

VALARTIS RUSSIAN MARKET FUND (formerly THE MC RUSSIAN MARKET FUND)

Société d'Investissement à Capital Variable
Luxembourg

R.C.S. Luxembourg B 54 765

**Audited annual report
as at 31st December 2012**

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 accompanied by the last key investor information document ("KIID"), the most recent annual report and the most recent semi-annual report, if published thereafter.

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Organisation

Registered office

11, rue Aldringen
L-1118 LUXEMBOURG

Board of Directors

Chairman

Philipp LEIBUNDGUT	VALARTIS BANK AG Sihlstrasse, 24 CH-8021 ZURICH Head of Asset Management (since 23rd April 2012)
Gustav STENBOLT	VALARTIS BANK AG Sihlstrasse, 24 CH-8021 ZURICH Chief Executive Officer VALARTIS GROUP (until 23rd April 2012)

Directors

Bernhard BOLLIGER	VALARTIS BANK AG Sihlstrasse, 24 CH-8021 ZURICH Director (since 13th January 2012)
Walter FETSCHERIN	Former Swiss Ambassador to Russia
André HEUSSER	VALARTIS BANK S.A. 2-4, place du Molard CH-1211 GENEVA 3 Head of Business Development (since 23rd April 2012)
André SCHMIT	KREDIETRUST LUXEMBOURG S.A. 11, rue Aldringen L-2960 LUXEMBOURG Conducting Officer of Third-Party Funds
Ani SALIBIAN	VALARTIS ASSET MANAGEMENT S.A. 2-4, place du Molard CH-1211 GENEVA 3 Legal and Compliance (until 19th June 2012)

Organisation (continued)

Delegates ("*délégués à la gestion journalière*")

Bernhard BOLLIGER	VALARTIS BANK AG Sihlstrasse, 24 CH-8021 ZURICH Director
André SCHMIT	KREDIETRUST LUXEMBOURG S.A. 11, rue Aldringen L-2960 LUXEMBOURG Conducting Officer of Third-Party Funds

Investment manager

VALARTIS BANK AG
Sihlstrasse, 24
CH-8021 ZURICH

Investment adviser

VALARTIS INTERNATIONAL LTD
RG Hodge Plaza, 3rd Floor
Wickhams' Cay 1
PO Box 3483
Road Town, TORTOLA
BRITISH VIRGIN ISLANDS

Custodian and principal paying agent

KBL EUROPEAN PRIVATE BANKERS S.A.
43, boulevard Royal
L-2955 LUXEMBOURG

Domiciliary, registrar & transfer and administrative agent

KREDIETRUST LUXEMBOURG S.A.
11, rue Aldringen
L-2960 LUXEMBOURG

Independent auditor

ERNST & YOUNG
Société Anonyme
7, rue Gabriel Lippmann
Parc d'Activité Syrdall 2
L-5365 MUNSBAACH

Paying agent in Switzerland

VALARTIS BANK AG
Sihlstrasse, 24
CH-8021 ZURICH

Organisation (continued)

Representative agent and distributor in Switzerland

VALARTIS BANK AG
Sihlstrasse, 24
CH-8021 ZURICH
(since 1st March 2012)

VALARTIS ASSET MANAGEMENT S.A.
2-4, place du Molard
CH-1211 GENEVA 3
(until 29th February 2012)

Paying agent in Austria

VALARTIS BANK (AUSTRIA) AG
Rathausstrasse, 20
A-1010 VIENNA
(since 2nd March 2012)

General information

VALARTIS RUSSIAN MARKET FUND (the "SICAV") (formerly THE MC RUSSIAN MARKET FUND) is a "*société anonyme*" which was incorporated in Luxembourg by notarial deed on 13th May 1996 for an indefinite duration, under the laws of the Grand Duchy of Luxembourg as a "*société d'investissement à capital variable*" and under the name THE MC RUSSIAN MARKET FUND.

With effective date on 25th September 2012, the Extraordinary General Meeting decided to change the name of the SICAV from THE MC RUSSIAN MARKET FUND into VALARTIS RUSSIAN MARKET FUND.

The SICAV qualifies as an undertaking for collective investment in transferable securities under the council directive 2009/65/EC as amended and is governed by Part I of the law of 17th December 2010 relating to Undertakings for Collective Investment (the "2010 Law").

