



Baring Russia Fund

Annual Report & Audited Financial
Statements

For the year ended 31 October 2016

Baring Russia Fund

Annual Report & Audited Financial Statements

For the year ended 31 October 2016

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Register of commerce number B 57763

No subscription can be received solely on the basis of annual or semi-annual reports. Subscriptions are only valid if made on the basis of the information contained in the Prospectus and the Key Investor Information Documents ("KIID(s)"), accompanied by latest annual and semi-annual reports. The Prospectus and the latest annual and semi-annual reports shall be provided to investors on request and free of charge.

BARINGS

Management and administration

Board of Directors

Chairperson

Mr. Benoît du Mesnil du Buisson

Directors

Mr. Michel Schulz

Mr. Shane Ross Independent TD (resigned 6 May 2016)

Ms. Nicola Hayes

Registered office

6, rue Lou Hemmer

L-1748 Senningerberg

Grand Duchy of Luxembourg

Management Company and Administrator

Northern Trust Luxembourg Management Company S.A.

6, rue Lou Hemmer

L-1748 Senningerberg

Grand Duchy of Luxembourg

Depositary and Paying Agent

Northern Trust Global Services Limited

Luxembourg Branch

6, rue Lou Hemmer

L-1748 Senningerberg

Grand Duchy of Luxembourg

Listing Agent

Banque et Caisse d'Epargne de l'Etat

1, place de Metz

L-2954 Luxembourg

Grand Duchy of Luxembourg

Investment Manager

Baring Asset Management Limited

155, Bishopsgate

London EC2M 3XY

United Kingdom

Distributor

Baring International Fund Managers (Ireland) Limited

Georges Court

54-62 Townsend Street

Dublin 2

Ireland

Legal Adviser

Arendt & Medernach

41A, avenue John F. Kennedy

L-1855 Luxembourg

Grand Duchy of Luxembourg

Auditor

PricewaterhouseCoopers, Société coopérative

2, rue Gerhard Mercator

B.P. 1443

L-1014 Luxembourg

Grand Duchy of Luxembourg

Management and administration (continued)

Information for Investors

Investors may obtain the Prospectus, the Key Investor Information Document(s) ("KIID(s)"), the Articles of Incorporation, the schedule of changes in the schedule of investments and other net assets as well as the audited annual and unaudited semi-annual reports in paper form free of charge at the offices of the Paying Agents or Further Information Agent(s) listed below.

Paying and Information Agent in Germany

Deutsche Bank AG
Taunusanlage 12
60325 Frankfurt am Main
Federal Republic of Germany

Paying Agent in Austria

UniCredit Bank Austria AG
Schottengasse 6-8
A-1010 Vienna
Austria

Paying Agent in Sweden

S.E. Banken
Rissneleden 110, RB5
10640 Stockholm
Sweden

Paying Agent in Switzerland

BNP Paribas Securities Services, Paris
Succursale de Zurich
Selnaustrasse 16
CH-8002, Zurich
Switzerland

Further Information Agent in Germany

Baring Asset Management Limited
Ulmenstraße 37-39
60325 Frankfurt am Main
Federal Republic of Germany

Paying Agent in Luxembourg

Northern Trust Global Services Limited
Luxembourg Branch
6, rue Lou Hemmer
L-1748 Senningerberg
Grand Duchy of Luxembourg

Paying Agent in France

BNP Paribas Securities Services
3, rue d'Antin
75002 Paris
France

Introduction

The Baring Russia Fund ("the Fund") was incorporated with limited liability in the Grand Duchy of Luxembourg as a Société d'Investissement à Capital Fixe under the number B 57763 on 17 January 1997 under Part II of the Law of 30 March 1988.

As at 24 November 2006, the Extraordinary General Meeting of the shareholders of the Fund resolved to convert the Fund into an investment company with variable share capital and to submit the Fund to the provisions of Part I of the Law of 17 December 2010, as amended, regarding undertakings for collective investment.

Accumulation ("Acc") and Income ("Inc") shares are available in the Fund in the following denominations and classes:

ISIN codes

Fund and class	Share type (Acc/Inc)	Base currency	Share denomination	Share class launch date	ISIN
Baring Russia Fund					
Class A USD Acc	Acc	USD	USD	24/03/1997	LU0073418229
Class A GBP Inc	Inc	USD	GBP	14/09/2010	LU0538075267
Class A USD Inc	Inc	USD	USD	25/04/2008	LU0280479329
Class D GBP Inc ¹	Inc	USD	GBP	TBC	LU0809290991 ²
Class R GBP Inc ¹	Inc	USD	GBP	04/04/2014	LU0809291023

¹ Class D GBP Inc shares and Class R GBP Inc shares are available for all investors subject to the discretion of the Board of Directors (or its delegates).

² Share class not yet launched.

Audit report

To the Shareholders of
Baring Russia Fund

We have audited the accompanying financial statements of Baring Russia Fund, which comprise the statement of net assets and the schedule of investments and other net assets as at 31 October 2016 and the statement of operations and the statement of changes in net assets for the year then ended, and a summary of significant accounting policies and other explanatory notes to the financial statements.

Responsibility of the Board of Directors of the SICAV for the financial statements

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

Responsibility of the “Réviseur d’entreprises agréé”

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the “Commission de Surveillance du Secteur Financier”. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the judgment of the “Réviseur d’entreprises agréé”, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the “Réviseur d’entreprises agréé” considers internal control relevant to the entity’s preparation and fair presentation of the financial statements 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 entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors of the SICAV, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Baring Russia Fund as of 31 October 2016, and of the results of its operations and changes in its net assets for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the financial statements.

