



# EAST CAPITAL

An introduction



## Contacting East Capital

### Stockholm office

Kungsgatan 33  
 Box 1364, 111 93 Stockholm, Sweden  
 Tel: + 46 8 505 88 555 (Third party- and institutional sales)  
 Te: +46 8 505 88 505 (Private clients)  
 Fax: +46 8 505 88 508  
 E-mail: [pro@eastcapital.com](mailto:pro@eastcapital.com)

### Moscow office

Romanov Dvor Business Centre  
 4 Romanov Lane  
 125009 Moscow, Russia  
 Chief Representative: Jyrki Talvitie  
 Tel: +7 495 937 83 08  
 Fax: +7 495 937 82 90  
 E-mail: [moscow@eastcapital.com](mailto:moscow@eastcapital.com)

### Tallinn office

Pikk Str 67-1a  
 10133 Tallinn, Estonia  
 Chief Representative: Gert Tiivas  
 Tel: +372 646 1675  
 Fax: +372 646 1674  
 E-mail: [tallinn@eastcapital.com](mailto:tallinn@eastcapital.com)

### Hong Kong office

30/F Bank of China Tower  
 1 Garden Road, Central, Hong Kong  
 Chief Representative:  
 Michael Hanson-Lawson  
 Tel: +852 2251 8206  
 Fax: +852 2251 8204  
 E-mail: [hongkong@eastcapital.com](mailto:hongkong@eastcapital.com)

### Oslo office

Kronprinsesse Märthas Plass  
 PB 1811 Vika, Oslo, Norway  
 Chief Representative:  
 Jörgen Hjelm Bakkerud  
 Tel: +47 22 39 66 90  
 Fax: +47 947 72 395  
 E-mail: [oslo@eastcapital.com](mailto:oslo@eastcapital.com)

### Vienna office

Schottenring 16, 1010 Vienna  
 Chief Representative: Paul Carr  
 Tel: +43 1 537 12 4162  
 Fax: +43 1 537 12 4000  
 E-mail: [vienna@eastcapital.com](mailto:vienna@eastcapital.com)

### Paris office

39 Avenue d'Iéna  
 75116 Paris, France  
 Chief Representative:  
 Jean-Marie Laporte  
 Tel: +33 1 40 73 00 80  
 Fax: +33 1 40 73 00 81  
 E-mail: [paris@eastcapital.com](mailto:paris@eastcapital.com)

### Important notice

The information contained in this brochure shall not be construed as constituting an offer or any other inducement to invest in the funds managed by East Capital. Please contact East Capital to obtain all necessary information and documentation, including complete investment prospectuses, about investing in the East Capital funds.

# An introduction to East Capital

East Capital Group is a leading independent asset manager specialised in Eastern European markets, offering a wide range of investment products in the field of public and private equity for institutional and retail investors around the world. Our investment universe includes 29 countries of Central, Southeastern and Eastern Europe as well as Russia and other countries of the CIS.

We have a strong dedication to the region and unlike most asset managers we focus exclusively on Eastern Europe. Our staff represents 27 nationalities and provides an unprecedented knowledge base of Eastern Europe. The company is and will remain an independent company, with owners still 100% active in the company. The structure of assets under management, with a strong private equity component, ensures stability for the future.

Since we started in 1997, we have established and maintained a strong network of contacts to companies and decision makers in the region and we deepen and expand those con-

tacts by visiting an average of 500 companies every year. We put strong emphasis on our own on-the-ground analysis, which allows us to invest outside the benchmarks as we believe that benchmarks rarely reflect the underlying economies of emerging markets. Many investment opportunities are simply overlooked by screening markets and companies "from the desk", as brokers' research is still poor.

In 12 years, East Capital has grown to become one of the largest investors in Russia and Eastern Europe, with a wide range of funds dedicated exclusively to the region. The company works with some of the world's leading institutions and global distributors. A key advantage for investors in East Capital's funds is the high diversification of the funds' client base. More than 450,000 clients invest directly or indirectly in East Capital's funds. A broad and stable client base is especially important in volatile markets such as those in Eastern Europe.



