

**Annual report including audited financial statements  
as at 31st December 2023**

# **KALTCHUGA FUND**

Société d'Investissement à Capital Variable  
Luxembourg

R.C.S. Luxembourg B123323

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No subscription can be received on the basis of this financial report. Subscriptions are only valid if made on the basis of the current prospectus and the key information documents ("KID") supplemented by the latest annual report and the most recent semi-annual report, if published thereafter.

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**KALTCHUGA FUND**

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# KALTCHUGA FUND

## Organisation

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### Registered office

2, Rue d'Alsace  
L-1122 LUXEMBOURG  
(since 1st August 2023)

88, Grand-Rue  
L-1660 LUXEMBOURG  
(until 31st July 2023)

### Board of Directors

#### Chairman

Kim MÜLLER  
Analyst and Chief Investment Officer  
PLEION S.A.  
12, Rue François Bonivard  
CH-1201 GENEVA

#### Directors

Jean-Marie BILLIOTTE  
Director  
26-28, Rue Edward Steichen  
L-2540 LUXEMBOURG

Usman BASHARAT  
Office 1101 South Tower  
Emirates Financial Towers  
Dubai International Financial Centre  
Dubai  
United Arab Emirates 9519

### Management Company

LEMANIK ASSET MANAGEMENT S.A.  
106, Route d'Arlon  
L-8210 MAMER

### Board of Directors of the Management Company

#### Chairman

Gianluigi SAGRAMOSO  
LEMANIK INVEST S.A.  
5, Via Bagutti  
CH-6900 LUGANO

#### Directors

Philippe MELONI  
LEMANIK ASSET MANAGEMENT S.A.  
106, Route d'Arlon  
L-8210 MAMER

Carlo SAGRAMOSO  
LEMANIK INVEST S.A.  
5, Via Bagutti  
CH-6900 LUGANO

## KALTCHUGA FUND

### Organisation (continued)

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**Conducting officers  
of the Management Company**

Jean-Philippe CLAESSENS  
Alexandre DUMONT  
Philippe MELONI (until 10 November 2023)  
Armelle MOULIN  
Gilles ROLAND  
Rachel KEIP (since 10 November 2023)  
Cédric COUDRON (since 10 November 2023)

**Investment Manager**

PROBUS MIDDLE EAST LIMITED  
Emirates Financial Towers, South Tower, Office 1101,  
DIFC, Dubai  
United Arab Emirates

**Depository and Paying Agent**

QUINTET PRIVATE BANK (EUROPE) S.A.  
43, Boulevard Royal  
L-2955 LUXEMBOURG

**Administrative, domiciliary  
and registrar agent**

UI efa S.A.  
2, Rue d'Alsace  
L-1122 LUXEMBOURG  
(since 1st August 2023)

KREDIETRUST LUXEMBOURG S.A.  
88, Grand-Rue  
L-1660 LUXEMBOURG  
(until 31st July 2023)

**Independent auditor**

ERNST & YOUNG  
Société Anonyme  
35E, Avenue John F. Kennedy  
L-1855 LUXEMBOURG

**Centralising correspondent  
and agent in France**

SOCIÉTÉ GÉNÉRALE  
28, Boulevard Haussman  
F-75009 PARIS

**Representative agent in Switzerland**

CARNEGIE FUND SERVICES S.A.  
11, Rue du Général-Dufour  
CH-1204 GENEVA

**Paying agent in Switzerland**

BANQUE CANTONALE DE GENEVE  
17, Quai de l'Île  
CH-1204 GENEVA

# KALTCHUGA FUND

## Additional information for Investors in Switzerland

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### **1. Representative in Switzerland**

The representative for the SICAV (the « Representative ») in Switzerland is CARNEGIE FUND SERVICES S.A., 11, Rue du Général-Dufour, CH-1204 GENEVA.

### **2. Paying Agent in Switzerland**

The paying agent for the SICAV in Switzerland is BANQUE CANTONALE DE GENÈVE, 17, Quai de l'Île, CH-1204 GENEVA.

### **3. Location where the relevant documents may be obtained**

The prospectus, the key information document, the articles of association, the annual and semi-annual reports of the SICAV as well as the statement of purchases and sales may be obtained free of charge from the representative in Switzerland.

### **4. Publications**

Publications concerning the foreign collective investment scheme are made in Switzerland on [www.fundinfo.com](http://www.fundinfo.com).

Each time shares are issued or redeemed, the issue and the redemption prices or the net asset value together with a reference stating "excluding commissions" must be published for all share classes on [www.fundinfo.com](http://www.fundinfo.com). Prices must be published daily.

## KALTCHUGA FUND

### Report on activities of the Board of Directors

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The main event on the Russian market in 2023 was the continuation of Russia's war on Ukraine and of Western economies' efforts to isolate the Russian market by applying more and more sanctions.

As a consequence, there remains a material uncertainty over the long-term future of our fund due to the war. International asset managers, hedge funds like Kaltchuga and pensions plans still have about 90b\$ in equities stuck in Russian "S-type" special depository accounts with the NSD (National Settlement Depository). The investment advisor PMEL has taken steps to retrench the business, including closing down the Moscow research office, but it remains committed to work hard to recover value for existing investors.

Meanwhile, Russia's Central Bank estimated that assets worth 5.7tR (c60b\$) held by Russian investors were blocked by Clearstream and Euroclear, of which, according to the Ministry of Finance, 1.5tR (c16b\$) belong to more than 3.5 million physical persons. A solution for unlocking this stalemate situation may start to build up after Putin signed an executive order on November 8 laying out a preliminary scheme that would allow Russian investors to "exchange" their frozen assets abroad with the frozen assets of foreign investors in Russia. The mechanism was designed during the summer by the Central Bank and the government, which drafted a decree to unlock some of the foreign assets held by Russians in exchange for domestic securities.

Putin's decree and the subsequent procedure established by the Central Bank of Russia in December 2023 state that deals with foreigners will be concluded via "bidding". Transit accounts will be credited with foreign securities that non-residents will buy from Russians with money they hold in their "S-type" accounts and will be opened in the name of non-resident buyers in Russian depositories. Market makers, such as brokers and management companies, will not be allowed to charge Russian investors fees for transactions in foreign securities. The exchange mechanism will initially only pertain to retail investors with an investment threshold of 100kR (c1100\$) per transaction. The method for the determination of the price of the securities still needs to be designed by a governmental commission.

Finance Ministry Anton Siluanov said he hoped to enable the swap of roughly 100bR (about 1.1b\$) in frozen assets. Therefore, at this point, we can only view it as small step in the right direction. However, ongoing sanctions against Russia for its invasion of Ukraine make it uncertain that foreign regulators and international clearing houses (Clearstream, Euroclear) will co-operate with Putin's swap proposal.

#### **Stock market**

In 2023 the Russian market (RTS +14.9%) underperformed developed (MSCI Europe 20.7%, S&P500 +24.3%) but outperformed emerging (MSCI EM -7.0%) markets. The underperformance is justified by the lower oil prices with Brent averaging \$82.5 per bbl in 2023 (-17.3% yoy) and the weakening rouble, down 17.4% in 2023 against the USD. Indeed, in rouble terms, the rouble-denominated MOEX index was up as much as 44.3%.

Despite the hike in the key rate by the Central Bank of Russia from 8.5% to 16.0%, dividends continue to provide a rewarding play on the Russian stock universe. Financial stocks are expected to deliver the most lucrative returns, with Sber ords and prefs (R 31.10 DPS) potentially providing a dividend yield of 13% based on a 50% payout ratio on record 17b\$ profits in 2023. It trades at 0.9x P/BV and 4x P/E 2023F. Moscow Exchange trades at 6x P/E 2023F, with a 36% discount to the 5Y average multiple, and shall generate a 10-13% dividend yield in 2023-24F, based on a 60% payout ratio if 2023E net income meets forecast.

Diamond miner Alrosa recommended a 1H23 DPS of R 3.77, which implies a 4.6% yield (9.2% annualized). Polyus Gold's Board of Directors voted a program to buy back 29.99% of the company's shares.