*PricewaterhouseCoopers, Société coopérative, 2 rue Gerhard Mercator, B.P. 1443, L-1014 Luxembourg
T: +352 494848 1, F: +352 494848 2900, www.pwc.lu*

*Cabinet de révision agréé. Expert-comptable (autorisation gouvernementale n°10028256)
R.C.S. Luxembourg B 65 477 - TVA LU25482518*

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Other matters

Supplementary information included in the annual report has been reviewed in the context of our mandate but has not been subject to specific audit procedures carried out in accordance with the standards described above. Consequently, we express no opinion on such information. However, we have no observation to make concerning such information in the context of the financial statements taken as a whole.

PricewaterhouseCoopers, Société cooperative
Represented by

Luxembourg, 16 February 2017



Thierry Blondeau

Investment Manager's report

Investment objective and policy

The investment objective of Baring Russia Fund ("the Fund") is to achieve long-term capital growth, principally through investing in companies operating in Russia and/or companies operating in the independent states of the former Soviet Union other than Russia ("the Region"). Investment will be made principally in equity and equity-related securities.

The Fund will seek to achieve its investment objective by investing at least 70% of its total assets at any one time into equities and equity-related securities of companies domiciled in Russia or of companies exercising the predominant part of their economic activity in Russia. For this purpose, the term "total assets" excludes cash and ancillary liquidities.

Please refer to the Prospectus for the full investment objective and policy.

How the Fund is managed

At Baring Asset Management Limited, we believe that a sound research process is the starting point of any successful investment approach. In our view, it is most effective to analyse both companies and countries, with the goal of investing in the most attractive companies in the most attractive countries. This research gives rise to an assessment of the fundamental drivers of return, and to this we add a subjective judgment as to the level of return we expect from each asset in which we might invest. We also check that these rankings are consistent with the broader economic developments we expect as a firm. These rankings then allow us to construct a disciplined and relatively concentrated portfolio of our most attractive companies.

Baring Asset Management Limited ("the Investment Manager") manages the portfolio using a "Growth at a Reasonable Price", or GARP, approach. This means that when researching candidates for the portfolio, we place just as much emphasis on the likely growth in corporate earnings at a company as we do on the share price valuation before deciding whether to invest or not. We believe that this approach combines the best features of both "growth" and "value" investment styles, to the benefit of investors. We also look at the sensitivity to currency movements and other external factors, such as the soundness or otherwise of government policy in the case of a country, or the business plan in the case of a company. Last but not least, we look closely at the level of valuation.

Performance

Summary of Fund performance (excluding distribution payments where applicable)

Fund and class	Net Asset Value as at 31/10/2016 Price per share	Net Asset Value as at 31/10/2015 Price per share	Net Asset Value % change
Baring Russia Fund - Class A USD Acc	US\$50.86	US\$40.00	27.15
Baring Russia Fund - Class A GBP Inc	£40.79	£25.36	60.84
Baring Russia Fund - Class A USD Inc	US\$49.83	US\$39.19	27.15
Baring Russia Fund - Class R GBP Inc	£40.72	£25.36	60.57

Investment Manager's report (continued)

Performance (continued)

Performance record to 31 October 2016 (including distribution payments where applicable)

Fund and class	01/11/2015 – 31/10/2016 %	01/11/2014 – 31/10/2015 %	01/11/2013 – 31/10/2014 %	01/11/2012 – 31/10/2013 %	01/11/2011 – 31/10/2012 %
Baring Russia Fund - Class A USD Acc (USD terms)	27.15	(14.73)	(26.03)	13.59	(9.65)
Baring Russia Fund - Class A GBP Inc (GBP terms)	60.84	(11.73)	(25.72)	13.89	(9.46)
Baring Russia Fund - Class A USD Inc (USD terms)	27.15	(14.80)	(26.04)	13.60	(9.65)
Baring Russia Fund - Class R GBP Inc (GBP terms)*	60.57	(12.10)	(6.60)	N/A	N/A
MSCI Russia 10/40 Total, Net Return (USD terms)	19.25	(16.40)	(21.34)	6.82	(5.93)

Performance figures are shown mid-day net of fees, on a NAV per share basis, with gross income reinvested.

Source: Morningstar/Barings/MSCI.

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Source: MSCI. The MSCI data is for Barings' use only and may not be redistributed or used in connection with creating or offering any securities, financial products or indices.

The Fund was launched on 24 March 1997.

* Class R GBP Inc shares were launched on 4 April 2014.

Past performance is no indication of current or future performance. The performance data does not take account of the commissions and costs incurred on the issue and redemption of shares. Please note that changes in the rates of exchange may have an adverse effect on the value, price or income of an investment.

Risk profile

The Fund is invested in Russian equities and, to a lesser extent, equities listed in countries which comprised the former Soviet Union. As a result, it is exposed to the volatility that can characterise equity share prices from time to time. Further to this, as Russia and other former members of the Soviet Union are considered emerging markets, the Fund can be exposed to economic, political, and other risks associated with holding equities in emerging markets.

Returns from overseas equity markets can also be subject to fluctuations in exchange rates, which can have the effect of eroding or enhancing the value of the investment returns for investors. Please refer to the Prospectus for the full risk profile.

Investment Manager's report (continued)

Key changes since the last report

Director, Mr. Shane Ross Independent TD resigned on 6 May 2016.

There were no other key changes since the last report.

