DIAMOND AGE RUSSIA FUND

Monthly Letter to Investors – September 2011

"Let's Worry About Everything" – the title of a report to clients, Jim O'Neill, chairman of Goldman Sachs Asset Management.

The large sell off which ended September "felt rather surreal to me, as much of the economic data and comments from companies have been rather benign," wrote Jim O'Neill, chairman of Goldman Sachs Asset Management and a long-time global analyst who coined the term 'BRIC' to describe the major emerging markets. "And yet, markets continued to explore the grimmer angles."

International Business Partners and Terms

Investment Advisor	*Diamond Age Capital Advisors Ltd.*
Administrator	*CIBC Bank and Trust Co. (Cayman) Ltd.*
Russian Custodian	*CitiGroup – ZAO Citibank (Russia)*
Auditors	*Deloitte & Touche – Cayman Islands*
Tax Consultants	*Ernst & Young – Russia and Cyprus*
Legal Counsel	*Campbells – Cayman Islands*
Base Currency	*US Dollar*
Hurdle Rate	*US Dollar 3-month LIBOR + 50 bps*
Inception Date	*18 February 2005 at US$100 per share*
Dealing Day	*Friday*
Min. Subscription	*US$100,000*
Bloomberg Ticker	*DIAMRUS KY <Equity> <Go>*

Current Asset Allocation

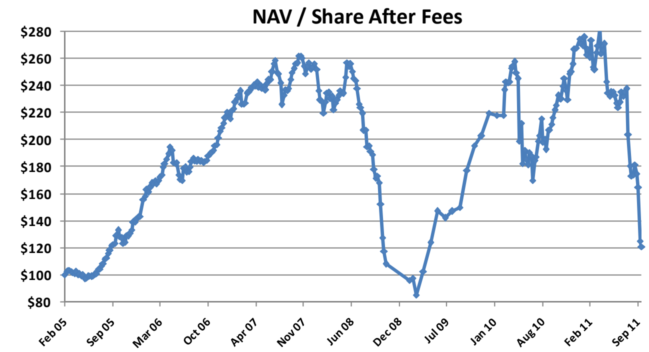
Asset Class	*Long*	*Short*	*Gross*	*Net*
Equities	127.6%	3.6%	131.2%	124.0%
Bonds	0.0%	0.0%	0.0%	0.0%
Commodities	56.5%	10.6%	67.1%	46.0%
FX	0.0%	0.0%	0.0%	0.0%
Total All	**184.1%**	**14.2%**	**198.3%**	**170.0%**
Leverage	**98.3%**			

Historical Performance

	2005	2006	2007	2008	2009	2010	2011
Jan	-	13.67%	1.29%	-10.44%	-11.34%	-0.79%	0.50%
Feb	2.24%	2.73%	5.70%	2.75%	-11.37%	0.03%	-3.09%
Mar	-0.27%	4.05%	-0.29%	-3.48%	20.53%	11.16%	1.30%
Apr	-2.54%	8.80%	1.88%	3.03%	20.86%	1.02%	2.42%
May	-0.51%	-3.78%	-0.71%	9.17%	18.71%	-21.49%	-13.14%
Jun	1.84%	-1.67%	2.88%	-7.02%	-3.28%	-2.00%	-4.88%
Jul	7.77%	0.37%	1.75%	-13.09%	3.37%	7.72%	6.17%
Aug	8.76%	2.33%	-4.69%	-8.69%	1.93%	-4.96%	-26.65%
Sep	12.64%	0.01%	5.07%	-10.76%	18.41%	12.14%	**-30.60%**
Oct	-6.56%	3.70%	4.99%	-35.75%	10.24%	6.31%	
Nov	7.49%	5.36%	-2.96%	n/a	3.66%	-0.13%	
Dec	7.33%	9.49%	0.80%	n/a	8.34%	16.66%	
Year	**43.27%**	**53.70%**	**16.26%**	**-57.73%**	**103.00%**	**21.92%**	**-54.88%**

NAV Data

Fund Price (W/Avg), Main Class	Bid $119.37; Offer $120.82
Designated Investment Share Class	$64.93
Total Assets (AUM)	$15,378,818



DIAMOND AGE
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In September, the Fund suffered one of its worst monthly drawdowns since inception, declining by 30.60%, thus contributing to the year-to-date performance of negative 54.88%. While at the time of this distribution the Fund had amassed double-digit gains for October-to-date and is recovering, the Investment Advisor believes that the Fund's performance in 2011 so far has been unacceptable, irrespective of the global environment. Likewise, the Investment Advisor and the Fund would like to apologize to all Diamond Age investors for such a performance. The Investment Advisor vows to work towards a rapid recovery and returning the Fund to its historic profitability.