## KALTCHUGA FUND

### Report on activities of the Board of Directors (continued)

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In the oil & gas sector, Tatneft ords and prefs announced interim dividends (4.8% yield and 9.6% annualized) with a 50% payout ratio. Novatek's Board of Directors recommended an above-consensus 1H23 DPS of R 34.5, which implies a 2.3% yield (4.6% annualized). We estimate that Gazprom 1H23 contribution to the 2023 dividend base at a 50% payout may amount to 314bR, which implies a DPS of R 13.05 and a yield of 7.3%. From Lukoil's limited set of 1H23 IFRS results we derive a sizeable 1H23 DPS of R 504, implying a handsome 7.3% yield (14.6% annualized). Rosneft reported relatively strong 1H23 and 2Q23 IFRS bottom-line performance, translating into a 1H23 DPS of R 30.76, which implies 5.7% interim yield (11.4% annualized). Gazprom Neft 1H23 & 2Q23 IFRS net income also provided for slight dividend upside, which we assume at R 35.6 as part of the 1H23 contribution towards the 9M23 payout, implying a yield of 6%.

A number of companies have postponed dividend payments, though, or failed to make recommendations following the publication of financial results. On 3 October the Board of Phosagro voted not to approve the dividend recommendation of R126 /share for 1H23. Russian steel majors (Severstal, NLMK and Magnitogorsk) have thus far provided no information on plans to resume dividend payments.

The monthly trading volume on the MOEX in shares, DRs and investment fund units rose more than 3.7 times to 3.3tR in August, the highest since February 2022 (to compare with a low of 887bR in August 2022). ADTV was 142bR (August 2022: 39bR). On 4 August 2023, the Moscow Exchange Equity Market hit a record 251bR of daily trading volume since February 2022 (3.3 times higher than this year's ADTV of 76bR).

Russian stocks trade at a 2023E P/E of 3.5x, which is much lower than their 3-year average P/E of 6.2x. The total market cap of the Russian market now amounts to circa 45tR, or less than 30% of Russia's GDP.

### **Economy**

2023 GDP growth of 3.6% more than offset the 2.1% fall in in 2022. It was supported by the low base effect and an unprecedented budget stimulus of 5% of GDP in the war economy. National defence and national security budgets have ballooned in 2023 to respectively 6.41 tln RUB (+37% yoy) and 3.23 tln RUB (+16% yoy). Real disposable income grew by 5.4% as the labour market remains very tight. Steady commodity prices (safe for the Nickel though) also helped to keep export revenues at a high level. Credit increased by 17-20% yoy while the CBR decision to increase its key policy rate to 16% allowed to maintain high preference for savings and assured a 23% yoy increase in retail deposits.

Ending 2023 at 7.4%, a 5-Y high, inflation has been a major concern for the Central Bank which raised again its benchmark rate to 16.0% in December. Worker shortages in the wake of mobilization, when thousands of men were called up to the army or fled abroad, have also put further upwards pressure on prices.



## KALTCHUGA FUND

### Report on activities of the Board of Directors (continued)

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Russian industry has been transformed, with defense sectors now overshadowing civilian industries. The defense sector's enterprises are now operating at full steam and, as a consequence, any surge in demand is likely to force prices to rise because of the sector's inability to increase supply. The military sector is receiving a disproportionately high amount of government spending, and it is also siphoning off labor from the civilian workforce, leading to an abnormally low unemployment rate of 2.9%. Before the war, Russia's unemployment rate typically stood at around 4-5%. The military and public sectors now employ 850,000 more people than in late 2022. The invasion of Ukraine also prompted about 500,000 Russians to emigrate in 2022, driving shortages of qualified specialists and blue-collar workers.

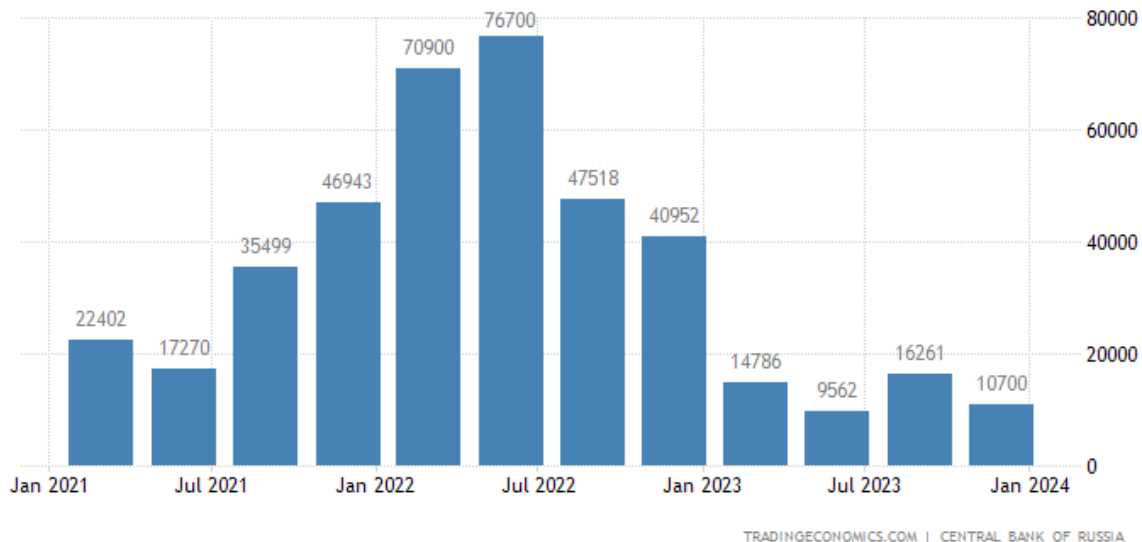
International sanctions have had the unexpected and beneficial effect of insulating Russia from external shocks by cutting it off from international financial markets. But because of the war and the breakdown of relations with the West, Moscow finds itself more dependent on oil than ever. Russian oil and gas revenues amounted to almost 9 tln RUB (98b\$) in 2023 — a level similar to that before the offensive in 2021. The oil and gas industry accounts for 27% of Russia's GDP, bringing in 57% of Russia's export revenues.

Being so much dependent on commodity prices, export, but also import volumes, all being constrained by Western sanctions, Russia's current account has become extremely volatile (fig.1). For example, Russia's current account surplus shrank considerably to 10.7b\$ in the fourth quarter of 2023 from 41.7b\$ in 4Q22, as Western sanctions and oil embargo triggered a collapse in the price and dampened the sales volumes of Russia's key energy and mineral commodities. Goods exports sank by 27% to 105.1b\$. In the meantime, Russia's gradual adaptation to sanctions from the West and the introduction of new supply chains drove imports to recover, dropping by a slower 5% to 77b\$, despite the decline in commodity prices in the period.

# KALTCHUGA FUND

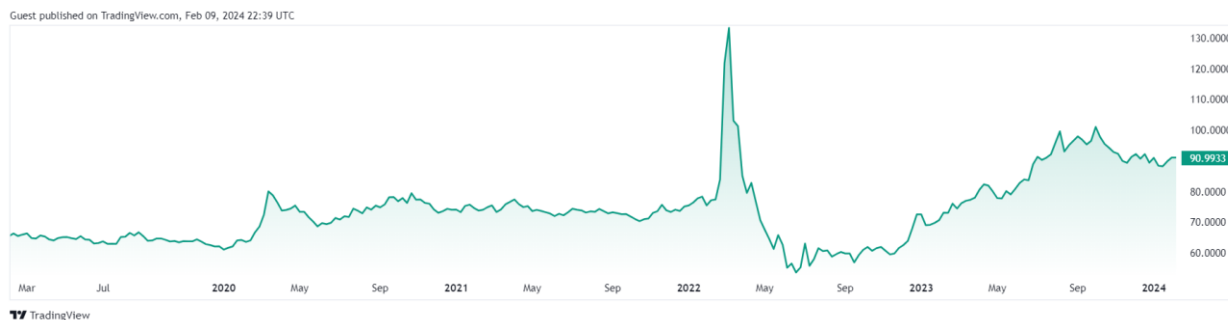
## Report on activities of the Board of Directors (continued)

Fig.1 Russia's Current account in 2021-2023



Volatility in the value of the ruble is further evidence of macroeconomic instability. Since 2022, it has oscillated between 50 and 100 rubles to the dollar (fig.2). This has been caused in large part by Moscow's abandonment of the budget rule under which it bought and sold foreign currency from its National Wealth Fund to make up for shortfalls and surpluses in oil and gas revenues. This rule prevented spending from ramping up but was ended in the aftermath of the invasion of Ukraine. Its abandonment left the value of the ruble at the mercy of trade flows. But since a three-digit dollar exchange rate not only stokes inflation, but also triggers public concern, the authorities remain dedicated to keep some level of control over the rouble exchange rate.

