£0.31	Return of capital
03/12/2010	£0.17	Return of capital

Investment Companies Team

+44 (0) 20 7845 5960
www.countryfunds.co.uk
funds@lcf.fr.co.uk
Bloomberg: LCFR <GO>

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Bloomberg: LCFR <GO>

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Vietnam Resources Investments

NAV 31-Dec-12	\$3.11	Estimated Realisable NAV	\$3.29	Investments	Vietnamese Equity
Mid-Price	\$2.40	Estimated completion	Q4 2013	Bloomberg	VIETRES KY
Discount	-23%	Estimated IRR	36% pa	Reuters	DRAGON1
Market Cap	\$59m			Listing	Luxembourg
Net Assets	\$77m				

We expect \$3.29 per share to be returned by early next year, producing an estimated IRR of 36%.

Vietnam Resources Investments (VRI) was launched to invest natural resource companies with significant operations in Vietnam.

At an AGM on 28-Sep-10 VRI's shareholders passed a special resolution to amend the investment objective to an orderly realisation of the company's assets.

The portfolio currently consists of just one main asset representing 99.5% of NAV: Masan Resources.

VRI owns 15% of Masan Resources. The remainder is owned by Masan Group, one of Vietnam's largest conglomerates.

Masan Resources is the 100% owner of the mining site Nui Phao, which has the potential to become one of the world's largest non-Chinese primary producers of tungsten; one of the world's largest single producers of bismuth and of acid-grade fluorspar. The mine remains in the early stages of development.

Masan Group has a call option to buy out VRI's holding for cash. This call option is exercisable at any time before the end of Q3 2013. Using current exchange rates the value of the strike price at the end of Q3 2013 would be approximately \$81m.

If Masan does not exercise this call option, VRI has a put option to sell its 15% stake in Masan Resources to Masan Group for 25.9m new Masan shares, which are currently valued at around \$138m. This expires at the end of 2013.

In our base case we assume Masan Resources will be sold for \$81m.

Potential upside: If VRI negotiates an early exit in Masan Resources or when VRI is able to exercise its put option.

Investment Companies Team

+44 (0) 20 7845 5960
www.countryfunds.co.uk
funds@lcf.co.uk
Bloomberg: LCFR <GO>

Research

Hiroshi Funaki
Nicolai Huls
Somaiya Piachaud

Sales

Andrew Davies
Haris Papanikolaou
Sophie Heslop

Trading

Johnny Hewitson
James Flannery

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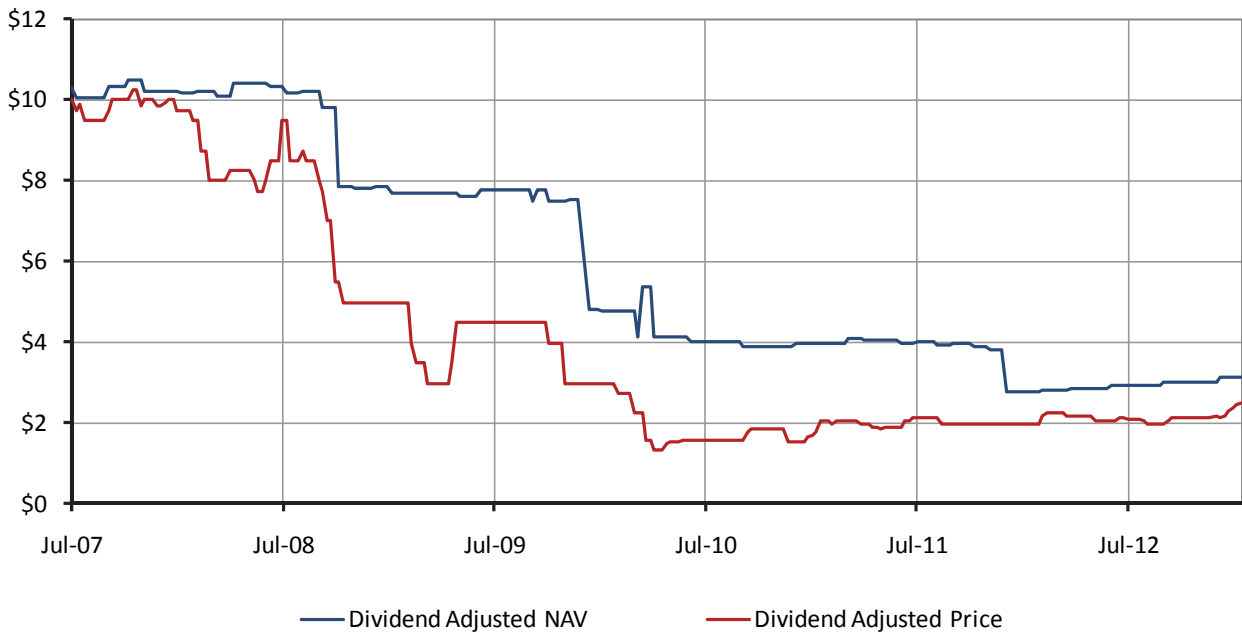
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John Armstrong-Denby