What happened? The Fund simply had too much "Risk On" in its portfolio and too little "Risk Off". Diamond Age has provided a detailed analysis of August's investment failures in its August Letter to Investors, and while the Fund reversed some of the trades at losses then, it still remained largely biased to the "Risk On" strategy at the end of August and going into September. The financial panic which engulfed the globe in September caused further losses, but the Investment Advisor took the view that barring forced trade reversals (which proved unnecessary), it was best to do nothing while this panic reached its peak, since the Fund's portfolio was largely the precise portfolio which the Investment Advisor would have recommended for the rebound.

Sector Allocation	
Commodities	33.85%
Financials	15.78%
Metals and Mining	13.94%
Real Estate	7.34%
Agriculture	6.24%
Gas Utilities	4.95%
Coal	3.94%
Construction/Infrastructure	3.31%
Conglomerate	3.25%
Retail	1.81%
Media	1.75%
Transportation	1.73%
Fisheries	1.70%
Industrials	0.41%
Total	**100%**

The problem during such periods, of course, is that it is never possible to know for sure when the bottom is reached. At the same time, valuations of global equities reached incredibly low levels – valuations last seen during the February – March 2008 market bottom.

These valuations did not make any sense to the Investment Advisor and were merely the result of a temporary financial panic. However, such times from a historical perspective obviously offer very profitable opportunities.

What measures have been taken by the Fund and the Investment Advisor to make sure that the Fund does not sustain such losses in the future and start producing more stable, less volatile returns?

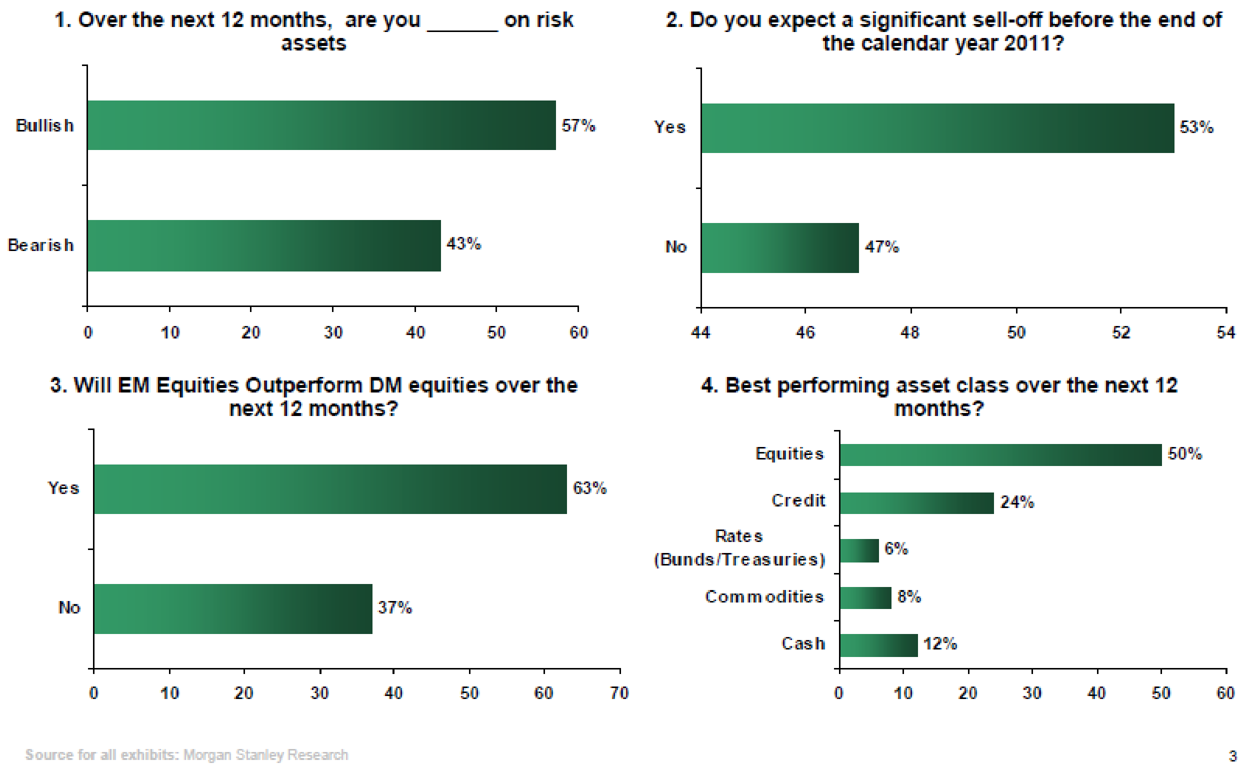
First of all, the Investment Advisor has internally adopted a set of tighter investment restrictions, compared to those described in the Private Placement Memorandum (Prospectus) of the Fund, including lower levels of leverage.

Second, long-term investment objectives pursuing one or more global-macro themes will from now on be weighted no higher than short- to medium-term investment objectives based on identifying price appreciation or depreciation with the same horizon (short- to medium-term) price movement drivers.

