

The Russian Hedge Fund Universe

data as of December 31, 2014

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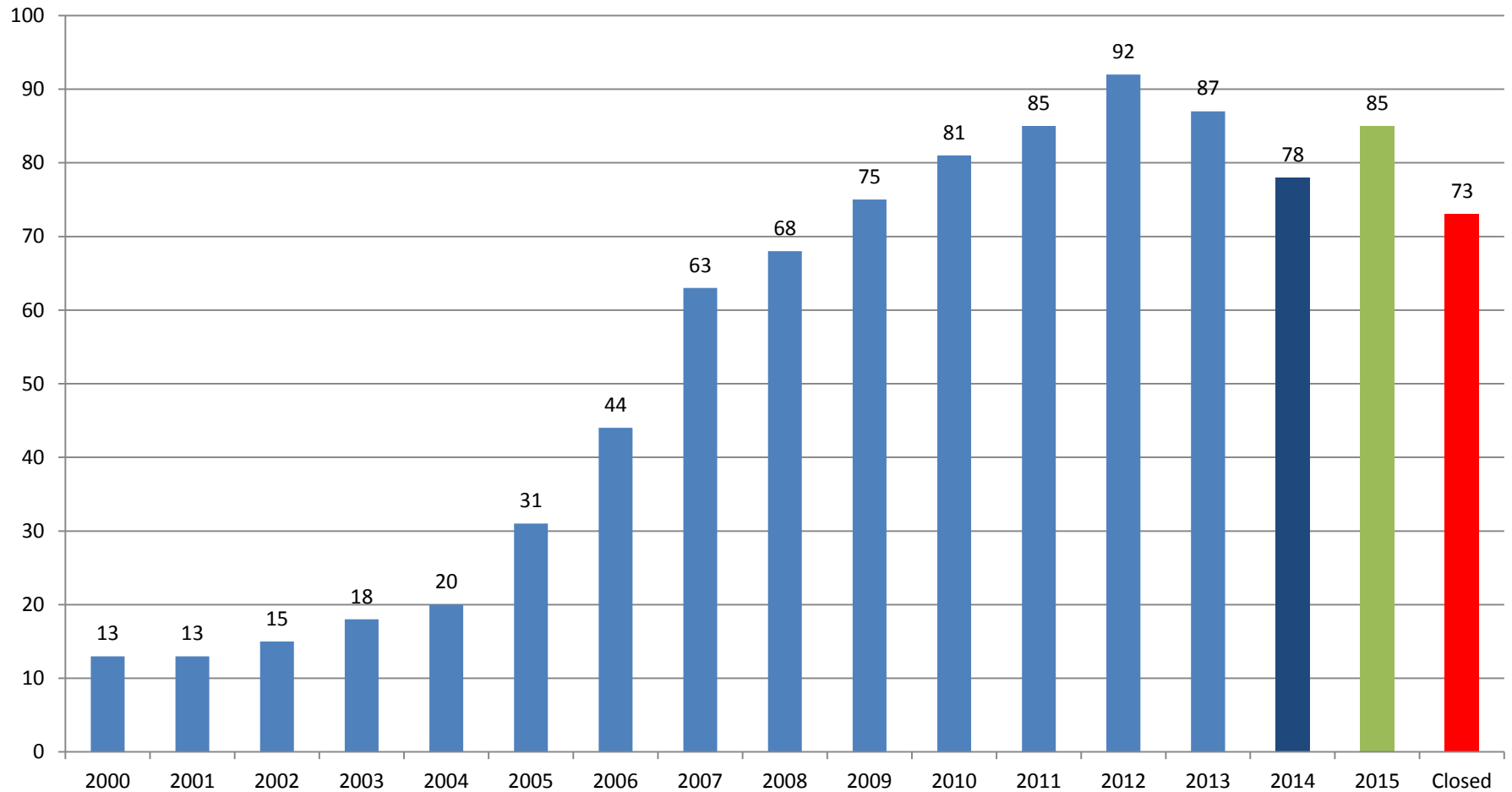


...What is a “Russian Hedge Fund”?