Fig.2 – USDRUB over the past 5Y



They cannot remove the main reason for the ruble's weakening, though, which is spending on imports, also they sometimes implement control over capital flows. To fight rising prices, they can also restrict exports of certain products (e.g. wheat), and threaten heavy fines to force retailers to limit markups. Such steps are necessary, lest the destruction of the ruble's reputation leads to dollarization of savings of both business and households, and further capital outflows.

## KALTCHUGA FUND

### Report on activities of the Board of Directors (continued)

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#### More on Russia's Asian pivot

In 2023, Russia's trade turnover with China reached 240 bln USD, up 26% on 2022 and 70% on 2021, further strengthening Beijing's role as the main trading ally and supplier to Russia's war economy. This does not include an increasing volume of Chinese exports to Russia via Central Asia. Chinese exports to Russia surged by 47% yoy while imports from Russia increased by 13%. China received half of Russia's oil and petroleum shipments in 2023. Today, 40% of Russia's foreign trade turnover is with China and 80% of the bilateral trade is settled in CNY. As a result, China has emerged as a crucial lifeline for Russia's sanctioned economy. Chinese support has enabled the Kremlin to effectively circumvent Western sanctions and sustain its war against Ukraine. Beijing's increased share of the Russian market underscores Russia's one-sided reliance for critical components in arms manufacturing shifting from the West to China.

Although China has refrained from officially supporting anti-Russian sanctions, it maintains policies that may result in the imposition of secondary sanctions, particularly on its banking institutions. The Chinese government's position deters many major state-owned corporations from partnering with Russia for fear of falling victim to sanctions. This approach, however, does not hinder private enterprises, including drone manufacturers, from actively participating in trade with Moscow.

Beijing claims that it has not supplied Russia with Chinese components for weapons production or any items associated with military equipment. The reality is that numerous goods and components extensively used in warfare possess dual-use applications and therefore can be provided under the guise of "civilian" products. For example, first-person view (FPV) drones, manufactured on a large scale by Russia, exclusively incorporate "civilian" parts. Russia is still able to import significant quantities of such goods, including microprocessors, printed circuit boards, and various electronics and radio engineering components crucial for defense production. Moscow achieves this through direct Chinese channels and other intermediaries such as the Central Asian states or the United Arab Emirates. Consequently, China has monopolized the Russian electronics market, consistently supplying critical components. Beijing's assistance has granted Russia a technological edge on the Ukrainian battlefield.

Because of Western sanctions, the number of Russia's energy buyers has shrunk and Russia is now forced to sell gas to China at a 50% discount or oil to India at a 30% discount. In two years the total share of supplies to India has increased to about 40%. Exports to Europe now do not exceed 4-5% vs 40-50% previously. In 1H23 Russia sold oil to India for 30b\$ paid in INR, because Indian banks, wary of Western sanctions, refuse to sell INR to buy USD. Meanwhile, Russia imported only 6-7b\$ from India, hence an INR surplus, which Russia can neither convert nor use. In August, though, Russian oil exports to China and India fell from 4.7 mln bpd in April-May to 3.9 mln bpd in August (54% of total exports vs 80-90% in April-May), and the Urals-Brent discount also fell from \$30-50 to \$15 per bbl.

An alternative to Asia for Russian business may have emerged in 2023 in the United Arab Emirates. Thus, freight operator Globaltrans has re-domiciliated from Cyprus to Abu Dhabi (ADGM) and Rusal has issued 2Y AED bonds for 350 mln AED, while 40% of the company's debt is already denominated in CNY (22.9 bln CNY).

## KALTCHUGA FUND

### Report on activities of the Board of Directors (continued)

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#### Politics

In 2023 Russia's war of aggression against Ukraine continued unabated.

So far, neither the United States nor major European states have been doing enough to help Ukraine win the war. They are even struggling to fulfil the commitments they have already made.

Would US support decrease or even stop in 2024 and even more after the presidential election, Europe probably lacks leadership, efficiency, and a quick, adequate reaction to fill the gap. In the meantime, the Russian economy has not only survived; it managed to revive its military industry and to produce more ammunition for artillery than the United States and Europe combined. Again in 2024 Ukraine will probably get just enough weapons and ammunition, and also the necessary funding it needs to just contain Russia's aggression. Going farther, while Russia has done its homework to prepare for a long war, Europe has not.

In recent months, the US Treasury has been more active in sanctioning shipping companies which have transported Russian oil above the \$60/bbl G7 price cap. This move may drive many Western shipping companies away from transporting Russian oil altogether. Therefore, it might become more challenging in 2024 to ship Russian oil using Western shipping services. Although, Russia has built up a sizeable fleet of its own tankers in order to get around the G-7 price cap.

#### Outlook

MinEco forecasts 2024 GDP growth between 1.4% (conservative scenario) and 2.3% (base scenario). The IMF has just upgraded its own forecast to +2.6%. We believe it shall be rather in a 0.5-1.5% range (this is also the scenario privileged by the Central Bank of Russia), constrained by both the high cost of funding (credit shall grow by no more than 5-10%) and the limited capacity to enhance production (including labor shortages).

Going into 2024, the main question is whether OPEC+ (and principally Saudi Arabia and Russia) have the clout to remove the looming surplus on oil markets by rolling over voluntary supply cuts while the US is now pumping a record 13.2m bpd. We trust Saudis will do their best to keep Brent prices above \$80, which they consider as their fiscal breakeven oil price. Then 2H24 may see the market return to deficit, which suggests prices could move higher towards the end of the year.

Finance Minister Anton Siluanov chose to use Soviet-era language when talking about the country's 2024-26 budget, saying "*It has everything for the front, everything for victory*" referencing a World War II slogan. It is a budget dominated by military expenditure with priorities being financing the war in Ukraine, spending on the security services, integrating occupied Ukrainian territory and social handouts. The Kremlin will spend 6% of GDP (more than 8% when combined with spending on national security) on the war in 2024. For the first time in modern Russian history, more has been allocated to military expenditure than social spending (currently less than 5% of GDP).

In 2024 the government is expecting to raise budget revenues to 35tR (+13% yoy) based on the Economic Development Ministry's optimistic forecasts of 2.3% GDP growth, oil prices average of \$85 a barrel and an average USDRUB exchange rate of 90.1 rubles. Interestingly, the Central Bank's forecasts are far more conservative (it anticipates up to 1.5% GDP growth and oil at \$60 a barrel). The Kremlin assumes that, at the very least, Russian oil will continue to be sold to India and China; the Western price cap on Russian oil will not change (and will continue to be ineffective); Western countries will not risk further oil embargoes; and that the oil price will remain high. Private business will also provide a chunk of this money and will see its tax burden increase significantly.

## KALTCHUGA FUND

### Report on activities of the Board of Directors (continued)

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The Russian government is working on the assumption that it will receive almost 119b\$ (6.4% of GDP) in oil and gas revenues in 2024, which would amount to more than a third of the treasury's total revenues. Moscow's 2024 budget also assumes both an average Russian oil price of about \$70 per barrel and that Western countries will fail to limit the Kremlin's oil and gas revenues. These presumptions make Russia vulnerable to fluctuations in oil prices as well as Western countries' efforts to restrict Moscow's exports. We would also recommend monitoring the situation with oil export revenues while Russian oil processing installations are getting increasingly targeted by Ukrainian drone and missile attacks that may eventually prove much more efficient than western price caps to dramatically reduce Russian oil exports.

Russia will also invest large amounts in the Ukrainian territories it captured since the full-scale invasion. The budget even has a separate section for the socio-economic development of these regions: to rebuild what Russia itself destroyed, almost 5b\$ will be allocated in 2024. However, far more will be channelled to the occupied territories via inter-budgetary transfers. At the end of 2023, they have already received a total of 18b\$ from the federal budget as non-reciprocal transfers. In 2024, subsidies to the regional budgets will increase by 178bR, and most of the money will go to the occupied regions.

