

Citadele Eastern European Small Mid Cap Fund

Fund statement as of 30-Sep-14

Citadele

Fund Overview

Management Company	Citadele Asset Management
Fund Managers	Elchin Jafarov Igor Lahtadir, CFA
Custodian bank	Citadele banka
Inception Date*	22/09/2014
Base Currency	EUR
Fund Size	1.1 mln
NAV	10.00
Management Fee	2.0% p.a.
Front Load Fee	Up to 2.5%
Issue/redemption	Daily
Distribution Status	Accumulative
Legal Status	UCITS IV, Latvia
ISIN	LV0000400851
Bloomberg Code	

Investment Objective

The objective of the Fund is to achieve long-term capital growth by investing mainly in small and middle-sized companies' equities (under EUR 10 billion market capitalization) from the CEE region, which among others includes Turkey, Poland, Russia, Kazakhstan and Ukraine.

Investment Process

- Top-down asset allocation
- Bottom-up individual stock selection
- Daily market monitoring
- Monthly result evaluation
- Country and industry diversification

Manager's Commentary for September

In September, we witnessed a decline across the emerging equity markets space (MSCI EM index lost 3.8% in EUR terms), driven by stronger USD, escalation of geopolitical risks globally, and deteriorated sentiment towards China; where macro data remained unconvincing but prospects of short-term stimulus became more elusive. Moreover, a substantial correction of commodity markets resulted in Brent oil losing 8.3%, base metals LME index tumbling by 5.8%, and gold depreciating by 6.2%. Over the month, MSCI EM Europe IMI index (also includes small and mid cap companies' shares), which tracks the performance of Eastern European equity region including Russia, Poland, and Turkey, edged down by 0.2% in EUR terms.

We launched Citadele Eastern European Small and Mid Cap Equity Fund on September 22, 2014. On the launch date the Fund merged in Citadele Caspian Sea Equity Fund and Citadele Ukrainian Equity Fund. After the merger the Fund inherited, among other assets, large cash position, amounting for around one third of the Fund's total portfolio. The structure of inherited equities was dominated by Central Asian names, while Turkey, Russia and Ukraine amounted for around 5% each. After the merger was complete, we started to reallocate the Fund's portfolio, bringing it closer to the target allocation - fairly diversified portfolio, having similar weights of Turkey, Poland, Russia, CEE region, and Central Asia. Despite top-down diversification, the stock selection will be primarily based on bottom-up approach, where investments will be made to fundamentally attractive names.

Until the end of September, we opened a position in Russian e-commerce company Qiwi, which can boast with solid operating margins and earnings growth. We had a pleasure to meet the company's CEO in Moscow, where we got positive feedback on the company's business outlook and financial position. In addition, we acquired a stake in Russian supermarket chain operator Lenta, owing to its solid fundamentals and defensive business model. Apart from that, we obtained an initial exposure to the Turkish equity market by investing in iShares MSCI Turkey ETF. From the other hand, we disposed of Russian telecom operator MTS, since the legal case against its parent Sistema could carry governance risks for the minorities. Looking forward, we expect to gradually proceed with allocating of the Fund's cash position as well as reducing exposure to Central Asian names in favor of Turkish and CEE companies.

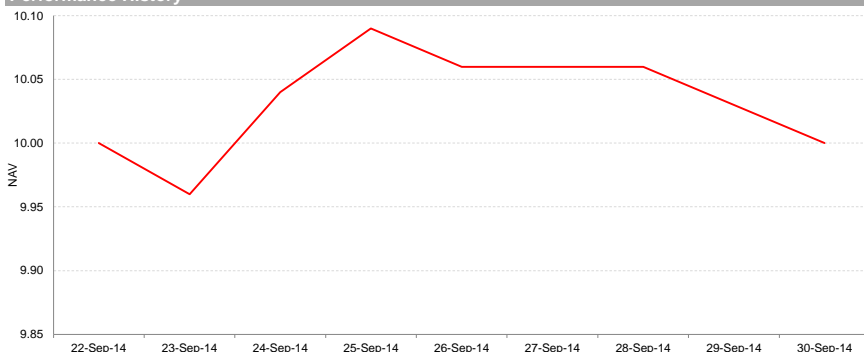
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Performance History



Total Return by Period

	YTD	1M	3M	6M	1Y	2Y	3Y	5Y	SI	2013	2012	2011
Fund	-	-	-	-	-	-	-	-	0.0%	-	-	-

Top 10 Holdings

Nostrum Oil & Gas PLC	8.1%
KazMunaiGas Exploration Production	8.0%
KCell	7.8%
Dragon Oil Plc	7.7%
iShares MSCI Turkey ETF	4.5%
Chagala Group Ltd	4.0%
Bank of Georgia JSC	3.8%
Steppe Cement Ltd	3.6%
Halyk Savings Bank of Kazakhstan JSC	3.6%
Turkcell Iletisim Hizmetleri AS	3.5%
Total	54.6%

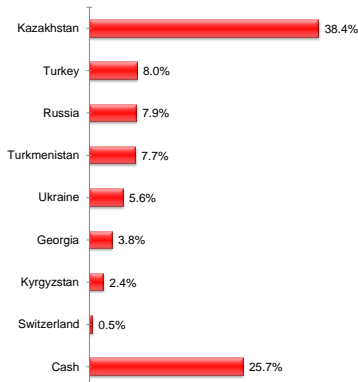
Portfolio Statistics

Number of Holdings	23
Average Security Weight	3.2%
Median P/E	13.8
Median P/B	1.5
Median Dividend Yield	3.0%

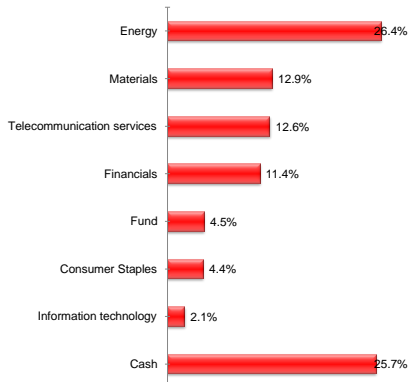
Performance Statistics (3Y)

Volatility (Standard Deviation, %)	-
Sharpe Ratio	-
Sortino Ratio	-
Value-at-Risk (30d/ 95%)**	-
** historical method is used for calculation	

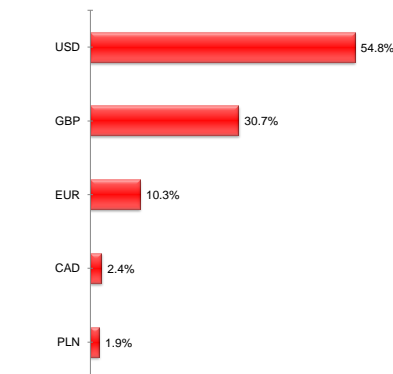
Country Breakdown



Sector Breakdown



Currency Breakdown



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