- What is meant by “Russian”?
 - Local Russian Manager/Advisor (at least in spirit)
 - At least some minor business presence in Russia
 - Not necessarily a Russia-focused investment strategy
- What is meant by “hedge fund”?
 - Broad definition, not narrow definition
 - Alternative investment fund investing in traded instruments
 - Not a PE/VC/RE fund
- *Note: there is only a small handful of proper long/short “hedge funds” managed/advised from Russia who hedge/short and attempt to reduce volatility of performance*
- *Note: the source for almost all of the data to follow is the Investment Managers / Investment Advisors themselves; some data is from independent sources such as Bloomberg and general internet search*

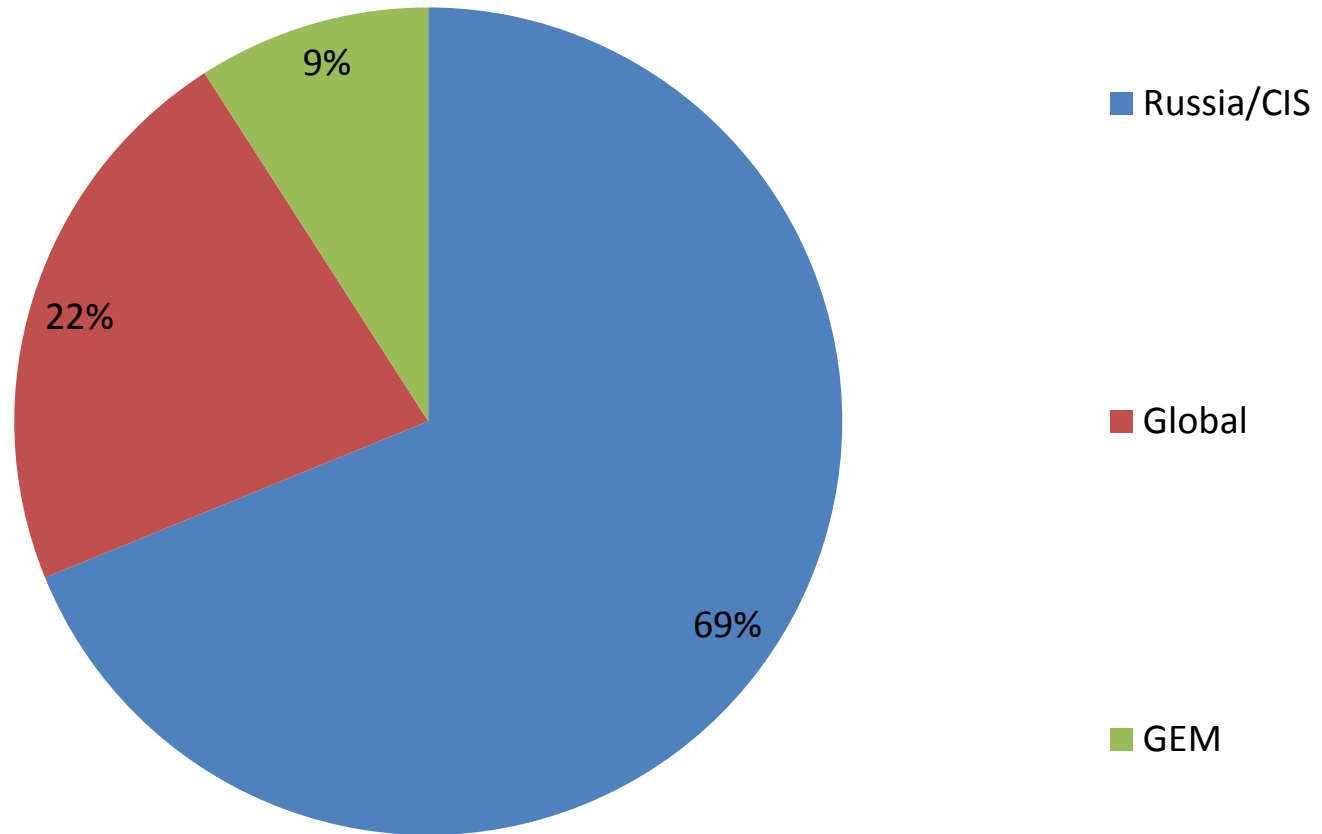
...Historical NET Growth in Funds...