*East Capital was formed in 1997 by a group of professionals with extensive experience from both the financial markets and the corporate world in Russia and Eastern Europe. The seven partners are united in their vision to release the potential of the East Capital Universe, which currently covers 29 countries and more than 400 million people. Releasing the potential embraces four dimensions – the capital we invest on behalf of our clients, the companies we invest in, the entire region and the people working for East Capital. Jacob Grapengiesser, Albin Rosengren, Karine Hirn, Peter Elam Håkansson, Kestutis Sasnauskas, Justas Pipinis and Aivaras Abromavicius.*

# Our expertise

## Members of the East Capital Portfolio Management team



*Jacob Grapengiesser*



*Peter Elam Håkansson*



*Aivaras Abromavicius*



*Andras Szalkai*



*Bengt Dennis, Thorvald Stoltenberg  
and Örjan Berner*



*Marcus Svedberg*

## East Capital Advisory Committee

## Chief Economist

Over the years we have experienced extremes from high turbulence and severe market falls, to record breaking performance and growth. In times of challenging markets, the work in the field monitoring the development of our portfolio companies, assessing risks and identifying new investment opportunities is extremely important. This will always be the major focus of our investment teams, which continue to travel throughout our investment universe. Having faced several crises throughout the years we have learned the true value of keeping a long term perspective and being consistent in our investment philosophy. Our job is to make sure we rightly identify the winners and avoid the losers. And key to succeed with this in Eastern Europe is to be on the ground visiting companies and understanding their realities.

Peter Elam Håkansson, founder and chairman, heads the public equity portfolio management team. His colleagues are Aivaras Abromavicius (Lithuanian national), Jacob Grapengiesser (Swedish national) and Andras Szalkai (Hungarian national). The team has received a series of awards, including several Lipper Europe awards for the best fund in the category "Equities Emerging Markets Europe", in addition to several national Lipper awards and the "Golden Star" in Sweden from the well-known rating institute Morningstar in 2001, 2003, 2004, 2005 and 2006. They

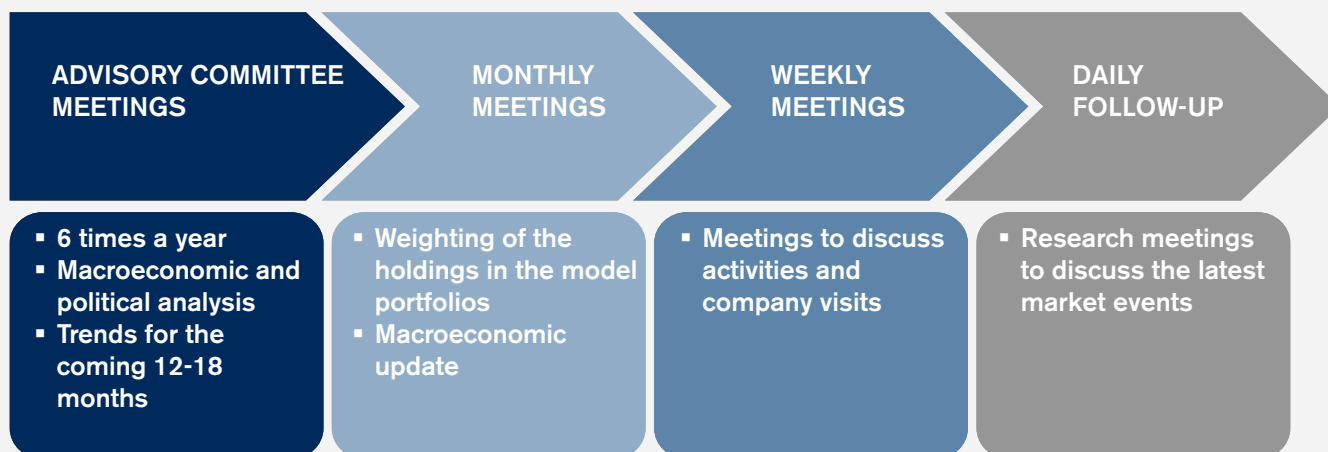
are supported by a team of traders, regional analysts and Chief Economist Marcus Svedberg.

The private equity team, led by Kestutis Sasnauskas, a Lithuanian national, consists of 17 investment professionals working out of the Stockholm, Moscow and Tallinn offices. The team focuses on three different sectors: Bank and finance, Real Estate and Retail.