One of the most baffling parts of the budget is the low projected inflation rate for 2024. Although the inflation reached 7.3% in December the government apparently expects just 4.5% inflation despite also planning a 13% increase in expenditure, a weakening rouble, and an increase in tariffs. The government also expects an increase in real disposable income (2.7%) and salaries (2.5%) amid a labor shortage; a dynamic that would normally be expected to push inflation up. With so many inflationary factors, the only way inflation could be kept to somewhere near 4.5% is if the Central Bank keeps interest rates high (they are already at 16%). For the Kremlin, high interest rates constitute an image problem, undermining Putin's narrative that the Russian economy is stable. A healthy economy, after all, does not need a double-digit key rate. The modern Russian economy is run by professional technocrats, and Putin listens to their opinions. So far, the situation looks stable in the short term: the availability of yuan and gold reserves means Moscow need not worry about financing external debt. The cost of domestic borrowing has increased, and fiscal space has narrowed, but Russia's low prewar debt-to-GDP ratio means that debt is unlikely to prove a significant risk in upcoming years. The government may also turn to domestic capital markets to provide financing for state spending as they privatize state property, especially parts of the military industry.

With regards to the Russian stock market, it will likely remain challenged by the risk of persistent inflation which would support higher yields on local OFZ bonds (today 10Y OFZ trade on 12.5% yield) and bank deposits (13.0%). The first half of 2024 may be particularly challenging if the Central Bank of Russia keeps its benchmark rate at 16%.

As always, the oil prices remain a crucial determinant of the value of Russian assets overall and here we must consider not only our usual global oil market benchmarks such as the Brent prices, but also the discount Russian exporters must accept to give up to their Asian buyers (China and India).

Otherwise, in 2024 the Russian market should remain pretty active with already 17 IPOs in the pipeline.

Luxembourg, 19th April 2024

The Board of Directors

Note: The information in this report represents historical data and is not an indication of future results.

## Independent auditor's report

To the Shareholders of  
KALTCHUGA FUND  
Luxembourg

### Opinion

We have audited the financial statements of KALTCHUGA FUND (the "Fund") and of its sub-fund, which comprise the statement of net assets and the statement of investments and other net assets as at 31st December 2023, and the statement of operations and other changes in net assets for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund and of its sub-fund as at 31st December 2023, and of the results of their operations and changes in their net assets for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the financial statements.

### Basis for Opinion

We conducted our audit in accordance with the Law of 23rd July 2016 on the audit profession (the "Law of 23rd July 2016") and with International Standards on Auditing ("ISAs") as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" ("CSSF"). Our responsibilities under the Law of 23rd July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the "responsibilities of the "réviseur d'entreprises agréé" for the audit of the financial statements" section of our report. We are also independent of the Fund in accordance with the International Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for Accountants ("IESBA Code") as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Material Uncertainty Related to Going Concern

We draw attention to Notes 2b) and 8 to these financial statements, which describe the reasons for the decision of the Board of Directors of the Fund to suspend the redemption of all share classes of the sub-fund from 25th February 2022 until further notice and to suspend the calculation of the Net Asset Value and subscription or conversion of all share-classes of the sub-fund from 28th February 2022 until further notice. These conditions indicate that a material uncertainty exists that may cast significant doubt on the ability of the Fund and its sub-fund to continue as a going concern. Our opinion is not modified in respect of this matter.



### **Other information**

The Board of Directors of the Fund is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our report of the “réviseur d’entreprises agréé” thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

### **Responsibilities of the Board of Directors of the Fund for the financial statements**

The Board of Directors of the Fund is responsible for the preparation and fair presentation of these financial statements in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the financial statements, and for such internal control as the Board of Directors of the Fund determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors of the Fund is responsible for assessing the Fund’s and its sub-fund’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors of the Fund either intends to liquidate the Fund or its sub-fund or to cease operations, or has no realistic alternative but to do so.

### **Responsibilities of the “réviseur d’entreprises agréé” for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the “réviseur d’entreprises agréé” that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Law of 23rd July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the Law of 23rd July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors of the Fund.
- Conclude on the appropriateness of the Board of Directors of the Fund's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's or its sub-fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the "réviseur d'entreprises agréé" to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the "réviseur d'entreprises agréé". However, future events or conditions may cause the Fund or its sub-fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst & Young  
Société anonyme  
Cabinet de révision agréé



Jean-Marc Cremer

Luxembourg, 24th September 2024



## KALTCHUGA FUND

### Combined statement of net assets (in EUR) <sup>1)</sup> as at 31st December 2023

#### **Assets**

Securities portfolio at market value	0.00
Cash at banks and term deposits	237,668.90
Prepaid expenses	24,190.26
	<hr/>
Total assets	261,859.16
	<hr/>

#### **Liabilities**

Bank overdrafts	57.99
Expenses payable	68,970.33
	<hr/>
Total liabilities	69,028.32
	<hr/>
Net assets at the end of the year	192,830.84
	<hr/>

<sup>1)</sup> see note 2b and note 2c

The accompanying notes are an integral part of these financial statements.

## KALTCHUGA FUND

### Combined statement of operations and other changes in net assets (in EUR) <sup>1)</sup> from 1st January 2023 to 31st December 2023

<b><u>Income</u></b>	
Total income	0.00
<b><u>Expenses</u></b>	
Depository fees	12,404.45
Banking charges and other fees	1,944.48
Central administration costs	22,837.35
Professional fees	26,699.60
Other administration costs	29,194.75
Subscription duty ("taxe d'abonnement")	94.13
Other expenses	34,697.74
Total expenses	127,872.50
Net investment loss	-127,872.50
<b><u>Net realised gain/(loss)</u></b>	
- on foreign exchange	-769.52
Realised result	-128,642.02
<b><u>Net variation of the unrealised gain/(loss)</u></b>	
- on securities portfolio	7,642.92
Result of operations	-120,999.10
Subscriptions	-
Redemptions	-
Total changes in net assets	-120,999.10
Total net assets at the beginning of the year	324,737.31
Revaluation difference	-10,907.37
Total net assets at the end of the year	192,830.84

<sup>1)</sup> see note 2b, note 2c , note 2e, note 2f and 2k

The accompanying notes are an integral part of these financial statements.

## KALTCHUGA FUND - RUSSIA EQUITIES

### Statement of net assets (in USD) <sup>1)</sup>

as at 31st December 2023

#### Assets

Securities portfolio at market value	0.00
Cash at banks and term deposits	262,517.18
Prepaid expenses	26,719.35
Total assets	289,236.53

#### Liabilities

Bank overdrafts	64.05
Expenses payable	76,181.18
Total liabilities	76,245.23
Net assets at the end of the year	212,991.30

#### Breakdown of net assets per share class

Share class	Number of shares	Currency of share class	NAV per share in currency of share class	Net assets per share class (in USD)
A USD	1,254.188	USD	95.15	119,341.05
B EUR	44.540	EUR	55.19	2,714.97
C USD	839.478	USD	94.63	79,438.64
D EUR	187.994	EUR	55.37	11,496.64
				212,991.30

<sup>1)</sup> see note 2b and note 2c

The accompanying notes are an integral part of these financial statements.

## KALTCHUGA FUND - RUSSIA EQUITIES

### Statement of operations and other changes in net assets (in USD) <sup>1)</sup> from 1st January 2023 to 31st December 2023

<b><u>Income</u></b>	
Total income	0.00
<b><u>Expenses</u></b>	
Depository fees	13,701.33
Banking charges and other fees	2,147.77
Central administration costs	25,225.00
Professional fees	29,491.04
Other administration costs	32,247.06
Subscription duty ("taxe d'abonnement")	103.97
Other expenses	38,325.39
Total expenses	141,241.56
Net investment loss	-141,241.56
<b><u>Net realised gain/(loss)</u></b>	
- on foreign exchange	-849.97
Realised result	-142,091.53
<b><u>Net variation of the unrealised gain/(loss)</u></b>	
- on securities portfolio	8,441.99
Result of operations	-133,649.54
Subscriptions	-
Redemptions	-
Total changes in net assets	-133,649.54
Total net assets at the beginning of the year	346,640.84
Total net assets at the end of the year	212,991.30

<sup>1)</sup> see note 2b ,note 2c, note 2e and 2f

The accompanying notes are an integral part of these financial statements.