[Note: funds counted below only those with full available data]



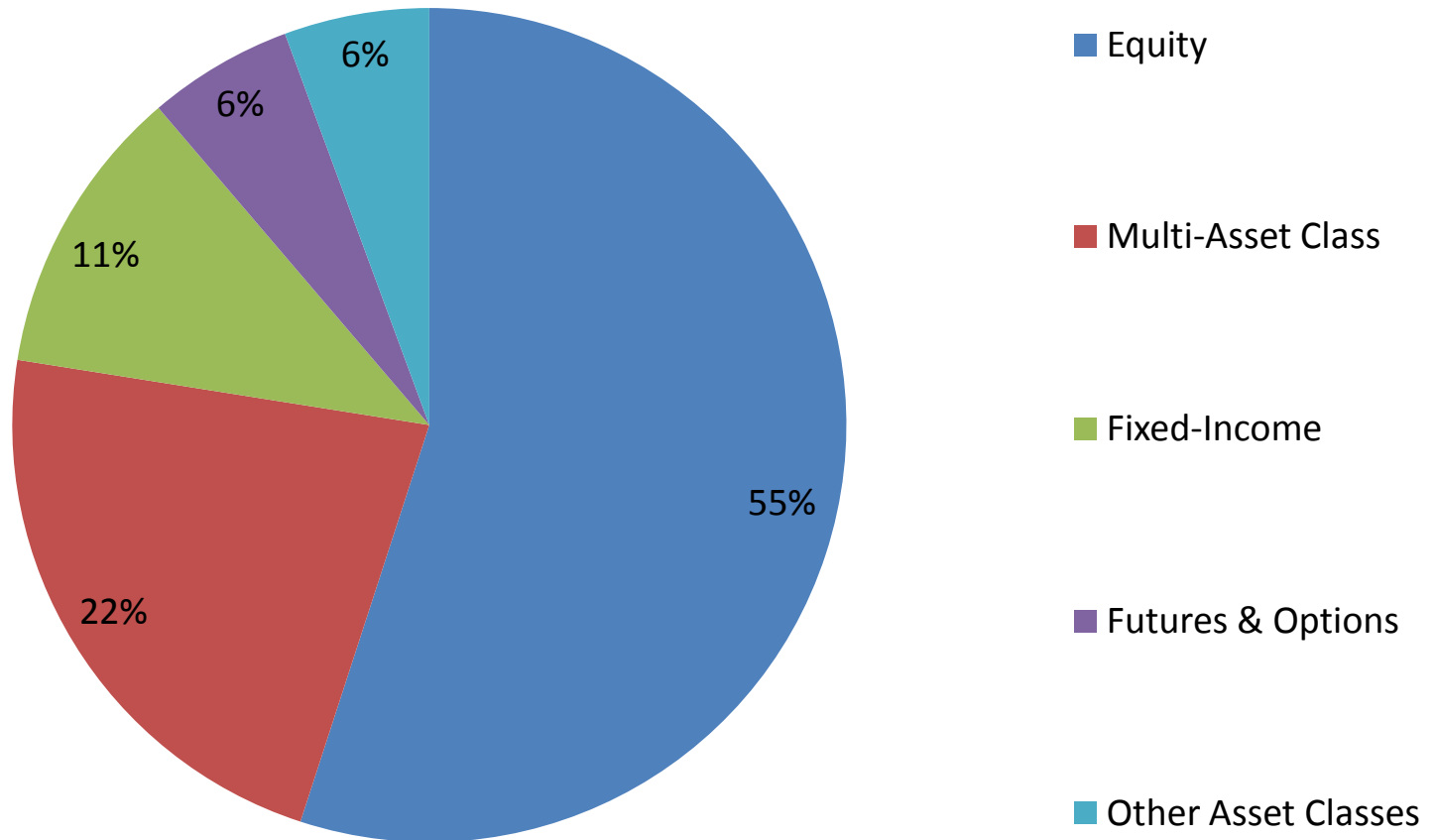
...By Core Geographic Investment Focus...