Strategy

It's our belief that the companies which deliver the most attractive long-term performance share three characteristics. They offer prospects for long-term growth on a sensible investment horizon, not just one or two years but looking out over three to five years. They display strength in terms of the management of the company, the quality of their franchise and the balance sheet. Finally, they must be reasonably valued. With a strong emphasis on individual securities in this way, we describe ourselves as 'bottom-up' investors, focused on companies and the factors that influence them. This does not mean that we ignore macroeconomic or political events. For Russia, these are important and can have a meaningful impact on the prospects for companies. Rather, we view them through the lens of the companies we are invested in or potentially investing in, and analyse the effect they have or are likely to have from an investment perspective.

Our strategy continued to be to look for companies offering a combination of growth and reasonable pricing during the period under review, and to combine them with conviction and discipline in the portfolio. Our investment strategy remains focused on capitalising on the unique, exciting and varied combination of investment opportunities offered by the Russian market. Russia has vast natural resources, many of which have the ability to be further commercialised. The Russian consumer has a relatively low level of debt and spending power can grow as a middle-income class is established. Russia remains a highly educated country and has the potential to create cutting edge solutions in fields such as Technology and Healthcare. Medium- to long-term superior economic and corporate growth prospects come at attractive valuations.

The Fund had significant exposure to investment opportunities in the Information Technology, Healthcare and Consumer Discretionary sectors where we identified a variety of companies that offer upside, growth and quality. In contrast, the Fund had limited exposure to state-owned entities in the Energy sector such as Rosneft and Transneft, given the weak growth prospects and generally poor levels of corporate governance.

Performance

During the period under review, Russian equities as illustrated by the MSCI Russia 10/40 index generated very strong positive returns. The strength in the Russian market was driven by a more constructive backdrop for the oil price and an improvement in the macroeconomic backdrop following the stressed situation witnessed in the previous year. Improvements in corporate profitability were also instrumental in promoting the returns generated. The Fund's return over the period was significantly ahead of its performance comparator; successful stock selection results (being in the right companies) were the principal reason for the positive investment result.

The Fund's holding in MD Medical, a private clinic and hospital operator, made a very strong contribution to the Fund's performance as the company delivered strong financial results. Other successful investments over the review period included TCS Group, which provides innovative financial services to the consumer market, and X5, which is one of the largest food retailers in Russia and a beneficiary of improved operational performance following a transformation of its retail format.

The Fund's exposure to Information Technology stocks Mail.ru, a social networking and on-line games provider, and Luxoft, a corporate software provider, both proved disappointing as their respective earnings growth results fell short of expectations.

Investment Manager's report (continued)

Review of the market

Russia equity investors enjoyed a period of strong returns. It is fair to say that the backdrop for the equity market stabilised after a very challenging period over 2015. Macroeconomic trends improved as recessionary dynamics were reversed and heightened levels of inflation were tamed by a tight monetary policy framework sponsored by the central bank. Whilst economic growth was still scarce, the performance of Russian corporates was generally robust. Tight cost control and capital discipline enabled companies to maintain operational performance and companies with structural growth dynamics, for example the largest food retailers managed to actually deliver encouraging growth. A de-escalation of geopolitical tension surrounding Russia's participation in the Syrian conflict and its activities in Ukraine and Crimea was apparent; however, the sanctions regimes imposed by Western governments on Russia were retained.

Market outlook

The long-term investment case for Russian equities in our view remains compelling. Investors in Russia have faced a truly challenging environment over the recent past and the outlook is now more constructive. The oil price will certainly remain influential to the near-term prospects of the economy and the equity market.

The macroeconomic outlook has stabilised and we are hopeful that the economic growth is likely to resume as we move into 2017, although growth is likely to be moderate. Russian real interest rates remain amongst the highest in the world, so we expect to see a reduction in interest rates going forward; this should certainly support the economy and participants. The Russian government will maintain fiscal prudence and we expect government spending to be measured and the country's fiscal position to be bolstered by privatisations activity. This will provide the Fund with new investment opportunities and both broaden and deepen the Russian stock market.

Russian equity valuations remain at attractive levels compared to peers within emerging markets. When we look at the growth opportunity, we believe the wider investment case for Russia is supported by the medium- to long-term growth of an affluent middle class. Domestic demand for goods and services is further supported by the relatively low levels of goods and services currently being bought in Russia. Long-term structural growth opportunities within Healthcare, Technology and other innovative sectors provide us with a plentiful source of investment opportunities which we believe the Fund is well placed to benefit from.

As always, it should be noted that volatility can occur as a result of adverse market sentiment on issues such as shifts in global interest rates, changes to global trade regimes, political events in Russia, and/or global events impacting the broader equity markets. As these factors have materialised, we have experienced corrections in the short term which have negatively impacted the Fund and other equity markets.

Baring Asset Management Limited

November 2016

Investment Manager's report (continued)

Portfolio information

Top ten holdings Company	% of NAV
Sberbank of Russia	9.62%
Magnit PJSC	8.82%
Novatek OAO GDR	8.14%
Lukoil PJSC ADR	7.16%
Tatneft PAO ADR	5.16%
MD Medical Group Investments GDR	4.84%
Alrosa PAO	4.82%
Northern Trust Global Funds - US Dollar Fund	4.50%
Moscow Exchange MICEX-RTS OAO	4.40%
X5 Retail Group NV GDR	4.23%

NAV Breakdown Sector	% of NAV
Financials	25.91%
Energy	24.95%
Consumer Staples	14.11%
Materials	8.03%
Information Technology	7.08%
Telecommunication Services	5.91%
Health Care	4.84%
Collective Investment Schemes	4.50%
Industrials	3.66%
Consumer Discretionary	1.04%
Cash	0.75%
Other net liabilities	(0.78%)
Total	100.00%

Note: the information stated in this report is historical and not necessarily indicative of future performance.