Vietnam Resources Investments Discount/Premium



NAV and Price



Source: Edmond de Rothschild

Investment Companies Team

+44 (0) 20 7845 5960
www.countryfunds.co.uk
funds@lcf.fr.co.uk
Bloomberg: LCFR <GO>

Research

Hiroshi Funaki
Nicolai Huls
Somaiya Piachaud

Sales

Andrew Davies
Haris Papanikolaou
Sophie Heslop

Trading

Johnny Hewitson
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Vietnam Resources Investments Data

Portfolio manager Bas van Rooijen
Launch Date Jul-07
Domicile Cayman Islands
Structure Closed-end fund
Website www.dragoncapital.com
FYE 31 December

Outstanding shares 24.714286m

Settlement Euroclear T+3
ISIN KYG9362V1077
Sedol B23JJK7

Auditor KPMG
Administrator HSBC Trustee (Cayman)

Board

Martin Adams, Chairman and Independent NED
Shaun Giacomo, Independent NED
Warwick Kneale, Independent NED

Fees

The manager, Dragon Capital, is not charging management fees.

Investment Companies Team

+44 (0) 20 7845 5960
www.countryfunds.co.uk
funds@lcf.co.uk
Bloomberg: LCFR <GO>

Research

Hiroshi Funaki
Nicolai Huls
Somaiya Piachaud

Sales

Andrew Davies
Haris Papanikolaou
Sophie Heslop

Trading

Johnny Hewitson
James Flannery

Corporate Finance

William Marle
John Armstrong-Denby



Investment Companies Team

+44 (0) 20 7845 5960
www.countryfunds.co.uk
funds@lcr.co.uk
Bloomberg: LCFR <GO>

Research

Hiroshi Funaki
Nicolai Huls
Somaiya Piachaud

Sales

Andrew Davies
Haris Papanikolaou
Sophie Heslop

Trading

Johnny Hewitson
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Yatra Capital

NAV 31-Dec-12	€6.10	Estimated Realisable NAV	€4.46	Investments	Indian Real Estate
Mid-Price	€3.30	Estimated completion	Q4 2016	Bloomberg	YATRA NA
Discount	-46%	Estimated IRR	11% pa	Reuters	YATRA.AS
Market Cap	€65m			Listing	Euronext Amsterdam
Net Assets	€116m				

We expect €4.46 per share to be returned by the end of 2016 producing an estimated IRR of 11%.

Yatra Capital is an Indian real estate fund. It raised €100m at launch in December 2006 at €10 per share followed by a secondary offering in October 2007, raising an additional €120m at €10.50 per share.

Yatra Capital is managed by IL&FS Investment Managers Limited (IIML), a subsidiary of Infrastructure Leasing & Financial Services Limited (IL&FS), one of the oldest and largest private equity fund managers in India with over US\$3.2bn under management. Yatra Capital was launched and invested by Saffron Asset Advisors. In 2011 Saffron merged with IL&FS Investment Managers.

At the AGM on 21 October 2011 the board announced the results of a strategic review including its intention to return proceeds from realisations to shareholders. We expect Yatra Capital to start selling assets within the next 12 months.

Yatra has committed €161m of the net funds raised to 15 investments of which 14 are project level investments with over 27 million square feet under-development, across nine cities and five sectors. There are almost no outstanding investment commitments left; there is no leverage at the fund level.

The largest three projects are also the best performing assets in our opinion. As a result their valuations have been increased in the past year.