[Note: Global also means other markets; not Russia/CIS and not GEM]



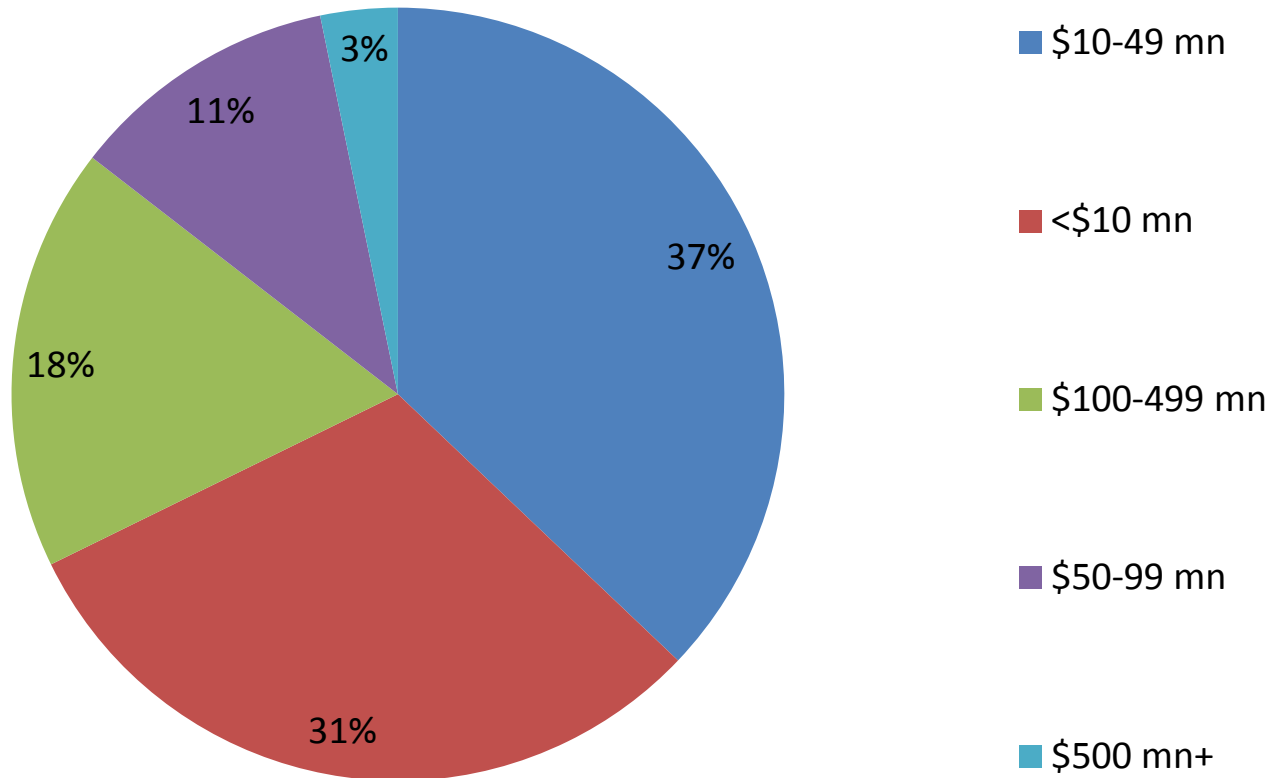
...By Core Asset Class...