The Articles of the SICAV comprise its constitution and have been published in the "*Memorial, Recueil des Sociétés et Associations*" on 18th June 1996 and modified the last time on 25th September 2012. The SICAV complies with article 27 of the 2010 Law and did not designate a management company.

The objective of the SICAV is to invest the capital available to it, either itself or through subsidiaries, in certain types of assets with the objective of spreading the risks of investment and affording Shareholders the results of the management of its portfolio.

The investment objective of the SICAV is to achieve long-term capital appreciation through investing in Russian companies, as well as companies in Eastern Europe, the C.I.S. and elsewhere within the limits set forth in the current prospectus. The SICAV considers the MSCI Russia 10/40 Index as its benchmark, although the SICAV does not intend to track this index. The investors can find more information about the MSCI Russia 10/40 Index on the website www.msci.com.

Additional information for the investors in Switzerland

The SICAV's publications in Switzerland are made in the "Swiss Official Gazette of Commerce" (SOGC) as well as on www.swissfunddata.ch.

The prospectus, the KIID, the articles of association as well as the annual and semi-annual reports of the SICAV are available free of charge at the office of the Swiss representative.

The issue price, the redemption price and the net asset value together with a footnote stating "excluding commissions" are published daily on www.swissfunddata.ch.

Swiss representative and paying agent

Until 29th February 2012, VALARTIS ASSET MANAGEMENT S.A., with its registered office at 2-4, place du Molard, CH-1211 GENEVA 3, had been authorised by the Swiss Financial Market Supervisory Authority to act as the SICAV's Swiss representative.

Since 1st March 2012, VALARTIS BANK AG, Sihlstrasse, 24, CH-8021 ZURICH, is authorised by the Swiss Financial Market Supervisory Authority to act as the SICAV's Swiss representative.

VALARTIS BANK AG assumes also the functions of the SICAV's paying agent in Switzerland.

Additional information for the investors in Austria

The SICAV has notified its intention to the Financial Market Authorities to publicly distribute its shares in Austria according to § 36 (InvFG) and is entitled to do so since the completion of the notification procedure according to § 36 of the law.

Austrian paying agent

VALARTIS BANK (AUSTRIA) AG, Rathausstrasse 20, A-1010 Vienna, (the "Austrian paying agent") was appointed by the SICAV as its paying and information agent in Austria according to § 34 InvFG.

Requests for redemption of shares can be submitted to the Austrian paying agent and payments to Shareholders as well as redemptions can be performed through the Austrian paying agent.

The prospectus, the KIID, the articles of incorporation, the most recent annual report and semi-annual report, if published thereafter, can be obtained from the Austrian paying agent at the above-mentioned address.

Subscription and redemption prices of the shares of the SICAV are published daily on www.valartisfunds.ch.

Report on activities of the Board of Directors

VALARTIS RUSSIAN MARKET FUND had an excellent year, gaining 21.30% in 2012 (based on the last official NAV as of 30th December 2012). The SICAV ranked third place of 66 UCITs peers investing in Russia and the CIS Region. 2012 started with a bang and a flood of USD 5.93 billion in capital flows into emerging markets funds, according to EPFR ("Emerging Portfolio Fund Research Inc."). This was a nice way to start off 2012 after emerging market funds experienced a total of USD 34.29 billion in net redemptions in 2011. The first quarter of 2012 was quite strong and the RTS Index peaked on 15th March, up 27% within the first 84 days of the year. But the party ended there and the market quickly reversed course, descending 30% by 1st June, before a slow and steady grind to end the year up 10.5%. So, we were quite pleased with our performance, beating the market by over 10%, and with much less volatility.

Some of the fund outflows and market volatility were due to the political unrest and protests that led to heightened political risk perceptions of foreign investors prior to the March presidential elections. But the world was awash in liquidity from central banks conducting quantitative easing and pumping free currencies out from developed markets to riskier assets everywhere. The Fed's new approach to communications made it clear that rates would be lower for longer. The ECB's quasi-QE ("Quantitative Easing") provided a long-term funding floor for Euro zone banks. Emerging market central banks also began to unwind their tight money of the previous two years and all of the extra liquidity provided a sense of confidence for investors, helping them push their way up the risk curve.