Schedule of investments and other net assets

As at 31 October 2016

Holdings	Security	Market Value US\$	% of NAV
Transferable securities listed on an official stock exchange			
Collective Investment Schemes			
2,025,000	Northern Trust Global Funds - US Dollar Fund	2,025,000	4.50
		2,025,000	4.50
Consumer Discretionary			
57,999	Sollers OJSC	467,369	1.04
		467,369	1.04
Consumer Staples			
23,601	Magnit PJSC	3,963,991	8.82
63,733	X5 Retail Group NV GDR*	1,901,793	4.23
50,546	MHP SA GDR*	477,660	1.06
		6,343,444	14.11
Energy			
34,235	Novatek OAO GDR*	3,659,722	8.14
66,064	Lukoil PJSC ADR**	3,220,620	7.16
69,347	Tatneft PAO ADR**	2,321,044	5.16
250,396	Gazprom PJSC ADR**	1,081,711	2.41
32,315	Gazprom Neft PJSC ADR**	470,183	1.05
10,067,000	Unipro PJSC	464,146	1.03
		11,217,426	24.95
Financials			
1,857,843	Sberbank of Russia	4,326,887	9.62
1,072,591	Moscow Exchange MICEX-RTS OAO	1,977,931	4.40
207,104	TCS Group Holding GDR*	1,874,291	4.17
517,008	LSR Group GDR*	1,463,133	3.25
150,994	Vostok New Ventures Ltd	1,133,940	2.52
24,268	Bank of Georgia Holdings	875,827	1.95
		11,652,009	25.91
Health Care			
234,202	MD Medical Group Investments GDR*	2,175,737	4.84
		2,175,737	4.84
Industrials			
253,512	Globaltrans Investment GDR*	1,229,533	2.73
139,971	Global Ports Investments GDR*	418,513	0.93
		1,648,046	3.66

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

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Schedule of investments and other net assets (continued)

As at 31 October 2016

Holdings	Security	Market Value US\$	% of NAV
Transferable securities listed on an official stock exchange			
Information Technology			
86,743	Mail.Ru Group Ltd GDR*	1,419,983	3.16
68,892	Yandex NV	1,356,483	3.02
6,320	EPAM Systems Inc	406,818	0.90
		3,183,284	7.08
Materials			
1,547,177	Alrosa PAO	2,165,922	4.82
60,061	PhosAgro OAO GDR*	744,756	1.65
46,371	MMC Norilsk Nickel PJSC ADR**	699,275	1.56
		3,609,953	8.03
Telecommunication Services			
232,621	Sistema JSFC GDR*	1,737,679	3.86
81,422	MegaFon PJSC GDR*	775,952	1.73
40,801	KCell JSC GDR*	144,844	0.32
		2,658,475	5.91
Total investments		44,980,743	100.03
Cash		335,968	0.75
Other net liabilities		(350,678)	(0.78)
Net assets		44,966,033	100.00

* GDR - Global Depository Receipt.

** ADR - American Depository Receipt.

No schedule of portfolio changes has been included in this report. Such information is available upon request from Northern Trust Luxembourg Management Company, the Fund's Management Company.

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

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Statement of net assets

As at 31 October 2016

	Notes	31/10/2016 US\$'000	31/10/2015 US\$'000
Assets – Investments in securities	2		
Cost		46,319	49,450
Unrealised depreciation		(1,338)	(11,013)
		44,981	38,437
Other Assets			
Receivable for Fund shares sold		31	14
Cash at bank		336	154
Dividend receivable		64	56
Prepaid expenses		4	7
		435	231
Total assets		45,416	38,668
Liabilities			
Payable for Fund shares redeemed		147	175
Investment management fees payable	4	57	46
Administration fees payable	9	17	22
Management company fees payable	9	16	13
Depositary fees payable	9	15	17
Performance fees payable		2	-
Accrued expenses	10	196	167
Total liabilities		450	440
Total net assets		44,966	38,228

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

Statement of operations

For the year ended 31 October 2016

	Notes	31/10/2016 US\$'000	31/10/2015 US\$'000
Income			
Income from investments	2	1,222	1,090
Total Income		1,222	1,090
Expenses			
Investment management fees	4	594	590
Directors' fees	5	5	26
Audit fees		46	42
Administration fees	9	96	110
Management company fees	9	74	75
Depositary fees	9	47	39
Luxembourg subscription tax	7	19	12
Bank interest expense		2	4
Transactions fees	11	64	66
Performance fees	4	2	-
Other expenses	12	134	144
Total Expenses		1,083	1,108
Net investment gain/(loss)		139	(18)

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

Statement of changes in net assets

For the year ended 31 October 2016

	Notes	31/10/2016 US\$'000	31/10/2015 US\$'000
Operations			
Net investment gain/(loss) for the year		139	(18)
Net realised gain/(loss) on:			
Investments in securities		119	(6,594)
Foreign exchange translation	2	(18)	(22)
Forward foreign exchange contracts		7	2
Net realised gain/(loss):		108	(6,614)
Change in net unrealised appreciation/(depreciation) on:			
Investments in securities		9,675	(1,278)
Change in net unrealised appreciation/(depreciation):		9,675	(1,278)
Increase/(Decrease) in net assets as a result of operations		9,922	(7,910)
Net assets at the beginning of the year		38,228	50,131
Net amount received on subscriptions of shares		4,555	9,841
Net amount paid on redemption of shares		(7,739)	(13,831)
Dividends paid	3	-	(3)
Total net assets at the end of the year		44,966	38,228