East Capital also works with several highly experienced external advisors as an additional source of knowledge on macroeconomic and political trends pertinent to the development in Eastern Europe. The Advisory Committee consists of the portfolio management team, founding partners Karine Hirn and Kestutis Sasnauskas and three seasoned experts in the field: Örjan Berner, Bengt Dennis and Thorvald Stoltenberg. Mr Berner is Sweden's former ambassador to Russia and expert on the Russian economy and politics. Mr Dennis is the former Governor of the Central Bank of Sweden and expert on the Baltic States and Poland. Mr Stoltenberg is Norway's former Foreign and Defence Minister and was also the EU special envoy to former Yugoslavia.

# Investment strategy and stock selection

## East Capital's process for constructing portfolios



East Capital's investment strategy is designed to capitalise on opportunities in Eastern Europe while addressing risks. The most important starting point is a non-index approach to investments, characterised by an active and alternative company selection. The stock selection emphasises attractive value, stable cash flow, strong growth, and high dividend yields. A key aspect is diversification. For instance, while many Russia funds contain around 30 holdings, the Russian funds of East Capital have approximately 100 holdings or more in their portfolio. The significant efforts in finding new uncorrelated investment opportunities are an important tool to control risks in a challenging market environment.

East Capital's Advisory Committee meets six times a year to discuss the regional outlook and long-term development trends. These trends support the construction of model portfolios, paving the way for the stock-picking, which is conducted through fundamental, bottom-up analysis.

East Capital's equity analysis is initially quantitative, with a wide array of companies screened for attractive valuations. East Capital has over the years developed one of the industry's largest proprietary research databases for Eastern European companies, covering well above 600 companies. Furthermore, we screen companies on the basis of market capitalization and thus

categorize large, medium and small caps as well as the liquidity of the shares. This generates a short-list of companies, which are qualitatively analysed in terms of exposure to opportunities and trends, market potential, competitiveness and risk profiles. Finally, we conduct on-site visits to our holdings to assess operations and meet with the management.

When an interesting investment opportunity has been identified, choosing the right instrument becomes crucial because finding efficient means of exposure can pose a challenge. The trade-off between ordinary and preferred shares, or between local and foreign listed shares are examples of such work. Another example, when a particular investment theme has been identified in a sector lacking liquidity, is the effort to spread risks and construct an optimal exposure with an appropriate weight, by building a basket of shares.

# Eastern Europe: opportunities and risks

The fall of the Berlin Wall in 1989 was the symbolic starting point for the new Eastern Europe. Overnight, the plan economy was history and the conditions for companies were utterly transformed. The process was enormous, and some chose to run their companies according to the Western way, while others struggled to survive using antiquated business models. A new structure slowly started to take shape. And right in the middle of that process, we started East Capital.

East Capital's investment team works on the basis of main investment themes deriving from long-term development trends we believe in. The financial crisis of 2008 affects all markets and Eastern Europe is no exception. Despite this slow-down, the catch-up potential is still in place and our main drivers for long-term development are still EU convergence and the catch-up with the West. The convergence criteria prompt the candidate countries to make efforts to improve their economies, which in turn serves as a catalyst for economic growth. In addition, the global financial crisis in 2008 itself is also a driver for faster reforms, consolidation and necessary investments, hence presenting a number of interesting investment opportunities.

However, Eastern Europe also offers challenges to equity investors. The financial markets are in a development phase, and so is the understanding for Eastern Europe among investors. Our funds can differ considerably from their benchmark indices. For instance the MSCI EM Europe Index, a standard benchmark for many Eastern European funds including ours consists of five

countries (Russia, Poland, Czech Republic, Hungary and Turkey) while the East Capital Eastern European funds can invest in 25+ countries in Eastern Europe and only have around 70% of their portfolio in the five countries mentioned above. The (arguably) unbalanced weighting of the MSCI index illustrates that most funds and indices today do not capture all opportunities in the Eastern European equity markets, and that only a fraction of the region's equities are covered in a satisfactory way. It is East Capital's conviction that over time, Eastern European equities will be discovered on a wider scale and that this will be reflected in the valuations of many undervalued stocks.