## KALTCHUGA FUND - RUSSIA EQUITIES

Statistical information (in USD) <sup>1)</sup>  
as at 31st December 2023

Total net assets	Currency	31.12.2021	31.12.2022	31.12.2023
	USD	26,646,149.50	346,640.84	212,991.30
Net asset value per share class	Currency	31.12.2021	31.12.2022	31.12.2023
A USD	USD	11,796.39	154.86	95.15
B EUR	EUR	6,647.41	92.94	55.19
C USD	USD	11,725.85	154.01	94.63
D EUR	EUR	6,666.00	93.24	55.37
Annual performance per share class (in %)	Currency	31.12.2021	31.12.2022	31.12.2023
A USD	USD	15.57	-98.69	-38.56
B EUR	EUR	24.37	-98.60	-40.62
C USD	USD	15.91	-98.69	-38.56
D EUR	EUR	24.76	-98.60	-40.62
Number of shares	outstanding at the beginning of the year	issued	redeemed	outstanding at the end of the year
A USD	1,254.188	-	-	1,254.188
B EUR	44.540	-	-	44.540
C USD	839.478	-	-	839.478
D EUR	187.994	-	-	187.994
TER per share class <sup>2)</sup>	(in %)			
A USD	-			
B EUR	-			
C USD	-			
D EUR	-			

<sup>1)</sup> see note 2b and note 2c

<sup>2)</sup> see note 6

Annual returns were calculated for the last 3 consecutive financial years, taking into account any dividends paid during each of these years. For sub-funds / Class shares launched or liquidated during the financial year, the corresponding annual return has not been calculated.

The historical performance is not an indication of current or future results. The performance data do not take account of the commissions and costs incurred on the issue and redemption of shares of the Fund.

## KALTCHUGA FUND - RUSSIA EQUITIES

### Statement of investments and other net assets (in USD) <sup>1)</sup> as at 31st December 2023

Currency	Number / nominal value	Description	Cost	Market value <sup>2)</sup>	% of total net assets *
<b><u>Investments in securities</u></b>					
<b><u>Transferable securities admitted to an official stock exchange listing</u></b>					
<b>Shares</b>					
USD	394,293	Etalon Group PCL GDR repr 1 Shares Reg S	556,761.49	0.00	0.00
USD	72,000	Globaltrans Investment Plc GDR repr 1 Sh Reg S	453,275.44	0.00	0.00
USD	50,000	Magnitogorsk Iron Stl Wks PJSC GDR repr 13 Shares	356,144.58	0.00	0.00
USD	2,000	MMC Norilsk Nickel PJSC spons ADR repr 0.1 Share	33,384.23	0.00	0.00
USD	45,000	Mobile Telesystems PJSC ADR repr 2 Shs	456,613.55	0.00	0.00
USD	200	NovaTek Joint St Co spons GDR repr 10 Shares	21,026.91	0.00	0.00
USD	2,200	Oil Co Lukoil PJSC spons ADR repr 1 Share	102,401.20	0.00	0.00
USD	4,500	Ozon Holdings Plc ADR DR repr spons	249,800.55	0.00	0.00
USD	28,000	Polymetal International Plc Reg	625,795.40	0.00	0.00
USD	8,600	TCS Group Holding Plc GDR repr 1 Share A Reg S	242,190.40	0.00	0.00
USD	250,000	United Co Rusal Intl Pjsc	241,895.00	0.00	0.00
USD	30,600	VK Co Ltd spons GDR Repr 1 Sh Reg-S	612,499.32	0.00	0.00
USD	27,500	X5 Retail Group NV spons GDR repr 1/4 Reg S	776,407.97	0.00	0.00
USD	9,000	Yandex NV A Reg	299,825.10	0.00	0.00
<b>Total shares</b>			<b>5,028,021.14</b>	<b>0.00</b>	<b>0.00</b>
<b><u>Transferable securities dealt in on another regulated market</u></b>					
<b>Shares</b>					
USD	590,000	Alosa PJSC	759,523.07	0.00	0.00
USD	14,000,000	Enel Russia PJSC	197,600.00	0.00	0.00
USD	70,000	Gazprom Neft PJSC	310,318.61	0.00	0.00
USD	540,000	Gazprom PJSC	1,624,989.99	0.00	0.00
USD	9,000,000	Inter Rao Ues PJSC Reg	624,440.00	0.00	0.00
USD	21,851	LSR Group PJSC	205,614.47	0.00	0.00
USD	25,000	M Video PJSC Bearer	235,642.50	0.00	0.00
USD	3,000	Magnit PJSC	247,431.90	0.00	0.00
USD	6,000	MMC Norilsk Nickel PJSC	1,522,848.48	0.00	0.00
USD	310,000	Moscow Exchange Micex-Rts PJSC	442,689.92	0.00	0.00
USD	52,500	NovaTek Joint St Co	766,735.95	0.00	0.00
USD	23,000	Oil Co Lukoil PJSC	1,566,712.18	0.00	0.00
USD	701	Phosagro PJSC Reg	26,456.79	0.00	0.00
USD	3,700	Polyus PJSC	778,782.35	0.00	0.00
USD	152,000	Rosneft Oil Co	913,102.58	0.00	0.00
USD	410,000	Sberbank of Russia PJSC	1,203,175.75	0.00	0.00
USD	140,000	Sberbank of Russia PJSC Pref	219,136.00	0.00	0.00
USD	15,000	Severstal PAO Reg	319,270.50	0.00	0.00
USD	510,000	Surgutneftegas PJSC	225,465.40	0.00	0.00
USD	1,730,000	Surgutneftegas PJSC Pref	892,393.00	0.00	0.00
USD	81,000	Tatneft PJSC	991,378.90	0.00	0.00
USD	76,000	Tatneft PJSC Pref	473,013.60	0.00	0.00
USD	800,000,000	VTB Bank PJSC	566,844.72	0.00	0.00
<b>Total shares</b>			<b>15,113,566.66</b>	<b>0.00</b>	<b>0.00</b>
<b><u>Other transferable securities</u></b>					
<b>Shares</b>					
USD	26,809	Novolipetsk Steel (NLMK) GDR repr 10 Shares	549,779.59	0.00	0.00
USD	39,744	Phosagro PJSC GDR Regs	421,858.00	0.00	0.00
USD	256	Phosagro PJSC GDR Regs	3,392.00	0.00	0.00
<b>Total shares</b>			<b>975,029.59</b>	<b>0.00</b>	<b>0.00</b>

<sup>1)</sup> see note 2b

<sup>2)</sup> see note 2c

\* Minor differences may arise due to rounding in the calculation of percentages.

\*\* The reference currency of the security on the Moscow Exchange is RUB but the Sub-Fund's transactions on the security are expressed in USD.

The accompanying notes are an integral part of these financial statements.

## KALTCHUGA FUND - RUSSIA EQUITIES

### Statement of investments and other net assets (in USD) <sup>1)</sup> (continued) as at 31st December 2023

Currency	Number / nominal value	Description	Cost	Market value <sup>2)</sup>	% of total net assets *
<b><u>Open-ended investment funds</u></b>					
<b>Tracker funds (UCITS)</b>					
USD	2,800	iShares VII Plc MSCI Russia ADR/GDR UCITS ETF Cap	454,989.59	0.00	0.00
<b>Total tracker funds (UCITS)</b>			454,989.59	0.00	0.00
Total investments in securities			21,571,606.98	0.00	0.00
Cash at banks				262,517.18	123.25
Bank overdrafts				-64.05	-0.03
Other net assets/(liabilities)				-49,461.83	-23.22
Total				212,991.30	100.00

<sup>1)</sup> see note 2b

<sup>2)</sup> see note 2c

\* Minor differences may arise due to rounding in the calculation of percentages.

The accompanying notes are an integral part of these financial statements.