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

BARINGS

Statistical information

For the year ended 31 October 2016

	31/10/2016	31/10/2015	31/10/2014
Net assets (US\$'000)	44,966	38,228	50,131

Net Asset Value per Share

	31/10/2016	31/10/2015	31/10/2014
Net Asset Value per share of Class A USD Acc	US\$50.86	US\$40.00	US\$46.91
Number of shares in issue of Class A USD Acc	827,610.73	897,463.63	1,001,091.80

	31/10/2016	31/10/2015	31/10/2014
Net Asset Value per share of Class A GBP Inc	£40.79	£25.36	£28.73
Number of shares in issue of Class A GBP Inc	12,053.65	12,180.09	12,621.89

	31/10/2016	31/10/2015	31/10/2014
Net Asset Value per share of Class A USD Inc	US\$49.83	US\$39.19	US\$46.00
Number of shares in issue of Class A USD Inc	41,167.64	43,147.25	54,484.48

	31/10/2016	31/10/2015	31/10/2014
Net Asset Value per share of Class R GBP Inc	£40.72	£25.36	£28.85
Number of shares in issue of Class R GBP Inc	4,477.15	4,230.17	1,905.39

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

Notes to the financial statements

1. General information

Baring Russia Fund ("the Fund") was incorporated with limited liability in the Grand Duchy of Luxembourg as a Société d'Investissement à Capital Fixe under the number B 57763 on 17 January 1997 under Part II of the Law of 30 March 1988.

As at 24 November 2006, the Extraordinary General Meeting of the shareholders of the Fund resolved to convert the Fund into an investment company with variable share capital and to submit the Fund to the provisions of Part I of the Law of 17 December 2010 as amended.

The Fund is currently comprised of four classes of shares, Class A USD Acc, Class A USD Inc, Class A GBP Inc and Class R GBP Inc.

As per the Prospectus, the Fund's valuation day is any full day other than a Saturday or Sunday on which banks in both London and Luxembourg are open for business and on which the Russia Trading System is open or other day(s) as the Directors may determine from time to time.

The Fund has one wholly owned Cypriot subsidiary, Estex Limited ("the Subsidiary"). On 21 November 2005, the Board of Directors took the decision to put the Subsidiary into liquidation. The Company has been struck off the Cyprus Register of Companies on 11 January 2016.

2. Significant accounting policies

These financial statements have been prepared in conformity with legal and regulatory requirements for investment funds in Luxembourg.

Net Asset Value

The Net Asset Value presented in these financial statements represents the accounting Net Asset Value.

Valuation of investments

(a) The value of assets which are listed or dealt in on any stock exchange is based on the last available price on the stock exchange which is normally the principal market for such assets. The value of assets dealt in on any other regulated market is based on the last available price.

(b) In the event that any assets are not listed or dealt in on any stock exchange or on any other regulated market, or if, with respect to assets listed or dealt in on any stock exchange or other regulated market, the price as determined pursuant to sub-paragraph (a) above, is not representative of the fair market value of the relevant assets, the value of such assets will be based on the reasonably foreseeable sales price determined prudently and in good faith.

Foreign exchange translation

The Fund maintains its accounts in US dollar and the financial statements are presented in this currency.

Transactions denominated in currencies other than US dollar are recorded on the basis of the exchange rate prevailing on the date they occur.

At the end of the financial year, assets and liabilities expressed in currencies other than US dollar are translated into US dollar at the exchange rate prevailing on that date. Resulting exchange gains or losses are included in the Statement of Operations for the year ended.

Forward foreign exchange contracts

Forward foreign exchange contracts are valued at forward market rates for the remaining period from valuation date to the maturity of the contracts. The unrealised gain/loss on forward foreign exchange contracts as at year-end is included in the statement of net assets under the caption "Unrealised gain/loss on forward foreign exchange contracts". The realised gain/loss and change in unrealised gain/loss on forward foreign exchange contracts are disclosed in the statement of changes in net assets under the captions "Net realised gain/loss on forward foreign exchange contracts" and "Change in net unrealised gain/loss on forward foreign exchange contracts". As at 31 October 2016, the Fund does not hold any forward foreign exchange contracts.

Notes to the financial statements (continued)

2. Significant accounting policies (continued)

Income from investments

Dividends are included in income on the date upon which the relevant securities are first listed as "ex-dividend". Interest income is accrued on a daily basis.

Realised gains and losses on sales of investments in securities are determined on an average cost basis. Investment security transactions are accounted for on the day the commitment to purchase or sell the security has been given irrevocably.

Consolidation

The Fund has one wholly owned Cypriot subsidiary, Estex Limited ("the Subsidiary").

On 21 November 2005, the Board of Directors took the decision to put the Subsidiary into liquidation.

The Company has been struck off the Cyprus Register of Companies on 11 January 2016.

3. Dividends

The Board of Directors can recommend an annual distribution to shareholders through a dividend payment, subject to overall net profits being available for distribution, of substantially all of the Fund's gains and net income.

No dividends were distributed during the year.

4. Investment management and performance fees

Under the Investment Management Agreement, Baring Asset Management Limited ("the Investment Manager") is entitled to receive from the Fund a fee computed daily and payable monthly in arrears at an annual rate based on the Fund's average daily net assets. The annual rate for each active share class is as below:

Annual management fee	
Class A USD Acc	1.50%
Class A GBP Inc	1.50%
Class A USD Inc	1.50%
Class R GBP Inc	0.75%

In addition, the Investment Manager will be entitled to receive a performance fee which will be determined and calculated as follows:

The performance fee will be payable in relation to the Performance Period which is in line with the Fund's accounting year.