[Note: other = mainly Funds of Funds, physical commodities, FX]



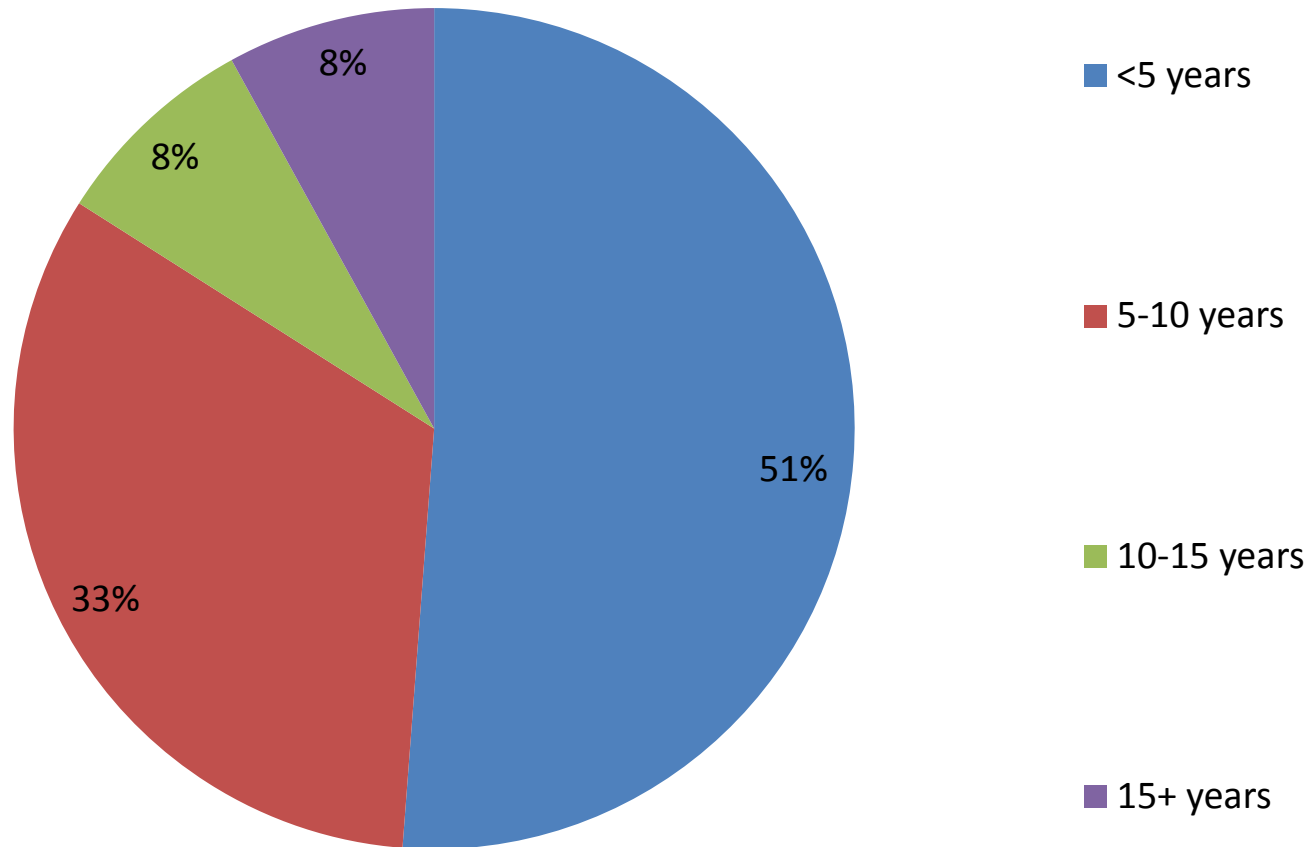
...By Size of Fund (NAV)...

