

Reporting as of 31st October 2016

**Investment Philosophy and Style**

THE CIS SPECIAL OPPORTUNITIES, offered by G&G Private Finance jointly with Maximus Capital S.A., invests in liquid equities, bonds and derivatives in Russia and other CIS markets. The CIS Special Opportunities objective is to capitalize on extreme mis-pricings due to events affecting companies, markets and Governments in its core markets of Russia, Ukraine, Kazakhstan and Azerbaijan. The strategy invests solely in USD and EUR denominated securities traded on international exchanges and so faces no local currency or counterparty exposure.

**Monthly Commentary**

It seems that managing this fund is making me more of a philosopher than I would prefer to be. This past month the strategy was again down -5.59% but still +6.3% since inception in April 2015, putting us in "good company" with a multi-billion euro Odey Asset Management (down -45% this year on short positions). Unlike Odey's prediction of a global fiscal apocalypse, which is increasingly being echoed by asset managers of various size and credibility, yet remains notoriously difficult to time, our main trade remains focused. We are not betting on the Fed's interest rate hikes, or the growing US deficit, or the collapse of the EU - all of which, by the way, are possible and growing increasingly probably. We are betting on a finite event with clear and visible signs, yet so far mostly ignored by the market. But let's start with Good News! Our patience with Mechel (MTL) which we bought for 1.6 and is now trading close to 5, generating over 300% profit (for a few months we were almost -30% down) leaving us with an only regret of having made a small allocation. For months, the markets had ignored the fact that a company that just successfully restructured its crushing debt can no longer be valued at a 98% discount to its recent historical price. We plan to hold on to it for a bit longer as the success of this major development sinks in, then exit [Reuters].

The other position which mystified and frustrated us is Ferrexpo (FXPO) which continued to rally despite the company being nearly out of cash, and a practically unanimous "sell" consensus among the analysts covering the stock. One staunch supporter has been Deutsche Bank which coincidentally handled its IPO (hint - probably has some inventory of this stock) [The Cerbat Gem]. Fortunately, before we resigned to this surreal situation and abandoned the trade, the stock began to plummet, mainly since its second major shareholder began dumping his 11% stake. This is a terrible sign to the investors and fantastic news for us. We still have a nearly 10% allocation to the short position and expect to profit handsomely when the markets finally reconcile price with reality [This is Money].

Now back to our main trade - short on Russia and its most leveraged sector (financials, and mining). As we had mentioned in our opening paragraph, we are not making bets on global cataclysmic events, only on those that are tangible, definitive and measurable. While our positions in Sberbank, VTB, Evraz and Kaz are still down on average of 30%, the expected upside is expected to be in triple digits. Let's review the checklist why it would happen soon: crushing external corporate debt due next year: check; massive budget deficit forcing to dip into and deplete pensions, municipal budgets, stabilization funds: check; collision course on foreign policy with US/EU, leading to escalating sanctions blocking an ability to refinance: check.

The article in *Robinson Hambro*, penned by Bill Browder (a brilliant, yet mercurial fund manager, anti-Putin crusader, and coincidentally my office mate in the mid 90s') pretty much sums it up. "In simple terms, Russian companies have approximately \$600 billion of hard currency debt and the central bank has only \$350 billion of reserves (of which I believe that \$150 are fake). That means if sanctions aren't lifted, the debt repayment schedule will deplete the country's reserves within about 18 months." In summary, despite the frustrating past few months, we remain resolute and optimistic that the strategy will prove very profitable for those with endurance or perhaps apathy, to weather the storm.

**Performances**



**The Fund**

Type	Actively Managed Fund
Issuer and lead manager	Leonteq securities AG
Sponsor	G&G Private Finance
Authorized distributor	Maximus Capital SA
Inception date	21th April, 2015
Jurisdiction	Guernsey, UK
Isin	CH0266687547

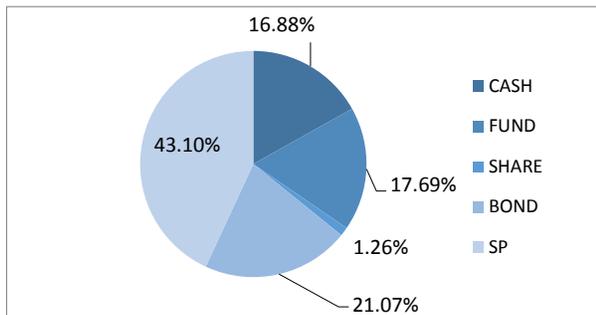
**General Conditions of the Fund**

Reference currency	USD
Liquidity	Daily
Valorisation	Daily
Management fee	2%
Performance fee	20%
Min investment	\$ 100 000
Issue price	\$ 1,000

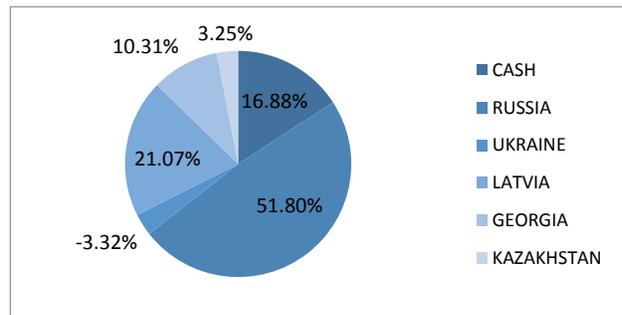
**Management Company**

Monaco-based G&G Private Finance manages over €500 million and offers its clients tailored and discretionary asset management services, including risk analysis, capital preservation, and portfolio management in collaboration with leading banks across Europe. Maximus Capital is based in Geneva and manages portfolios for its UHNW clients while specializing in Russia and CIS markets. Both firms are seed investors in this product.

