

Citadele Russian Equity Fund

Fund statement as of 31 December 2011

Investment Objective

The fund seeks a high level of capital growth by investing in a selected list of Russian companies equities exhibiting the highest growth potential, but which are currently undervalued. The fund is a diversified array of the most liquid equity holdings representing primarily the oil, gas, energy and telecommunications sectors. The fund's return is a combination of stock value growth and dividend payoffs. In line with the overall Russian equity market growth, the fund is allowed to invest in regional companies, as well as construction, metallurgy, and transportation sectors of the Russian economy.

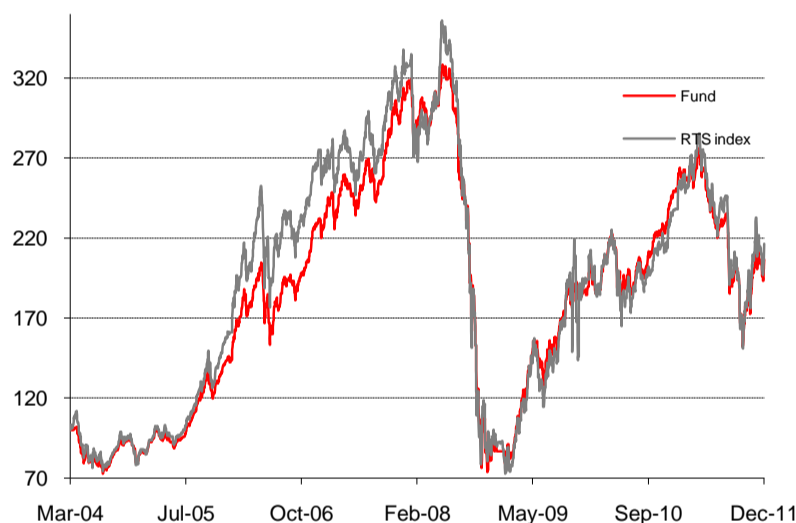
Portfolio Manager's comments for December

Russian equities fell significantly during December as a reaction to widespread public protests against parliamentary elections' results. Media reports about unrests with increased security presence in capital and other major cities created an impression that there are attempts from the opposition in Russia to practice a scenario similar to Arab Spring events, and that the election outcome may embody the start of a period of significant changes in Russia together with social instability and escalated political uncertainty. These fears were among the reasons for the 10.8% decline in the RTS Index. Ruble also weakened noticeably versus the dollar-euro basket (-2.7%) as capital outflow intensified for the same political reasons. According to EPFR data, during December there was about USD 370mn outflow from Russia-dedicated funds, while the global Emerging Markets universe's outflow was approx. USD 175mn during the same period.

The Fund's unit price declined by 8.8% in December, outperforming the RTS index, due to the successful stock selection within the Fund's portfolio in Energy, Materials and Financial sectors. The main laggards were Consumer sector, as well as Industrials shares. On the other side, the Fund benefited mostly from the Energy, Telecoms and Healthcare sectors. Positive contribution came also from the tactical trades with Evraz and Sberbank, where the Fund benefited from the escalated volatility of those share prices. We also added Rostelecom, Rushydro and Polymetal GDRs in the Fund. Overall, the Fund had a trade turnover of about 9.5% of its net asset value, which corresponds to the high level of market turbulence and is in line with our active management strategy. The other part was retained in the form of cash, standing at 4.4 % by the end of the reporting month as we decreased cash exposure in order to be ready for the possible New Year's rally.

| | |
|-------------------------------------|---|
| Date of inception | 17/03/2004 |
| Legal Status | UCITS III Latvia domiciled |
| Base currency | USD |
| Fund size | USD 8.53 mln |
| Minimum Subscription | 1 investment certificate |
| NAV | 19.22 |
| Number of Holdings | 48 |
| Load fee | up to 2.5% |
| Management fee | 2.00% p.a. |
| Benchmark | RTSI\$ (USD) |
| ISIN code | LV0000400190 |
| Riga Stock Exchange, Bloomberg code | PXSPKAFR, PARRUEQ LR |
| VALOR number | 2390580 |
| Issue/Redemption | Daily |
| Distribution Dividends | Reinvested |
| Morningstar Rating | http://quote.morningstar.com/fund/f.aspx?t=LV0000400190&region=CHE |

Indexed performance since inception vs. Benchmark



| Ratios | 1 year | 3 years | 5 years |
|----------------------|--------|---------|---------|
| Volatility | 26.94% | 32.22% | 38.40% |
| Alpha | -0.96% | 0.38% | 0.10% |
| Daily Tracking Error | 15.42% | 18.82% | 30.36% |
| Sharpe Ratio* | -1.02 | 0.93 | -0.15 |
| Information Ratio | -0.33 | 0.03 | 0.09 |
| Max Drawdown** | 25.24% | 25.24% | 58.64% |

* Risk free rate: 3M LIBOR USD

** Max Drawdown is calculated as the max drop of 30D roll return

Top 10 Holdings

| Company | Weight |
|----------------|---------------|
| Transneft | 5.30% |
| Evraz Group | 4.99% |
| Lukoil | 4.98% |
| Sberbank | 4.88% |
| Surgutneftegaz | 4.75% |
| TNK | 4.41% |
| Rostelecom | 3.97% |
| Gazprom | 3.75% |
| Rosneft Oil | 3.36% |
| Polymetal | 3.02% |
| TOTAL: | 43.41% |

Performance as at 31/12/2011

| Period | Performance |
|----------------------------|-------------|
| YTD | -27.11% |
| 1 month | -8.82% |
| 3 months | 0.95% |
| 6 months | -26.33% |
| 1 year | -27.11% |
| 3 years annualised | 30.44% |
| 5 years annualised | -3.69% |
| Since inception | 92.20% |
| Since Inception annualised | 8.75% |

Calendar Year Performance

| Year | Performance |
|---------|-------------|
| 2004*** | -14.16% |
| 2005 | 65.39% |
| 2006 | 62.92% |
| 2007 | 36.90% |
| 2008 | -72.73% |
| 2009 | 125.40% |
| 2010 | 35.09% |

*** - From 17/03/04

Portfolio Composition



Sector Breakdown