[Note: total estimated size of the universe: \$4.5 – \$5.0 bn]



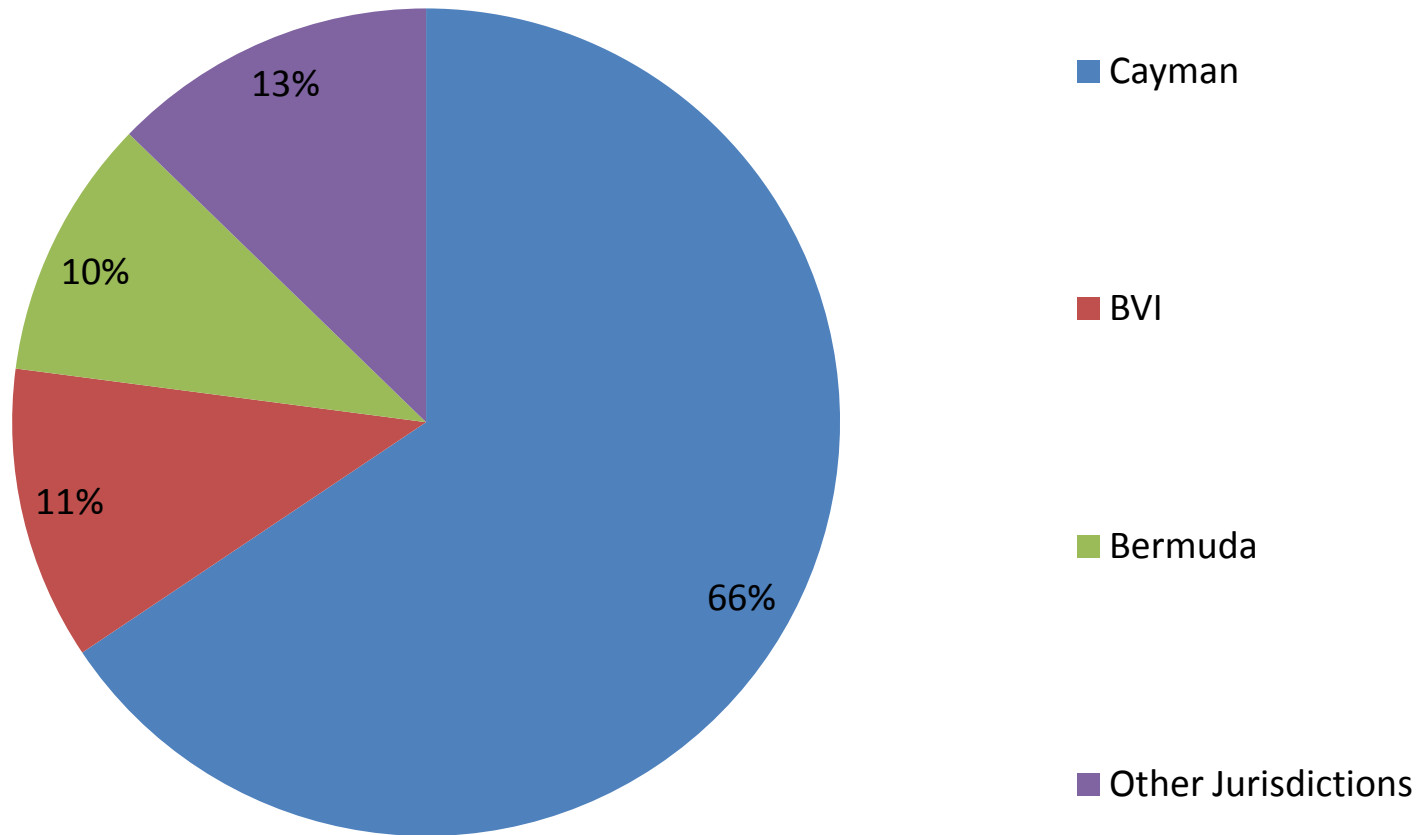
...By Length of Track Record...