Portfolio 30-Sep-12	Region	Project	NAV (x €m)	% of NAV	NAV per share	Stated Exit Strategy	EdR Expected Exit
Cash/Receivables	-	-	€ 29.26	23%	€ 1.37	-	-
Market City, Bangalore	Bangalore	Residential	€ 25.61	20%	€ 1.20	Unit Sales	2015
Residential Project Pune	Pune	Residential	€ 19.96	15%	€ 0.94	Unit Sales	2013-2015
Treasure Town (Treasure City)	Indore	Residential	€ 11.62	9%	€ 0.55	Unit Sales	2014-2015
Batangar (Riverbanks Holdings)	Kolkata	Residential	€ 8.73	7%	€ 0.41	Sale	2014-2015
Saket Enterprise Level	Hyderabad	Residential	€ 7.96	6%	€ 0.37	Sale	2015
City Centre Mall, Nashik	Nashik	Retail	€ 8.48	7%	€ 0.40	Sale	2014-2015
Taj Gateway Kolkata	Kolkata	Hospitality	€ 4.35	3%	€ 0.20	Sale	2013-2014
Market City Retail	Pune	Retail	€ 5.51	4%	€ 0.26	Sale	2014-2015
Market City Hospitality	Pune	Mixed Use	€ 2.86	2%	€ 0.13	Sale	2015
Phoenix United Mall	Agra	Land Bank	€ 2.78	2%	€ 0.13	Sale	2014
The Phoenix Mills Limited	-	Listed Equity	€ 1.83	1%	€ 0.09	Sale	2015
Forum IT SEZ	Kolkata	Commercial	€ 0.59	0%	€ 0.03	Sale	2014-2015
Treasure Market City	Indore	Retail	€ 0.03	0%	€ 0.00	Sale	2014-2015
Total			€ 129.56	100%	€ 6.10		

Source: Yatra Financial Statement 30 September 2012

Investment Companies Team

+44 (0) 20 7845 5960
www.countryfunds.co.uk
funds@lcf.co.uk
Bloomberg: LCFR <GO>

Research

Hiroshi Funaki
Nicolai Huls
Somaiya Piachaud

Sales

Andrew Davies
Haris Papanikolaou
Sophie Heslop

Trading

Johnny Hewitson
James Flannery

Corporate Finance

William Marle
John Armstrong-Denby



Yatra Capital Discount/Premium



NAV and Price



Source: Edmond de Rothschild

Investment Companies Team

+44 (0) 20 7845 5960
www.countryfunds.co.uk
funds@lcf.fr.co.uk
Bloomberg: LCFR <GO>

Research

Hiroshi Funaki
Nicolai Huls
Somaiya Piachaud

Sales

Andrew Davies
Haris Papanikolaou
Sophie Heslop

Trading

Johnny Hewitson
James Flannery

Corporate Finance

William Marle
John Armstrong-Denby



Yatra Capital Data

Portfolio manager	Arun Korati
Launch Date	Dec-06
Domicile	Jersey
Structure	Closed-end fund
Website	www.yatracapital.com
FYE	31 December
Outstanding shares	19.05m
Settlement	Euroclear T+3
ISIN	JE00B1FBT077
Sedol	B28Y126
Auditor	PWC
Administrator	Minerva Fund Administrator

Board

Richard Boleat, Chairman
David Hunter, NED
Malcom King, NED
Christopher Wright, NED
George Baird, NED
Shahzaad Dalal, NED

Leverage

No leverage at fund level.

Fees

The fund pays an annual advisory fee of 2% of total capital commitments (€160m), and the advisor will also be entitled to a 20% share of all profits of the fund once investors have achieved their 11% IRR hurdle return. Given that the current NAV is below cost it is not expected that any performance fee will have to be paid in the future.

The investment advisor and Yatra may agree between them that the investment advisor should be paid an additional advisory fee of up to 2% per annum on any funds which are borrowed by K2 Property or one of its offshore subsidiaries for the purpose of investing in fund investments.

Life of Fund

We expect that it will take approximately four years to sell all the assets.

Distributions

Record Date	Amount	Type
09/11/2012	€ 7,500,000	Tender Offer

Investment Companies Team

+44 (0) 20 7845 5960
www.countryfunds.co.uk
funds@lcf.fr.co.uk
Bloomberg: LCFR <GO>

Research

Hiroshi Funaki
Nicolai Huls
Somaiya Piachaud

Sales

Andrew Davies
Haris Papanikolaou
Sophie Heslop

Trading

Johnny Hewitson
James Flannery

Corporate Finance

William Marle
John Armstrong-Denby



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+44 (0) 20 7845 5960	Hiroshi Funaki	Andrew Davies	Johnny Hewitson	William Marle
www.countryfunds.co.uk	Nicolai Huls	Haris Papanikolaou	James Flannery	John Armstrong-Denby
funds@lcf.co.uk	Somaiya Piachaud	Sophie Heslop		
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Director – Funds Research Nicolai Huls holds the following positions in the funds mentioned in this presentation;

ARC Capital Holdings	33,489 shares
Kubera Cross Border Fund	22,500 shares
Reconstruction Capital II	15,000 shares
Trinity Capital	5,500 shares

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funds@lcf.co.uk	Somaiya Piachaud	Sophie Heslop		
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