A performance fee will be payable if:

- (i) the total return of the NAV per share has outperformed the Benchmark Value³; and
- (ii) the NAV per share exceeds the High Water Mark⁴

Where a performance fee is payable in relation to the performance period, it is set at 10% of the amount by which the total return on the NAV per share, gross of performance fee, has outperformed the Benchmark Value.

³ The Benchmark Value is a measure of the return of the performance comparator and is defined as the NAV per share of the relevant class, net of any performance fee, as calculated as of the last Business Day of the latest Performance Period (such day being referred to as "Calculation Day") multiplied by the return of the performance comparator since the previous Calculation Day.

⁴ The High Water Mark is the higher of the initial issue price or the highest NAV per share of the relevant class calculated as of the last Calculation Day for which a performance fee has been paid.

Notes to the financial statements (continued)

4. Investment management and performance fees (continued)

If the Fund outperforms both the Benchmark Value and the High Water Mark, a performance fee will be payable at the end of the performance period. At this point, a new High Water Mark would also be set. If a performance fee is not payable, the High Water Mark remains at the same NAV on which the last performance fee was paid.

If any shares of a particular share class are redeemed or converted during a performance period, then a proportion of the performance fee accrual (if applicable) at the time of the redemption or conversion and relating to the respective class of shares, based upon the proportion of the number of shares being redeemed to the total number of shares in issue in the respective class at the time of such redemption, shall be crystallised and set aside for payment to the Investment Manager on an annual basis.

It should be noted that as the NAV per share may differ between share classes, separate performance fee calculations will be carried out for the separate share classes which may become subject to different amounts of performance fee being payable.

The performance fee is only applicable to A and R share classes.

For the year ended 31 October 2016, the amount of performance fees was US\$1,699.

Trailer fees (commissions for the marketing of the Funds) are paid to distribution, commission and sales agents out of the management fees. Reimbursements to institutional investors, who from a commercial perspective are holding the Fund's shares for third parties, are also paid out of the management fees.

5. Directors' fees and expenses

The Board of Directors (other than any who are Directors or employees of the Investment Manager, the Investment Adviser or their associated companies) is entitled to receive a fee which shall not exceed in aggregate US\$100,000 per annum (net of any applicable Luxembourg withholding tax) or such higher amount as may from time to time be decided by a resolution of shareholders. Each of the Directors will also be reimbursed travel, hotel and other expenses properly incurred by them in the course of their duties relating to the Fund.

Mr. Shane Ross Independent TD was entitled to receive an amount of US\$10,000 per annum. Mr. Benoît du Mesnil du Buisson, Ms. Nicola Hayes and Mr. Michel Schulz waived their entitlement to receive a fee.

6. Exchange rates

The exchange rates used at the year-end were:

31 October 2016	Exchange rate to US\$
British pound	0.8191
Swedish krona	9.0215
Swiss franc	0.9889

7. Taxation

Subscription tax

Under current law and practice, the Fund is not liable to any Luxembourg income tax, nor are dividends paid by the Fund liable to any Luxembourg withholding tax. However, the Fund is liable in Luxembourg to a subscription tax of 0.05% per annum of its total net assets, such tax being payable quarterly and calculated on the Net Asset Value of the Fund at the end of the relevant quarter. Withholding tax, deducted in certain countries, may not be refundable in certain instances.

Notes to the financial statements (continued)

7. Taxation (continued)

Other taxes

Successful applications were made in respect of Class A USD Inc, Class A USD Acc and Class A GBP Inc in the Fund to become UK Reporting Funds with effect from 1 November 2010 and in respect of Class R GBP Inc with effect from 4 April 2014. Broadly, a UK taxable investor in a UK Reporting Fund has to report to HM Revenue and Customs ("HMRC") and is subject to income tax on their share of a UK Reporting Fund's undistributed income, if any, attributable to their holding in the Fund, while typically any gain on the disposal of their holding is subject to capital gains. Details of any undistributed income that may need to be reported by a UK taxable investor will be provided on the Baring Asset Management Limited website – www.barings.com/funds.

8. Subsidiary in Cyprus

In 1996, the Fund incorporated Estex Limited, a wholly owned subsidiary registered in Cyprus. The incorporation of Estex Limited permitted the Fund via the subsidiary to invest into Russia, taking advantage of the favourable provisions of the new Russia/Cyprus and the old USSR/Cyprus double taxation treaties.

As at 21 November 2005, the Board of Directors took the decision to liquidate Estex Limited and authorised HSBC Securities Services (Luxembourg) S.A. to commence the liquidation process.

On 6 January 2006, by circular resolution the Board of Estex Limited approved:

- to transfer the total stock held in the portfolio of Estex Limited to Baring Russia Fund;
- to accept that the form of transfer stocks to be a gift free of charge;
- for the transfer to be executed immediately.

The Company has been struck off the Cyprus Register of Companies on 11 January 2016.

9. Depositary, administration and management company

Depositary fees

Under the Custodian Agreement between Northern Trust Global Services Limited ("the Custodian") and the Fund, effective 1 March 2006, the fees due to the Custodian may amount to up to a maximum of 0.20% per year of the Fund's assets. The Custodian was also entitled to be reimbursed by the Fund for reasonable out-of-pocket expenses incurred by it in performing its duties, including fees and charges of correspondents and agents.

