



## Monthly Letter to Investors – March 2013

This month we begin our Letter to Investors with an unusual announcement. Thanks to the Fund’s facilitation of secondary market trading in MF Global claims in 2011 and 2012 (with many Moscow-based claimants), the Investment Advisor became acquainted with a number of investment banks and hedge funds and their “special situations” trading desks dealing with distressed assets – from New York to London to Singapore and elsewhere globally. When Cyprus made its shocking announcements in mid-March 2013, the first call which all these banks and hedge funds made was to Diamond Age in Moscow, as they knew that the vast majority of “frozen funds” in Cyprus are of Russian origin (even if re-cycled via other offshore entities).

International Business Partners and Terms		Historical Performance									
<i>Investment Advisor</i>	<i>Diamond Age Capital Advisors Ltd.</i>		<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
<i>Administrator</i>	<i>CIBC Bank and Trust Co. (Cayman) Ltd.</i>	<b>Jan</b>	-	13.67%	1.29%	-10.44%	-11.34%	-0.79%	0.50%	20.43%	12.19%
<i>Russian Custodian</i>	<i>Citigroup – ZAO Citibank (Russia)</i>	<b>Feb</b>	2.24%	2.73%	5.70%	2.75%	-11.37%	0.03%	-3.09%	2.83%	<b>-4.34%</b>
<i>Auditors</i>	<i>Deloitte – Cayman Islands</i>	<b>Mar</b>	-0.27%	4.05%	-0.29%	-3.48%	20.53%	11.16%	1.30%	-3.75%	<b>-13.84%</b>
<i>Tax Consultants</i>	<i>Ernst &amp; Young – Russia and Cyprus</i>	<b>Apr</b>	-2.54%	8.80%	1.88%	3.03%	20.86%	1.02%	2.42%	-3.62%	
<i>Legal Counsel</i>	<i>Campbells – Cayman Islands</i>	<b>May</b>	-0.51%	-3.78%	-0.71%	9.17%	18.71%	-21.49%	-13.14%	-21.98%	
<i>Base Currency</i>	<i>US Dollar</i>	<b>Jun</b>	1.84%	-1.67%	2.88%	-7.02%	-3.28%	-2.00%	-4.88%	0.42%	
<i>Advisory Fee</i>	<i>2% per annum</i>	<b>Jul</b>	7.77%	0.37%	1.75%	-13.09%	3.37%	7.72%	6.17%	0.38%	
<i>Performance Fee</i>	<i>20% of profits above hurdle rate</i>	<b>Aug</b>	8.76%	2.33%	-4.69%	-8.69%	1.93%	-4.96%	-26.65%	-2.52%	
<i>Hurdle Rate</i>	<i>US Dollar 3-month LIBOR + 50 bps</i>	<b>Sep</b>	12.64%	0.01%	5.07%	-10.76%	18.41%	12.14%	-30.60%	2.13%	
<i>Inception Date</i>	<i>18 February 2005 at US\$100 per share</i>	<b>Oct</b>	-6.56%	3.70%	4.99%	-35.75%	10.24%	6.31%	22.32%	-1.85%	
<i>Dealing Day</i>	<i>Friday</i>	<b>Nov</b>	7.49%	5.36%	-2.96%	n/a	3.66%	-0.13%	-22.84%	-1.76%	
<i>Subscriptions</i>	<i>Weekly</i>	<b>Dec</b>	7.33%	9.49%	0.80%	n/a	8.34%	16.66%	4.55%	9.38%	
<i>Redemptions</i>	<i>Monthly, 14-day notice</i>	<b>Year</b>	<b>43.27%</b>	<b>53.70%</b>	<b>16.26%</b>	<b>-57.73%</b>	<b>103.00%</b>	<b>21.92%</b>	<b>-55.48%</b>	<b>-5.12%</b>	<b>-7.53%</b>
<i>Min. Subscription</i>	<i>US\$100,000</i>	<b>NAV Data, Current Asset Allocation</b>									
<i>ISIN</i>	<i>KYG2863P1090</i>	<b>Fund Price (W/Avg), Main Class</b>		<b>Bid \$104.22; Offer \$104.60</b>							
<i>CUSIP</i>	<i>G2863P 10 9</i>	<b>Designated Investment Share Class</b>		<b>\$65.69</b>							
<i>Bloomberg Ticker</i>	<i>DIAMRUS KY &lt;Equity&gt; &lt;Go&gt;</i>	<b>Total Fund Assets (AUM)</b>		<b>\$11,586,207</b>							
		<b>Total Firm AUM</b>		<b>\$228,334,895</b>							
		<b>Long</b>		<b>105.1%</b>							
		<b>Short</b>		<b>0.0%</b>							
		<b>Gross</b>		<b>105.1%</b>							
		<b>Net</b>		<b>105.1%</b>							
		<b>Leverage</b>		<b>5.1%</b>							