INDEX NET ALLOCATION BREAKDOWN



PORTFOLIO ALLOCATION BY COUNTRIES



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**Recent Trades**

Security	Sale Price	Profit on Trade	Discussion of Trade
Ferrexpo	\$0.52	70%	In mid-October 2015 we took a short position in Ferrexpo, a metals trading company listed on the LSE entering it at the MFS price of 0.308. We felt confident that this company would experience severe pressure on its stock price due to the failure of the Finance & Credit bank, owned by the same principal shareholder as Ferrexpo, who we suspected was using the company's funds to prop up his own bank prior to its being taken under Ukrainian regulator's control and assets frozen. We exited the short position in mid January at 0.523 booking a 70% net profit on this trade.
MTS, VIP	\$1.91	61%	Starting July 2015 we started to accumulate short positions in MTS, Vimpelcom and Sistema (holding company for MTS) with an expectation that these companies might be negatively affected by either US/EU sanctions, Ukraine nationalization attempts or internal Russian oligarch infighting. Entry point for the short position on VIP was 5.3 and 8.2 for MTS. Both stocks trade on NYSE. We accumulated the short positions in VIP and MTS with a final average purchase price of \$4.9 and \$7.8 respectively, with 2x leverage. We exited the VIP trade at around \$1.91, booking a profit of 61%.
Ukraine Sovereign Bonds	In mid 70's	34%	Following the restructuring of Ukreximbank, the Ministry of Finance embarked on a restructuring of sovereign eurobonds. In the background of an economy weakened by war, while remaining relevant from a geo-political perspective, Ukraine saw an opportunity to restructure its national debt. Following a declaration of "imminent default", bonds dropped to high 40s. We started buying Ukraine bonds, mostly short duration, in June and July at an average price of \$54, and continued to accumulate while both sides threatened to walk away from the deal. Post restructuring, the bonds rallied to low 80s, but we exited the trade fully in mid 70s, averaging a 34% gain per position.
Ukreximbank bonds	\$71	31%	Ukreximbank bonds have plummeted in price in recent months amid tensions with Russia, a falling currency and a weak Ukrainian economy. Earlier this year, after a declaration of "imminent default" and "likely 50% haircut," an 8.375% bond maturing in April fell to the low 50s. Thanks to information gleaned from our industry contacts, we felt the market was far overestimating the possibility of a default or a 50% haircut, and started buying the bonds in early April at an average price of \$54. On April 27th, bondholders accepted a restructuring offer that pushed the price to the mid 70s. We exited at 71, booking a 31% profit.
Alliance oil bonds	\$83.71	52.2%	Earlier this year, Alliance Oil announced it could not repay a bond that was to mature in March, and the company threatened to default. The price fell from the mid 90s to the low 50s. Our sources told us Alliance management was exaggerating the negatives and had enough cash to make the payment, so we started buying the bonds at about \$55. Just before maturity, Alliance announced a restructuring that paid 20% in cash and extended the bonds by four years at a price of \$70. We exited the trade at \$83, booking a profit of over 50%.

**Principals**


Gene Zolotarev, who is head of the investment team, prior to founding Maximus Capital spent over 20 years in senior executive management roles (as a board member, CEO and Chairman) of asset management and investment banking divisions at large U.S., Russian and Baltic banks.



Salim Kriman, member of the investment team, has more than 15 years of experience in CIS markets - both equities and bonds. From 2005 to 2014 he served as Chairman of the board of Bank Standard (Azerbaijan), and prior to this he was the President of Baku Stock Exchange.



Gene Moldavsky, member of the investment team, has 20 years of investment banking and management consulting experience. In past Mr. Moldavsky was involved in transactions valued at more than \$25BN working in Russia and Ukraine for some of the leading investment banks.



Aleksandr Savchenko, member of the investment team, from 2005 to 2009 was Vice Chairman of National Bank of Ukraine. From 1999 to 2005 Mr Savchenko was Chairman of International Commercial Bank. Earlier Mr. Savchenko served as Chairman of Bank Austria Creditanstalt Ukraine, which he originated with Bank Aval and International Financial Corporation.

**Monthly Performances**

	Jan	Feb	Mar	Apr*	May	June	July	Aug	Sept	Oct	Nov	Dec	YTD*
<b>2016</b>	3.75%	5.15%	0.46%	-3.47%	0.59%	-3.85%	-7.71%	-7.70%	-6.21%	-5.59%			<b>-22.82%</b>
<b>2015</b>	13.6%	30.1%	-2.7%	-1.3%	12.53%	5.73%	4.25%	4.8%	4.11%	1.56%	-0.83%	3.79%	75.64%
<b>2014</b>	2.2%	1.8%	7.9%	0.6%	2.4%	2.8%	3.1%	15.4%	7.2%	-4.2%	-3.8%	27.6%	63%

\*Performance figures prior to April 2015 represents performance of the strategy across managed accounts

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<b>Maxdrawdown</b>	<b>34.20%</b>
<b>Sharpe Ratio</b>	<b>-1.30</b>
<b>Mar Ratio</b>	<b>0.34</b>