Effective from 18 March 2016, under the Depositary Agreement between Northern Trust Global Services Limited ("the Depositary"), Northern Trust Luxembourg Management Company SA and the Fund, the fees due to the Depositary is comprised to up to a maximum of 0.20% per year of the Fund's assets. The Depositary is also entitled to be reimbursed by the Fund for reasonable out-of-pocket expenses incurred by it in performing its duties, including fees and charges of correspondents and agents. The Depositary Agreement replaces and supersedes the Custodian Agreement.

Administration and management company fees

The Fund has appointed Northern Trust Luxembourg Management Company S.A. to act as its designated management company in accordance with the Law.

In relation to the investment management services, the Management Company, in accordance with Luxembourg laws and regulations, manages the assets of the Fund with discretionary power and in accordance with the Fund's investment policy, objective and restrictions as set out in the Fund's Articles of Incorporation and Prospectus and with the aim to achieve the Fund's investment objective.

In relation to the administrative services, the Management Company, in accordance with Luxembourg laws and regulations, acts as central administration agent, corporate and domiciliary agent, and registrar and transfer agent of the Fund.

Notes to the financial statements (continued)

9. Depositary, administration and management company (continued)

Administration and management company fees (continued)

The remuneration for fund accounting services (Administration fees) is up to 0.15% per annum of the average net assets of the Fund, subject to an annual minimum amount of GBP33,000 and an additional charge of GBP650 per annum per share class of the Fund (other than share classes A USD Acc, A USD Inc and A GBP Inc). The Management Company will also receive a fixed fee of GBP50,000 per annum for management company services and corporate and secretarial services (Management Company fee). Further to this, additional transaction and maintenance fees for transfer agency services may be levied by the Management Company. The fees are payable monthly in arrears.

10. Accrued expenses

As at 31 October 2016, the details of the accrued expenses are as follows:

	US\$'000
Audit fees	45
Financial servicing fees	44
Professional Services	31
Estex liquidation fees	30
Legal fees	22
Publication fees	8
Transaction fees	7
VAT payable	6
Luxembourg subscription tax payable	2
Regulatory fees	1
Accrued expenses	196

11. Transaction fees

Transaction fees incurred by the Fund relating to the purchase or sale of securities are included in the transaction price used to calculate the realised and unrealised gain/(loss) on securities. They are mainly broker fees. For the year ended 31 October 2016, these transaction fees amount to US\$41,754. Other transaction fees disclosed in the "Transaction fees" of the Statement of Operations are primarily related to American Depositary Receipts ("ADRs") fees charged to the Fund for maintaining positions in ADRs.

12. Other expenses

Other expenses represent other operational costs paid by the Fund and include paying agent fees, legal fees and tax advisors fees. They also include publication fees, regulatory fees and other miscellaneous expenses.

13. Soft commission arrangements

Baring Fund Managers Limited ("the Manager") and its associates will not receive cash from, or offer rebates to, brokers or dealers in respect of transactions for the Investment Manager. The Investment Manager uses dealing commission generated on equity transactions to purchase goods and services that relate to the execution of trades or the provision of research for the benefit of the Fund. Execution of transactions will be consistent with best execution standards. The Investment Manager has engaged in such activities during the year.

14. Related party transactions

During the year, there have been no transactions which were outside the ordinary course of business or which were not on normal commercial terms.

Appendix I - Risk management (unaudited)

The method used to determine the global exposure is the relative Value at Risk ("VaR"). VaR is calculated daily for The Baring Russia Fund ("the Fund") and reference portfolio using RiskMetrics (one of the leading suppliers of risk management software). The reference portfolio for the purpose of the Fund's relative VaR calculation is the MSCI Russia 10/40 Total, Net Return.

For relative VaR: The Fund's VaR is shown as a percentage of the VaR of the reference portfolio. The limit for relative VaR is set lower than a multiple of two (or 200%) of the reference portfolio VaR.

For data prior 01/07/2016:

The VaR calculation uses a historic methodology and utilises a 99% confidence interval, 10-day holding period and uses 3 years of daily returns.

For data post 01/07/2016:

The VaR calculation uses a Monte Carlo methodology and utilises a 99% confidence interval, 10-day holding period, 1 year of daily returns and an 11-day half-life.

Utilisation of the VaR limit over the past financial year:

Fund	31/10/2016	31/10/2015	Lowest	Highest	Mean	Reference portfolio
Baring Russia Fund	72.96%	61.96%	55.18%	91.08%	66.06%	MSCI Russia 10/40 Total, Net Return

Appendix II - Foreign distribution (unaudited)

Information for Investors in Switzerland

The Directors have appointed BNP Paribas Securities Services, Paris, succursale de Zurich, Selnaustrasse 16, CH - 8002 Zurich, as representative and paying agent for Switzerland. In accordance with Article 124 CISA, BNP Paribas Securities Services, Paris, succursale de Zurich, represents The Baring Russia Fund ("the Fund") vis-à-vis the investors and the Swiss Financial Market Supervisory Authority FINMA.

Shares are distributed in Switzerland by BNP Paribas Securities Services, Paris, Zurich Branch at the above address. Investors can obtain, free of charge, the Prospectus, the Key Investor Information Document(s) ("KIID(s)") (both also available for potential investors), the last audited annual and unaudited semi-annual reports as well as copies of the Articles of Incorporation and amendments thereto, if any, in German, and a list of the purchases and sales made on behalf of the Fund from the representative at the above address. Publications in Switzerland relating to the Fund will be made on the website www.fundinfo.com. The issue and redemption prices or the Net Asset Value per share, together with an indication "commissions excluded", will be published daily on the website www.fundinfo.com.