[Note: shut down funds also counted, by final length of track record]

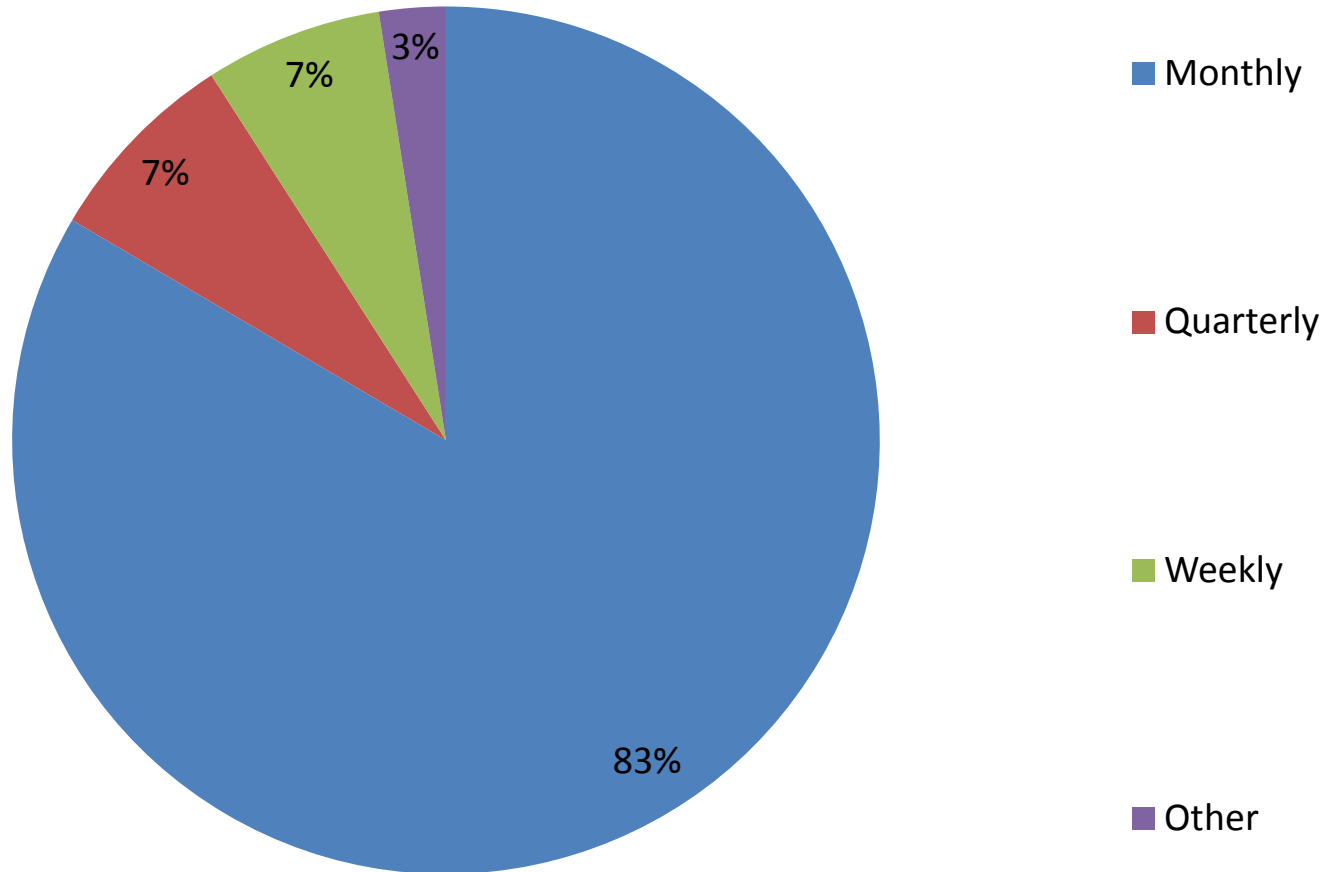


...By Jurisdiction of Incorporation...