Third, the Investment Advisor has identified and received access to much better "flow of funds" information which goes beyond the pure sales desks of investment banks, but which is deeper and wider in scope thanks to a wide range of partners with whom Diamond Age is now working, while identifying investment opportunities around the globe. Of course, such "flow of funds" criteria do not, in any way, replace or conflict with the organic in-house proprietary fundamental research which the Investment Advisor is proud of and which – until the last two months – produced one of the best track records for the Fund since inception, in its space. Diamond Age's in-house proprietary research is thus now complemented by a stronger "in the know" flow of information, which the Investment Advisor is continuously improving and expanding, for the benefit of the Fund investors.

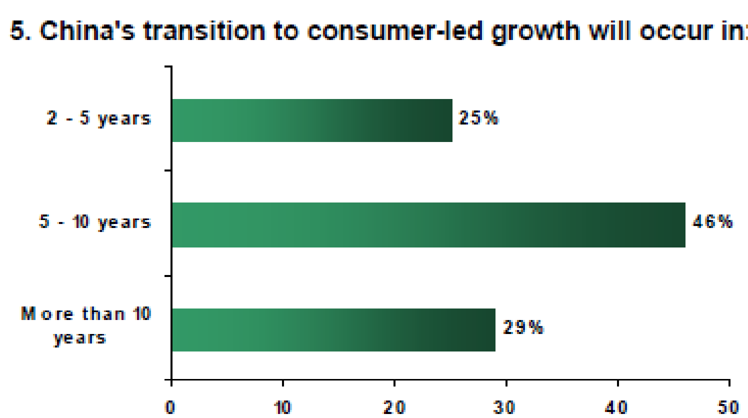
"Is it about the destination or is it about the journey?" The Fund's investors – as the Investment Advisor knows very well – care about both, so the Fund is working towards lowering volatility and making monthly returns more stable.

So, what is the best asset class to be in, for the next 12 months, after the August and September global financial crash? On September 30th Morgan Stanley held their annual Global Economic and Strategy Morning at their London office for over 200 of their institutional investors. They conducted a poll of these investors, and here are several main findings:



The view of the Investment Advisor is slightly different but also constructive. Diamond Age agrees with equities probably being the best performing asset class over the next 12 months. However, concurring with Jim Rogers, credit and rates are something which might become toxic, as an asset class, once emerging market inflation filters into developed markets over the next 12 to 18 months. Hence Diamond Age believes that commodities are likely to be the second-best asset class during this time horizon.

An interesting result from this poll is about China:



The Investment Advisor belongs to the first group above, i.e. that the China's transition to consumer-led growth will occur sooner rather than later. And to support this view, Diamond Age would like to share some of the insight which it obtained by studying China's "Five-year Plan", which it announced on March 14th, 2011.

China has already become, and will remain for the foreseeable future, the most important customer on earth. Diamond Age would therefore like to invest in companies, including those in Russia and the Former Soviet Union countries, whose products China wants to buy. So, what are the highlights from this “Five-year Plan”?

During the next five years China will create 45 million jobs – more than all of Europe created in the last 50 years.

During the next five years, China will construct 1 million km of highways, 445,000 km of local roads, 516,000 km of roads in provinces, 34,000 km of 6-lane motorways and 45,000 km of high-speed railroads.

During the next five years, all Chinese cities with population of 500,000 people and above will be linked by high-speed railroads, and cities with population of 200,000 people and above – with highways.

Geographic Dispersion	
United States	30.51%
Russia	28.45%
Kazakhstan	9.07%
Georgia	4.96%
Ukraine	4.58%
Philippines	3.63%
United Kingdom	3.34%
Singapore	3.25%
Hungary	3.16%
Guinea	2.75%
Turkey	2.56%
Thailand	1.70%
China	0.80%
Finland	0.75%
Sweden	0.49%
Total	**100%**

During the next five years, China will construct 55 civil airports, 440 sea port terminals for deep-water vessels, and will complete hundreds of other regional infrastructure projects.

During the next five years, Chinese industrial production is forecast to grow at 14.5% per annum.

During the next five years, China’s state financing of R&D will be at 2.2% of GDP.

During the next five years, China will construct 36 million apartments and homes (almost 3 billion square meters of housing).

Currently and during the next five years, China maintains and will maintain a lower state share in the economy than that in Russia.

Currently and during the next five years, foreign investment in China is and will be a multiple of that in Russia. One unusual example: Domaines Barons de Rothschild (Lafite) is capitalizing on their huge success of wine distribution in China and is planting 25 hectares of grapes (cabernet and shiraz) south of Beijing (Shandong province).

Russia and other countries of the Former Soviet Union are on China’s doorstep. Russia and other countries need to mobilize and sell to China everything that China wants to buy (excluding geo-political issues, such as land, of course).

That’s why Diamond Age is searching the globe, including Russia and the former Soviet countries, for the companies which stand to benefit from this Russia – China trade, which can only increase in the next decade.

“When you get it right – no one remembers – when wrong, not one forgets!” – this saying although true, does not deter the Investment Advisor from working hard and getting it right!