Performance of the Fund and respective share classes

Following a guideline from the Swiss Funds Association ("the SFAMA") dated 16 May 2008, the Board of Directors is supplying performance data in conformity with the said guideline. This data can be found on pages 8 and 9 of this annual report. Further, the Board of Directors is required to provide the below additional information on performance.

There is no benchmark for the Fund. However, there is a benchmark for the calculation of the performance fee on the Fund called the MSCI Russia 10/40 Total, Net Return ("the Index"). The Index is composed of the emerging market countries of the MSCI Russia Index ("the Parent Index"). Currently, the Index includes only Russia. The Index is weighted and rebalanced in accordance with MSCI's 10/40 Net Return Index Methodology.

Important information to the performance tables on pages 8 and 9:

- If the first or last day for the period of reference used for the performance data is a day where stock exchanges are not open, it is the performance data of the previous day open for trade which is used;
- All performance data is expressed in currency of the relevant share class;
- All performance data is sourced and is verified by Baring Asset Management Limited and calculated using data sourced from Morningstar as at 31 October 2016.

Past performance is no indication of current or future performance. The value of an investment can fall as well as rise as a result of market fluctuations and investors may not get back the amount originally invested. The performance data does not take account of the commissions and costs incurred on the issue and redemption of shares.

Investors should contact the Swiss representative at the above address should they require additional information, e.g. on performance including the composition of the relevant indices where applicable.

Total Expense Ratio

Pursuant to a guideline from the SFAMA dated 16 May 2008, the Fund is required to publish a Total Expense Ratio ("TER").

The TER for each class of share for the period ended 31 October 2016:

	Gross TER %	Net TER %
Baring Russia Fund		
Class A USD Acc	2.74%	2.74%
Class A USD Inc	2.74%	2.74%
Class A GBP Inc	2.74%	2.74%
Class R GBP Inc	2.90%	1.98%

Appendix II - Foreign distribution (unaudited) (continued)

Total Expense Ratio (continued)

The Net TER figures are net of performance fees.

This information was established by the Management Company, Northern Trust Luxembourg Management Company S.A. and is based on the data for the twelve months ended 31 October 2016. The TER includes Fund management fees, custodian fees, taxes and duties and all other commissions and expenses appearing as per the breakdown of the Statement of Operations and that are not already included in any of the foregoing categories. The TER is calculated using the average daily Net Asset Value for the year.

Trailer fees and reimbursements

Trailer fees (Bestandespflegekommissionen) may only be paid to the sales agents/partners indicated below:

- authorised sales agents (distributors) within the meaning of Article 13, Para 1, CISA;
- sales agents (distributors) exempted from the authorisation requirement within the meaning of Article 13, Para 3, CISA and Art. 8 CISO;
- sales partners who place Fund shares exclusively with institutional investors with professional treasury facilities; and/or
- sales partners who place Fund shares with their clients exclusively on the basis of a written commission based asset management mandate.

Reimbursements (Rückvergütungen) may only be paid to the institutional investors detailed below who from a commercial perspective are holding the Fund shares for third parties:

- life insurance companies (in respect of Fund shares held for the account of insured persons or to cover obligations towards insured persons);
- pension funds and other retirement provision institutions (in respect of Fund shares held for the account of beneficiaries);
- investment foundations (in respect of Fund shares held for the account of in-house funds);
- Swiss fund management companies (in respect of Fund shares held for the account of funds managed);
- foreign fund management companies and providers (in respect of Fund shares held for the account of managed funds and investing shareholders); and/or
- investment companies (in respect of the investment of the company assets).

Market timing

Repeatedly purchasing and selling shares in the Fund in response to short-term market fluctuations – known as ‘market timing’ – can disrupt Baring Asset Management Limited’s (“the Investment Manager”) investment strategy and increase the Fund’s expenses to the prejudice of all shareholders. The Fund is not intended for market timing or excessive trading. To deter these activities, the Board of Directors may refuse to accept an application for shares from persons that they reasonably believe are engaged in market timing or are otherwise excessive or potentially disruptive to the Fund.

The Board of Directors reserve the right to redeem shares from a shareholder, on the basis of the circumstances of the shareholder concerned, or if it has reasonable grounds to believe that the shareholders are engaging in any activity which might result in the Fund or its shareholders as a whole suffering any legal, regulatory, reputational or other material disadvantage which the Fund or its shareholders as a whole might not otherwise have suffered.

Appendix II - Foreign distribution (unaudited) (continued)

Information for Investors in Germany

The Prospectus and the KIID(s), a schedule of changes in the schedule of investments and other net assets, the Articles of Incorporation, as well as the audited annual and the unaudited semi-annual reports are available free of charge in paper form at the offices of the German Paying and Information Agent and the Further German Information Agent.

The subscription and redemption prices are also available free of charge from the German Paying Agent and will be published in German.

Redemption and switching requests for the shares can be submitted to the German Paying and Information Agent.

Redemption proceeds, any distributions, and other payments to investors domiciled in Germany can be paid out to the investors through the German Paying and Information Agent.

Special risks resulting from tax publication requirements in Germany

Foreign investment companies must provide documentation to the German fiscal authorities upon request, e.g. in order to verify the accuracy of the published tax information. The basis upon which such figures are calculated is open to interpretation and it cannot be guaranteed that the German fiscal authorities will accept the investment company's calculation methodology in every material respect. In addition, if it transpires that these publications are incorrect, any subsequent correction will, as a general rule, not have retrospective effect and will, as a general rule, only take effect during the current financial year. Consequently, the correction may positively or negatively affect the investors who receive a distribution or an attribution of deemed income distributions in the current year.

Baring Russia Fund

Société d'Investissement à Capital Variable

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