Company and person-specific risks are a reality in Eastern Europe. Corporate governance has been improving across the region, not the least as a result of large companies being listed on foreign exchanges, but remains relatively undeveloped compared to more advanced market economies. Following the financial crisis hitting Eastern Europe hard in 2008, the corporate governance has arguably somewhat come off its trend of improvement. Regardless if this is a short term set back or not, this is something that East Capital pays a great deal of attention to through our research. Political risk is decreasing as well, although there is a certain amount of political turbulence in the region. These risks also constitute challenges to equity investors, and require specific measures and actions, such as deep analysis, on the ground presence and portfolio diversification.

## East Capital Universe



# Investment opportunities with East Capital

East Capital offers a wide range of investment opportunities with various liquidity, strategies and markets within our Universe of 29 countries.

## Public equity funds

East Capital's public equity funds comply to the UCITS III regulation and offer daily trading and daily valuation, which provides maximum freedom for investors seeking high transparency and liquidity in their Eastern European exposure. The funds are approved for distribution in an number of onshore domiciles. The fund range consists of six strategies, each with specific focus on markets, sectors and companies. Five funds are registered in Sweden and three funds are Luxembourg SICAV enabling investments in EUR or USD. All funds are based on East Capital's investment philosophy of a long-term perspective, fundamental analysis and active stock picking.

As with all emerging markets funds, the degree of risk is high, and the funds are suitable for investors who are ready to accept short-term fluctuations in return for long-term performance.

East Capital Russian Fund (Swe + Lux)

East Capital Baltic Fund (Swe)

East Capital Eastern European Fund (Swe + Lux)

East Capital Balkan Fund (Swe)

East Capital Turkish Fund (Swe)

East Capital Convergence Eastern European Fund (Lux)

## East Capital Explorer

Launched in November 2007 East Capital Explorer was the first ever private equity vehicle with focus on Eastern Europe to be listed as a daily-traded share on a major stock exchange. Today, institutional and private investors alike, in approximately 45 countries, have invested in the East Capital Explorer share, which offers easy access to:

- a well-diversified portfolio of East Capital's private equity and semi-public equity funds that otherwise require high minimum investments and long investment periods;
- over 400 companies and other investment opportunities that until now have only been available to a handful of investors;
- rapidly-expanding sectors such as power utilities and consumer goods that stand to gain the most from the long-term domestic growth prospects and development in the region.

East Capital Explorer

## Alternative investments funds

The East Capital Bering Funds are funds directed at qualified investors with an objective to provide unique exposure to listed and smaller companies, as well as private equity instruments in Russia, Ukraine, Southeastern Europe, Central Asia and Caucasus, Central Europe and the Baltics. The East Capital Power Utilities Fund provides exposure to the Russian and CIS power utility sectors.

The East Capital Special Opportunities Fund was launched in June 2009 with the aim to achieve substantial short-term capital appreciation from investments in undervalued assets in special situations where market corrections, liquidity, company- or owner specific issues have created distressed-like valuations.

East Capital Bering Russia Fund

East Capital Bering Ukraine Fund

East Capital Bering Balkan Fund

East Capital Bering Central Asia Fund

East Capital Bering New Europe Fund

East Capital Power Utilities Fund

East Capital Special Opportunities Fund

## Private Equity funds

East Capital Private Equity has a dedicated advisory team and research team based in Moscow, Tallinn and Stockholm with professional backgrounds and experience within M&A transactions, private equity, investment banking and asset management in Eastern Europe and CIS.

The existing funds are closed for further investments, but can be accessed through the secondary market. The East Capital Financials Fund invests in the banking and financial sectors in Eastern Europe, focusing primarily on Russia and the CIS. The East Capital Baltic Property Fund and the East Capital Russian Property Fund aim to capitalise on real estate opportunities in the Baltics and Russia.

East Capital Financials Fund

East Capital Baltic Property Fund

East Capital Russian Property Fund

## Six reasons to choose East Capital

- ☑ Unique investment strategy; based on thorough market knowledge, fundamental analysis and frequent company visits by its investment teams
- ☑ High diversification to minimise risk
- ☑ Broad and solid investor base allowing long-term approach
- ☑ Wide range of tools for investors seeking exposure to Eastern European growth
- ☑ Active sharing of insights and knowledge; including investor trips to the region
- ☑ More than 10 years' track record of excellent performance