## KALTCHUGA FUND - RUSSIA EQUITIES

**Industrial and geographical classification of investments** <sup>1)</sup>  
as at 31st December 2023

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### **Industrial classification\*\***

(in percentage of net assets)

Total	<u>0.00 %</u>
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### **Geographical classification**

(by domicile of the issuer)  
(in percentage of net assets)

Total	<u>0.00 %</u>
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<sup>1)</sup> see note 2b and note 2c

\*\* All companies conduct their business activities in Russia and CIS



## KALTCHUGA FUND

### Notes to the financial statements

as at 31st December 2023

#### Note 1 - General information

KALTCHUGA FUND (the "Fund") is organised as a "Société d'Investissement à Capital Variable" ("SICAV") with multiple Sub-Funds organised under Luxembourg law. The Fund is governed under the Council Directive 2009/65/EC as amended and the provisions of Part I of the law of 17th December 2010 as amended.

The Net Asset Value per Share is determined each Bank Business Day in Luxembourg and Moscow (referred to as the "Valuation Day"), and has been suspended since 28th February 2022. The last official NAV before suspension is dated 25th February 2022.

The Net Asset Value as well as the issue and redemption prices are available to the interested persons as of each Valuation Day at the registered office of the Fund, but as a consequence of suspension of the NAV, these are not available at the moment.

A copy of the articles of incorporation, the full prospectus and the KID, the most recent unaudited semi-annual report and the most recent annual report including audited financial statements are made available free of charge at the registered office of the Fund, 2, Rue d'Alsace, L-1122 LUXEMBOURG.

#### Note 2 - Significant accounting policies

##### a) Presentation of the financial statements

The financial statements of the Fund are prepared in accordance with the Luxembourg legal and regulatory requirements concerning undertakings for collective investment and with generally accepted accounting principles in Luxembourg.

##### b) Going concern

The financial statements of the Fund have been prepared on a going concern basis based on the reporting Net Asset Value dated 31st December 2023 for the purpose of production of the annual report.

Due to political tensions between the Ukraine and Russia, international sanctions imposed on Russia and suspension of trades to foreign investors, decision was taken (as described in note 8) to suspend the Sub-Fund Kaltchuga Fund - Russia Equities from redemptions, subscriptions and conversion of shares and from calculation of its Net Asset Value. This situation indicates the existence of a material uncertainty that may cast significant doubt on the ability of the sub-fund and the Fund to continue as a going concern. The Directors continue to closely monitor the evolving situation and going concern status of the Sub-Fund and the Fund with developments relating to Russian markets.

##### c) Valuation of assets

The value of any cash in hand or on deposit, discount notes, bills and demand notes and accounts receivable, prepaid expenses, cash dividends and interest declared or accrued as aforesaid and not yet received, is deemed the full amount thereof, unless in any case the same is unlikely to be paid or received in full, in which case the value thereof is arrived at after making such discount as the Board of the Fund may consider appropriate in such case to reflect the true value thereof.

The value of all portfolio securities which are listed on an official Stock Exchange or traded on any other regulated market is valued at the last available price in Luxembourg on the principal market on which such securities are traded, as furnished by a pricing service approved by the Board.

## KALTCHUGA FUND

### Notes to the financial statements (continued)

as at 31st December 2023

The value of securities which are not quoted or dealt in on any regulated market is valued at the last available price in Luxembourg, unless such price is not representative of their true value; in this case, they are valued at a fair value at which it is expected that they may be resold, as determined in good faith by and under the direction of the Board.

The value of other assets is determined prudently and in good faith by and under the direction of the Board in accordance with generally accepted valuation principles and procedures.

By circular resolution dated 5th April 2024, the Board of Directors of the Fund resolved for the annual report of the Fund as of 31st December 2023:

- to keep the following mentioned suspended securities valued at USD 0 as these are delisted from exchanges :

<b>ISIN</b>	<b>Security name</b>
US98387E2054	X5 Retail Group NV spons GDR repr 1/4 Reg S
US5591892048	Magnitogorsk Iron Stl Wks PJSC GDR repr 13 Shares
US37949E2046	Globaltrans Investment Plc GDR repr 1 Sh Reg S
US6074091090	Mobile Telesystems PJSC ADR repr 2 Shs
IE00B5V87390	iShares VII Plc MSCI Russia ADR/GDR UCITS ETF Cap
US5603172082	VK Co Ltd spons GDR Repr 1 Sh Reg-S
US29760G1031	Etalon Group PCL GDR repr 1 Shares Reg S
NL0009805522	Yandex NV A Reg
US87238U2033	TCS Group Holding Plc GDR repr 1 Share A Reg S
US55315J1025	MMC Norilsk Nickel PJSC spons ADR repr 0.1 Share
US69343P1057	Oil Co Lukoil PJSC spons ADR repr 1 Share
US69269L1044	Ozon Holdings Plc ADR DR repr spons
US6698881090	NovaTek Joint St Co spons GDR repr 10 Shares
US67011E2046	Novolipetsk Steel (NLMK) GDR repr 10 Shares
US71922G3083	Phosagro PJSC GDR Regs Restricted
US71922G4073	Phosagro PJSC GDR Regs

- and to mark down to USD 0 the following restricted securities :

<b>ISIN</b>	<b>Security name</b>
RU000A0F5UN3	Enel Russia PJSC
RU0008926258	Surgutneftegas PJSC
RU0009046510	Severstal PAO Reg
RU0009033591	Tatneft PJSC
RU0009062467	Gazprom Neft PJSC
RU000A0DKVS5	NovaTek Joint St Co
RU000A0JNAA8	Polyus PJSC
RU000A0JP5V6	VTB Bank PJSC
RU000A0JPGA0	M Video PJSC Bearer
RU000A0JFPF0	LSR Group PJSC
RU000A0JPNM1	Inter Rao Ues PJSC Reg

## KALTCHUGA FUND

### Notes to the financial statements (continued)

as at 31st December 2023

ISIN	Security name
RU0007252813	Alrosa PJSC
RU0007661625	Gazprom PJSC
RU000A0JR4A1	Moscow Exchange Micex-Rts PJSC
RU000A0JRKT8	Phosagro PJSC Reg
JE00B6T5S470	Polymetal International Plc Reg
RU0007288411	MMC Norilsk Nickel PJSC
RU000A1025V3	United Co Rusal Intl PJSC
RU000A0JKQU8	Magnit PJSC
RU000A0J2Q06	Rosneft Oil Co
RU0009024277	Oil Co Lukoil PJSC
RU0009029524	Surgutneftegas PJSC Pref
RU0009029540	Sberbank of Russia PJSC
RU0009029557	Sberbank of Russia PJSC Pref
RU0006944147	Tatneft PJSC Pref

#### d) Acquisition cost of securities in the portfolio

The acquisition cost of the securities held by the Sub-Fund that are denominated in a currency other than the reference currency of the Sub-Fund is converted into this currency at the exchange rate prevailing on the date of purchase.

#### e) Net realised gain/(loss) on securities portfolio

The realised gains and losses on securities portfolio are calculated on the basis of the average acquisition cost and are disclosed net in the statement of operations and other changes in net assets.

#### f) Investment income

Dividend income is recorded at the ex-date, net of any withholding tax.

Interest income accrued and overdue are disclosed net of any withholding tax.

Due to the ongoing crisis between Russia and Ukraine, international sanctions imposed on certain Russian issuers, and the restrictions imposed by the Russian Federation on foreign investors' access to Russian markets, trading financial instruments and retrieving funds from Russian securities has become significantly challenging. This is the reason why prices and dividends receivable have been set at 0 in the audited part.

#### h) Formation expenses

Formation expenses were amortised on a straight line basis over a period of 5 years.

## KALTCHUGA FUND

### Notes to the financial statements (continued)

as at 31st December 2023

#### i) Conversion of foreign currencies

Cash at banks, other net assets, liabilities and the market value of the securities in portfolio expressed in currencies other than the reference currency of the Sub-Fund are converted into this currency at the exchange rate prevailing on the date of the financial statements. Income and expenses expressed in currencies other than the reference currency of the Sub-Fund are converted into this currency at the exchange rate prevailing on the date of the transaction. Net realised gains or losses on foreign exchange are disclosed in the statement of operations and other changes in net assets.

#### j) Combined financial statements

The combined financial statements of the Fund are expressed in EUR and are equal to the corresponding items in the financial statements of the Sub-Fund converted into this currency at the exchange rate prevailing at the date of the financial statements.