[Note: Other includes: Luxembourg, Channel Islands, Bahamas, Ireland]



...By Selection of NAV Cycle...



...By Selection of Law Firm(s)...

[Note: Double-count in database as often multiple law firms used]

- Leading Law Firms (market share >5%)
 - Akin Gump
 - Campbells
 - Debevoise & Plimpton
 - EHP
 - Maples & Calder
 - Ogier
 - Walkers

...By Selection of Broker/Custodian...

[Note: Double-count in database as often multiple brokers used]

- Leading Prime Brokers (market share >5%)
 - Bank of America-Merrill Lynch
 - Citi
 - Credit Suisse
 - Deutsche Bank
 - InterActive Brokers
 - Renaissance Capital

...By Selection of Fund Administrator...

[Note: Only four firms have over 5% market share; together over 50%]

- Leading Administrators (market share >5%)
 - APEX Fund Services
 - Citi *
 - Custom House
 - Maples Finance

* Citi is one of the so-called “Big Six” fund administrators

...By Selection of Audit Firm...

[Note: despite small size of funds, “Big-4” hold over 75% market share]

- Leading Audit Firms (market hare >5%)
 - Baker Tilly
 - BDO
 - Deloitte
 - E&Y
 - KPMG
 - PwC

...By Fund Fee Structure...

[Note: traditional “2%/20%” model also under pressure in Russia]

	<u>Low</u>	<u>High</u>	<u>Average</u>
Management Fee *	0,0%	4,0%	1,7%
Performance Fee	0,0%	50,0%	18,6%
Hurdle Rate **	0,0%	20,0%	2,1%

* *highest value a case where IM pays all fees*

** *also: FedFunds; US\$LIBOR; US\$LIBOR+50bp; RTS Index*

...By 2014 Performance Landscape...

[hedge funds of all geographic focuses and all asset classes]

		"Russian" Off-Shore "Hedge Funds" in 2014						
		1-Year Return	1-Year Volatility	SHARP Ratio (rfr=0)	Historical Annualized Return	Historical Annualized Volatility	SHARP Ratio (rfr=0)	Length of Track Record (Yrs)
	Top Russian Fund	42,1%	29,8%	1,41	-25,9%	34,0%	-0,76	3,00
	Top 20% Russian Funds (Average)	13,3%	16,4%	0,81	6,5%	17,5%	0,37	2,00
	"Cut-Off" Fund (worst of the best)	2,4%	14,5%	0,17	-3,0%	12,1%	-0,25	1,50
	Arithmetic Average	-20,0%	20,3%	-0,99	-2,5%	22,4%	-0,11	5,47
	"Cut-Off" Fund (best of the worst)	-43,2%	29,4%	-1,47	-17,9%	22,6%	-0,79	2,50
	Bottom 20% Russian Funds (Average)	-53,8%	36,5%	-1,48	-14,1%	34,9%	-0,40	6,92
	Bottom Russian Fund	-80,8%	61,9%	-1,31	-42,8%	45,3%	-0,94	2,50
	HFRI Fund Weighted Composite Index	3,6%	3,2%	1,12				
	HFRI Equity Hedge (Total) Index	2,3%	4,6%	0,49				
	HFRI Emerging Markets (Total) Index	-2,3%	5,6%	-0,42				
	HFRI EM: Russia & Eastern Europe Index	-24,9%	12,5%	-1,99				

...Breaking Down “Investability” ...

[To Whom Might You Give Your Money?]

Threshold #1: Absolute Performance

...only 26 funds have a positive historical annualized return

Threshold #2: Relative Performance

...of these 17 funds have out-performed the HFRI Fund Weighted Composite Index (3-7% p.a.)

Threshold #3: Risk-Adjusted Performance

...of these only 6 funds have a historical SHARP¹ above 1.0x

Threshold #4: Experience/Longevity

...of these only 1 fund has a track record of at least 3 years

¹ rfr=0%