Diamond Age thus became arguably the best-informed firm in Moscow as to the location of both supply and demand. Having identified multiple bids across the globe, but having no firm offers, the Investment Advisor distributed an e-mail to a limited number of recipients – recipients which Diamond Age knew are likely to be interested in seeing such bids. This exercise exceeded expectations in the number of confidential callbacks... but has generated few firm offers thus far. However, it also demonstrated that there is a great number of clients willing to consider the alternative route of litigation, even if they are not ready to sell their claims in the secondary market just yet.

Diamond Age Capital Advisors Ltd. has therefore set up a joint venture with a very knowledgeable and experienced lawyer, with whom Slava Rabinovich has closely worked with in the past and has known for 20 years. Our joint venture proposes an alternative route – pooling as many clients as possible to litigate on their behalf, while sharing and significantly reducing legal costs on a pro-rata basis so that even small depositors and account owners can participate with an identical result. This month we are including these announcements with this distribution via a separate PDF attachment and a text below. We encourage all those who are interested (or who know other people who might be interested) to contact us at Diamond Age and speak about it on a strictly confidential basis (as some of you have already done). We hope to assemble a large pool within the next few months, but it should be remembered that for technical reasons the first claim must be filed in the jurisdiction and the court of first instance – Cyprus – in order to continue litigation in Strasbourg etc. The deadline for filing a claim in Cyprus is 75 days after the “event”, and so must proceed before mid-June 2013. Cypriot litigation costs can also be shared, so please come forward on a confidential basis as soon as possible so that Diamond Age can include you or your friends in the pool. Please see further details in the attached PDF file and below. To expedite this transmission, we have not translated the attached PDF file into Russian, but I do encourage those interested in the pool participation to contact me for further details and clarifications – in any of the two languages. If you would like to be included on our “Cyprus distribution list” for further updates on the pool developments, please reply to this e-mail with “Cyprus” in the subject line.

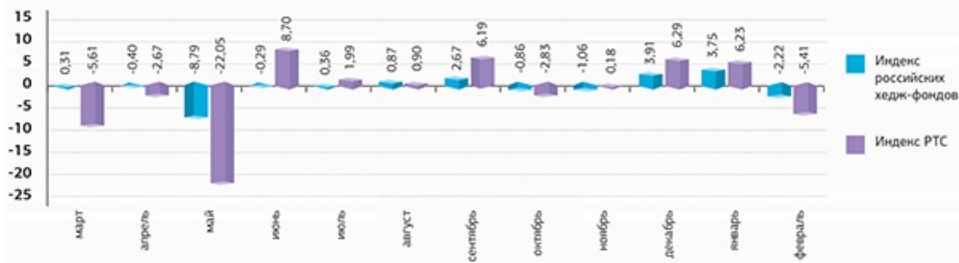
\*\*\*\*\*

In March, the Fund was indirectly but significantly affected by the market storm caused by the unlawful expropriation of investor assets in Cyprus. Although the Fund had never had any bank accounts in Cyprus, the entire Russian and CIS equity market, along with the countries in the MSCI EME Index, went into a tailspin, thus bringing losses to the long part of the Fund’s portfolio. While Diamond Age was rated the number one performing fund in its universe in December 2012 and January 2013, it had to give back some of its gains in March, with a negative performance of 13.84%. This performance was worse than that of the salient indices; however, the December and January outperformance was so massive that the Fund somewhat “made up” for these March losses in the preceding months:

Sector Allocation	
Metals and Mining	20.55%
Financials	20.39%
Conglomerate	9.53%
Agriculture	9.07%
Media	6.01%
Retail	5.48%
Fisheries	4.73%
Industrials	4.46%
Consumer Durables	4.45%
Construction/Infrastructure	3.97%
Telecoms	3.67%
Chemicals	3.13%
Electrical Utilities	2.61%
Foods	1.94%
<b>Total</b>	<b>100%</b>

Geographic Dispersion	
Russia	54.53%
Ukraine	16.71%
South Korea	7.59%
Kazakhstan	5.16%
Thailand	4.73%
Turkey	3.97%
Europe	2.60%
Singapore	2.56%
China	1.37%
Guinea	0.78%
<b>Total</b>	<b>100%</b>

**ДИНАМИКА ИНДЕКСА ХЕДЖ-ФОНДОВ И РТС ЗА 12 МЕСЯЦЕВ, %**



**ЛУЧШИЕ ФОНДЫ ФЕВРАЛЯ**

Тикер в Bloomberg	Название фонда	Меслчная доходность, %
ARBATFI	ARBAT GLOBAL ED-FIXED INCOME	1.75
MOCTFND	MOCT FUND LTD	1.05
UFGCROP	UFG CREDIT OPPORTUNITIE-PNVA	0.30

**ХУДШИЕ ФОНДЫ ФЕВРАЛЯ**

Тикер в Bloomberg	Название фонда	Меслчная доходность, %
INVRUGR	INVENTUM RUSSIA ACCEL GROWTH	-7.98
WERLQEE	WERMUTH LEV QUANT EST EUR IC	-7.32
JPIVPMMA	INVESTPROFIT MULTIPRODUCT SP	-6.91

**ЛУЧШИЕ ФОНДЫ ЯНВАРЯ**

Тикер в Bloomberg	Название фонда	Меслчная доходность, %
DIAMRUS	DIAMOND AGE RUSSIA FUND LTD	12.80
INVABRT	INVENTUM ABSOLUTE RETURN ED	11.33
ARBRUSB	ARBIC RUSSIA FUND-B	9.72

**ХУДШИЕ ФОНДЫ ЯНВАРЯ**

Тикер в Bloomberg	Название фонда	Меслчная доходность, %
GRANAEQ	GRANAT EQUITY FUND	-6.60
JPIVPMMA	INVESTPROFIT MULTIPRODUCT SP	-4.67
UFGCROP	UFG CREDIT OPPORTUNITIE-PNVA	-2.40

But each crisis, including the mini-crisis in Cyprus, presents an opportunity, even in the less than rosy global picture. It is a chance to pick up some very cheap good quality stocks for the longer term. In the near term stories such as Agroton in Ukraine can be shorted, technical reasons permitting (liquidity, ability to borrow stock, etc.). The Fund hasn't been able to execute on this short trade in this name, but isn't it a classic? The Cyprus-related crash (due to some of the company's cash assets being frozen in the Bank of Cyprus) caused a drop of circa 90% in its share price, on top of almost minus 50% in 2012:



The Investment Advisor will use the upcoming May holidays in Russia to reflect on the past two years and try to assemble a top ten list of reasons to buy Russia now, and make a lot of money in the next 24 months. The list will be made available in the April Letter to Investors, due to be published in mid-May.

**Disclaimer:** This material is for information purposes only and does not constitute an offer to sell, nor a solicitation of an offer to buy shares in the Diamond Age Russia Fund (the "Fund") in any jurisdiction to any person to whom it is unlawful to make such an offer or sale. Subscriptions will only be received and shares issued on the basis of the current Offering Memorandum for the Fund, and prospective investors should carefully consider the extensive risk warnings and disclosures for the Fund set out therein. Investors should also consider any other factors that may be relevant to their circumstances, including tax considerations, before making an investment. An investment in the Fund is speculative and is not intended as a complete investment program.

© 2013 Diamond Age Capital Advisors Limited. All rights reserved. No part of this material may be reproduced or transmitted in any form or by any means – electronic, mechanical, electro-optical or otherwise – without the prior written permission of the copyright holder for which written application should be made.