At the date of the financial statements, the exchange rate used for the combined statements is the following:

1	EUR	=	1.1045500	USD	US Dollar
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#### k) Revaluation difference

The item "Revaluation difference" in the combined statement of operations and other changes in net assets represents the valuation difference of the net assets at the beginning of the financial year of the Sub-Fund converted into the reference currency of the Fund with the exchange rates applicable at the beginning of the financial year and the exchange rates applicable at the end of the financial year.

#### l) Transaction fees

Transaction costs disclosed under the item "Transaction fees" in the expenses of the statement of operations and other changes in net assets are mainly composed of broker fees incurred by the Fund and of fees relating to liquidation of transactions paid to the depositary as well as of transaction fees on financial instruments and derivatives and of fees relating to term deposits.

### Note 3 - Management fees

The Board of Directors of the Fund has appointed LEMANIK ASSET MANAGEMENT S.A., a public limited liability company incorporated under the laws of the Grand Duchy of Luxembourg, authorised and regulated by the Chapter 15 of the amended Law of 17th December 2010 relating to Undertakings for Collective Investment as management company of the Fund.

For the services rendered by LEMANIK ASSET MANAGEMENT S.A., the Sub-Fund pays an annual Management fee of a maximum of 0.30% of the total net assets. The portfolio management of the currently existing Sub-Fund RUSSIA EQUITIES is delegated to PROBUS MIDDLE EAST LIMITED, a private company incorporated under the laws of the United Arab Emirates, authorised and regulated by the Dubai Financial Services Authority. The portfolio manager is entitled to the annual Investment Management fee payable monthly in arrears of the average Net Asset Value of the Sub-Fund as follows:

- for the Classes A and B Shares: 2% per annum;
- for the Classes C and D Shares: 1.7% per annum.

Since 28th February 2022 (suspension of the NAV calculation) the Management Fees and the Investment Management fees are waived until further notice.

## KALTCHUGA FUND

### Notes to the financial statements (continued)

as at 31st December 2023

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#### Note 4 - Central administration costs

The item "Central administration costs" disclosed in the statement of operations and other changes in net assets is mainly composed of the administrative agent and transfer agent fees.

#### Note 5 - Subscription duty ("*Taxe d'abonnement*")

The Fund is governed by Luxembourg law.

Pursuant to the legislation and regulations in force, the Fund is subject to an annual "*taxe d'abonnement*" of 0.05% which is payable quarterly and calculated on the basis of the net assets of each Sub-Fund on the last day of each quarter.

Pursuant to Article 175 (a) of the amended law of 17th December 2010 the net assets invested in undertakings for collective investment already subject to the "*taxe d'abonnement*" are exempt from this tax.

#### Note 6 - Total Expense Ratio ("*TER*")

The TER disclosed under "Statistical information" of this report is calculated in accordance with the "Guidelines on the calculation and disclosure of the TER of collective investment schemes" issued by the Asset Management Association Switzerland on 16th May 2008 as modified on 20th April 2015.

Normally the TER is calculated for the last 12 months preceding the date of the financial statements.

The last TER figures were calculated for the period 1st January 2022 to 25th February 2022, date of the last official NAV before the NAV suspension on 28th February 2022. From 28th February 2022 to 31st December 2023, the TER could not be calculated accurately (i) due to fund's inability to accurately value its investments, after suspension of the NAV, in consideration of the current sanctions and trading restrictions in place, and (ii) waiver of the Management Company and Investment Manager fee following suspension of the NAV, which represent major portions of Fund's expenses.

#### Note 7 - Change in investment

The statement of change in investment for the reporting period is available free of charge at the registered office of the Fund.

#### Note 8 - Events

In February 2022, due to political tensions between Ukraine and Russia, a number of countries (including the US, UK and EU) imposed sanctions against certain entities and individuals in Russia.

The situation, together with growing turmoil from fluctuations in commodity prices and foreign exchange rates, and the potential to adversely impact global economies, has driven a sharp increase in volatility across markets.

## KALTCHUGA FUND

### Notes to the financial statements (continued)

as at 31st December 2023

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Due to the political tensions between Ukraine and Russia and following the international sanctions imposed on Russia, the Board of Directors has decided to:

- Suspend the redemptions of all share classes of the sub-fund Kaltchuga Fund - Russia Equities as from 25th February 2022 until further notice;
- Suspend the calculation of the Net Asset Value of the sub-fund Kaltchuga Fund - Russia Equities as from 28th February 2022 until further notice;
- Suspend the subscription or conversion of all share classes of the sub-fund Kaltchuga Fund - Russia Equities as from 28th February 2022 until further notice.

#### Appointment of UI efa S.A.

With effect as of 1st August 2023, UI efa S.A. assumes the functions of the Central Administration (Domiciliary, Administrative, Registrar and Transfer Agent).

#### Change of Registered Address

With effect as of 1st August 2023, the registered office of the Fund has been transferred from 88, Grand-Rue, L-1660 Luxembourg, Grand-Duchy of Luxembourg, to 2, rue d'Alsace, L-1122 Luxembourg, Grand-Duchy of Luxembourg.

#### New prospectus

A new prospectus dated 23rd November 2023 is published.

#### **Note 9 - Subsequent events**

There are no significant subsequent events.

# KALTCHUGA FUND

## Additional information (unaudited)

as at 31st December 2023

### 1 - Risk management

As required by Circular CSSF 11/512 as amended, the Board of Directors of the Fund needs to determine the global risk exposure of the Fund by applying either the commitment approach or the VaR ("Value at Risk") approach.

In terms of risk management, the Board of Directors of the Fund decided to adopt the commitment approach as a method of determining the global exposure.

### 2 - Remuneration

#### Remuneration policies and practices

The Management Company has established and applies a remuneration policy and practices that are consistent with, and promote, sound and effective risk management and that neither encourage risk taking which is inconsistent with the risk profiles, rules, the Prospectus or the Articles of Incorporation nor impair compliance with the Management Company's obligation to act in the best interest of the fund ("the Remuneration Policy").

The Remuneration Policy includes fixed and variable components of salaries and applies to those categories of staff, including senior management, risk takers, control functions and any employee receiving total remuneration that falls within the remuneration bracket of senior management and risk takers whose professional activities have a material impact on the risk profiles of the Management Company, the fund or the Sub-Funds. Within the Management Company, these categories of staff represent 22 persons.

The Remuneration Policy is in line with the business strategy, objectives, values and interests of the Management Company, the fund and the Shareholders and includes measures to avoid conflicts of interest.

In particular, the Remuneration Policy will ensure that:

- a) the staff engaged in control functions are compensated in accordance with the achievement of the objectives linked to their functions, independently of the performance of the business areas that they control;
- b) the fixed and variable components of total remuneration are appropriately balanced and the fixed component represents a sufficiently high proportion of the total remuneration to allow the operation of a fully flexible policy on variable remuneration components, including the possibility to pay no variable remuneration component;
- c) the measurement of performance used to calculate variable remuneration components or pools of variable remuneration components includes a comprehensive adjustment mechanism to integrate all relevant types of current and future risks.

The following table shows the fixed and variable remuneration in 2023 for the Identified Staff (22 persons), who is fully or partly involved in the activities of all the funds managed by the Management Company. For the purposes of the below disclosures, where portfolio management activities have been formally delegated to another entity, the remuneration of the relevant identified staff of the delegate has been excluded, as it is not paid out by the Management Company or by the fund.

## KALTCHUGA FUND

### Additional information (unaudited) (continued)

as at 31st December 2023

#### Staff expenses split into fixed and variable remuneration

Wages and salaries

- a. Fixed
- b. Variable

Staff expenses broken down by categories of staff subject to UCITS V pay rules (in EUR)

Staff code	Fixed remuneration	Variable Remuneration	Total
S	1,799,867.83	290,000.00	2,089,867.83
R	904,422.38	66,000.00	970,422.38
C	326,569.92	28,500.00	355,069.92
O	0	0	0

S = Senior Management

R = Risk takers, which includes staff members whose professional activities can exert material influence on UCITS or AIFs managed by Lemanik Asset Management S.A. ("LAM").

C = Staff engaged in control functions (other than senior management) responsible for risk management, compliance, internal audit and similar functions.

O = Any other staff member receiving total remuneration that takes them into the same remuneration bracket as senior management and risk-takers, whose professional activities have a material impact on LAM's risk profile.

A paper copy of the summarised Remuneration Policy is available free of charge to the Shareholders upon request.

No material changes have been made to the Remuneration Policy.

### 3 - Information concerning the transparency of securities financing transactions and of reuse of cash collateral (regulation EU 2015/2365, hereafter "SFTR")

During the reporting period, the Fund did not engage in transactions which are subject to the publication requirements of SFTR. Accordingly, no information concerning the transparency of securities financing transactions and of reuse of cash collateral should be reported.

### 4 - Sustainability related disclosures

In accordance with the requirements of the EU Regulations 2019/2088 and of the Council of 27th November 2019 on sustainability -related disclosures in the financial services sector (the "SFDR") as amended, the sub-fund is categorised under SFDR Article 6.

The investments underlying this financial product do not take into account the EU criteria for environmentally sustainable economic activities.



## KALTCHUGA FUND

### Additional information (unaudited) (continued)

as at 31st December 2023

#### 5 - Valuation of securities held as at 31st December 2023

The value of all portfolio securities which are listed on an official Stock Exchange or traded on any other regulated market is valued at the last available price in Luxembourg on the principal market on which such securities are traded, as furnished by a pricing service approved by the Board. Such prices are not representative of the fair value of the securities of the Fund due to current sanctions and trade restrictions as described in Note 2b.

The value of securities which are not quoted or dealt in on any regulated market is valued at the last available price in Luxembourg, unless such price is not representative of their true value; in this case, they are valued at a fair value at which it is expected that they may be resold, as determined in good faith by and under the direction of the Board.

The value of other assets is determined prudently and in good faith by and under the direction of the Board in accordance with generally accepted valuation principles and procedures.

The table below reflects the value of suspended securities at zero and other restricted securities at price quoted on Moscow Interbank Currency Exchanges (MICEX) as of 31st December 2023. These values are for indicative purposes and does not reflect their fair value as of 31st December 2023.

Currency	Number / nominal value	Description	Cost	Market value
<b><u>Investments in securities</u></b>				
<b><u>Transferable securities admitted to an official stock exchange listing</u></b>				
<b>Shares</b>				
USD	394,293	Etalon Group PCL GDR repr 1 Shares Reg S	556,761.49	366,448.29
USD	72,000	Globaltrans Investment Plc GDR repr 1 Sh Reg S	453,275.44	512,398.98
USD	50,000	Magnitogorsk Iron Stl Wks PJSC GDR repr 13 Shares	356,144.58	0.00
USD	2,000	MMC Norilsk Nickel PJSC spons ADR repr 0.1 Share	33,384.23	361,165.23
USD	45,000	Mobile Telesystems PJSC ADR repr 2 Shs	456,613.55	125,385.98
USD	200	NovaTek Joint St Co spons GDR repr 10 Shares	21,026.91	3,270.81
USD	2,200	Oil Co Lukoil PJSC spons ADR repr 1 Share	102,401.20	166,283.42
USD	4,500	Ozon Holdings Plc ADR DR repr spons	249,800.55	141,618.31
USD	28,000	Polymetal International Plc Reg	625,795.40	159,506.83
USD	8,600	TCS Group Holding Plc GDR repr 1 Share A Reg S	242,190.40	309,449.58
USD	250,000	United Co Rusal Intl Pjsc	241,895.00	95,554.11
USD	30,600	VK Co Ltd spons GDR Repr 1 Sh Reg-S	612,499.32	191,439.01
USD	27,500	X5 Retail Group NV spons GDR repr 1/4 Reg S	776,407.97	669,967.64
USD	9,000	Yandex NV A Reg	299,825.10	256,199.49
<b>Total shares</b>			<b>5,028,021.14</b>	<b>3,358,687.69</b>
<b><u>Transferable securities dealt in on another regulated market</u></b>				
<b>Shares</b>				
USD*	590,000	Alrosa PJSC	759,523.07	458,790.40
USD*	14,000,000	Enel Russia PJSC	197,600.00	104,065.62
USD*	70,000	Gazprom Neft PJSC	310,318.61	662,175.34
USD*	540,000	Gazprom PJSC	1,624,989.99	964,230.75
USD*	9,000,000	Inter Rao Ues PJSC Reg	624,440.00	398,270.10
USD*	21,851	LSR Group PJSC	205,614.47	158,617.31
USD*	25,000	M Video PJSC Bearer	235,642.50	45,787.80
USD*	3,000	Magnit PJSC	247,431.90	220,998.23
USD*	6,000	MMC Norilsk Nickel PJSC	1,522,848.48	1,083,495.69
USD*	310,000	Moscow Exchange Micex-Rts PJSC	442,689.92	654,768.88

\* The reference currency of the security on the Moscow Exchange is RUB but the Sub-Fund's transactions on the security are expressed in USD.

## KALTCHUGA FUND

### Additional information (unaudited) (continued) as at 31st December 2023

Currency	Number / nominal value	Description	Cost	Market value
USD*	52,500	NovaTek Joint St Co	766,735.95	858,588.25
USD*	23,000	Oil Co Lukoil PJSC	1,566,712.18	1,738,417.57
USD*	701	Phosagro PJSC Reg	26,456.79	51,668.74
USD*	3,700	Polyus PJSC	778,782.35	441,201.74
USD*	152,000	Rosneft Oil Co	913,102.58	957,576.11
USD*	410,000	Sberbank of Russia PJSC	1,203,175.75	1,244,512.39
USD*	140,000	Sberbank of Russia PJSC Pref	219,136.00	426,112.43
USD*	15,000	Severstal PAO Reg	319,270.50	234,489.37
USD*	510,000	Surgutneftegas PJSC	225,465.40	153,495.22
USD*	1,730,000	Surgutneftegas PJSC Pref	892,393.00	1,072,948.30
USD*	81,000	Tatneft PJSC	991,378.90	612,177.37
USD*	76,000	Tatneft PJSC Pref	473,013.60	571,647.19
USD*	800,000,000	VTB Bank PJSC	566,844.72	203,476.51
<b>Total shares</b>			<b>15,113,566.66</b>	<b>13,317,501.33</b>
<b>Other transferable securities</b>				
<b>Shares</b>				
USD	26,809	Novolipetsk Steel (NLMK) GDR repr 10 Shares	549,779.59	53,741.65
USD	39,744	Phosagro PJSC GDR Regs	421,858.00	2,929,418.54
USD	256	Phosagro PJSC GDR Regs	3,392.00	18,869.04
<b>Total shares</b>			<b>975,029.59</b>	<b>3,002,029.23</b>
<b>Open-ended investment funds</b>				
<b>Tracker funds (UCITS)</b>				
USD	2,800	iShares VII Plc MSCI Russia ADR/GDR UCITS ETF Cap	454,989.59	0.00
<b>Total tracker funds (UCITS)</b>			<b>454,989.59</b>	<b>0.00</b>
Total investments in securities			21,571,606.98	19,678,218.25

\* The reference currency of the security on the Moscow Exchange is RUB but the Sub-Fund's transactions on the security are expressed in USD.

## 6 - Dividends receivable

The following table provides an overview of dividends receivable based on historical data. This representation illustrates potential financial outcomes that would have resulted had dividends not been exceptionally set at 0 due to prevailing circumstances.

Description	Accountancy date	Amount in RUB	FX RUB/USD	Amount in USD
Phosagro PJSC Reg	22/11/2022	462,029.10	0.01117	5,160.86
Tatneft PJSC	22/11/2022	2,238,835.95	0.01117	25,007.80
Tatneft PJSC Pref	15/12/2022	2,100,636.20	0.01117	23,464.11
United Co Rusal Intl Pjsc	15/12/2022	260,356.75	0.01117	2,908.18
Gazprom PJSC	15/12/2022	23,370,878.79	0.01117	261,052.72
NovaTek Joint St Co	16/06/2022	1,941,746.62	0.01117	21,689.31
NovaTek Joint St Co	15/12/2022	1,996,312.50	0.01117	22,298.81
<b>Total</b>		<b>32,370,795.91</b>	0.01117	<b>361,581.79</b>

It should be noted that the sub-custodian holds the above mentioned dividends receivable in a separate account at the Depositary Insurance Agency (DIA account). The dividends receivable that is in the separate DIA account corresponds to the amounts that were already received but blocked. The Fund couldn't receive/ collect it due to the current situation.