Russia's GDP growth slowed from 2011's 4.3% rate to 3% in 2012 for a nominal amount of approximately \$2.1 trillion. Retail trade also slowed from the 9.3% for 2011 to 5% for 2012. Russia's current account stayed in surplus throughout the year at about 4% of GDP thanks to high oil prices. Total external debt remained comfortably less than 30% of GDP despite record corporate issuance. Overall, the macroeconomic situation was strong compared to most 'developed countries' and there was a shift from dependence on exports to domestic consumption and investments. Much of the consumption and investment can be attributed to prudent fiscal policies of the last 10 years, trickle down wealth and several large-scale public infrastructure projects.

2012 was a good year for economic and trade relationships, but not so good for Russia's political relations. After 18 years of negotiations, Russia finally entered the WTO in August. In an effort to force reform and reduce corruption at majority state-owned companies, President Medvedev signed a decree obliging state owned companies and their subsidiaries to pay out at least 25% of their net profit.

Unlike previous years where much of the outperformance was attributed to active trading, 2012 was a low point for volatility and stocks remained within a close range of our fair value estimates. Our trading process is based on trading ranges around our fundamentally determined fair values. The trading ranges are based on a stock's liquidity and volatility, and as such, there were fewer opportunities to trade in 2012. The Fund remained focused on value and growth at a reasonable price. We found value in the financial and consumer sectors, where we had consistent over-weights throughout the year, while we under-weighted the oil and gas sector. Despite our under-weight in oil and gas, Novatek was one of the Fund's largest positions, although we did not enter the position until mid-year and the stock was up a little more than 20% in the second half. Sberbank was our favorite financial stock and the largest contributor to the Fund's excess performance in 2012, up over 17% in 2012 and more during the second half.

After the historical acquisition of TNBP by Rosneft from BP and AAR, which drove the stock price of Rosneft up, we decided to take profits and increase exposure to Novatek. Our decision to exit Rosneft was tactical and due to the rapid rise of the stock price as the company realized its objectives of becoming the largest oil company in the world, which is not necessarily always in the interest of portfolio investors. Shortly after the acquisition, Rosneft received 12 new licenses for offshore oil fields. We look forward to opportunities to buy this stock again in the future. Novatek has always had a place in the portfolio and is the fastest growing natural resource company in Russia, managed and majority controlled by some of Russia's most influential people. Novatek has also continued to buy back its shares off the market when it deems prices are too low, which we believe sends a good signal

Report on activities of the Board of Directors (continued)

to the market. Sberbank began its international expansion with the two major acquisitions in Central and Eastern Europe and Turkey. The acquisition of Volksbank International in February was followed by the purchase of DenizBank in September. Sberbank then made a large USD 5.2 billion SPO, equal to about 7% of its stock in September. Sberbank bought 75% minus one share in Yandex Money in December and Yandex's monthly audience exceeded that of the state controlled television channel "Perviy Kanal" (Channel One) for the first time in history in April. It was a tough year for telecoms, but the major mobile providers all received licenses to build LTE/4G networks in July. Megafon made a \$1.7 billion IPO in November. Altim and Telenor took steps forward defusing their long standing conflicts as co-shareholders of Vimpelcom and both significantly increased their stakes in Vimpelcom during their shareholders' conflict. In the transport and infrastructure space, one of the world's leading shipping companies, Maersk, took a significant 37.5% in Globalports, which we believe is a sign of confidence in the sector and the country from one of the most respectable global transport companies. Globaltrans made two SPOs which hurt the stock price in the second half of 2012, but hasn't changed the company's solid fundamentals and positive outlook, plus liquidity is now much higher. Summa Group, a transport sector insider, acquired circa 69% stake in FESCO from Sergey Generalov in December, but no offer was made to minorities. At Norilsk Nickel, the long running dispute between Oleg Deripasko, (majority owner of RUSAL, which has a 25% stake in Norilsk) and Vladimir Potanin, CEO and major shareholder of Norilsk, has seemingly been resolved with the introduction of Roman Abramovich who purchased a significant minority stake and will vote on portions of the other two shareholders stakes, to balance control.

We think that 2012 marked the end of the oligarch battles and that Russia's image will improve in the future with an absence of these types of disputes. Russia's entrance into the WTO was a major milestone that will pay dividends well into the future as its gains respect among its global trading partners, which can lead into higher levels of comfort and lower risk perceptions for global investors. Russia remains cheap, at less than 6X PE and it is trading at roughly a 25% discount to its emerging market peers, which provides an attractive outlook for 2013.

Luxembourg, 16th April 2013

The Board of Directors

Note: Past performance is no indication of current or future performance and the performance data do not take account of the commissions and costs incurred on the issue and redemption of shares.

Independent auditor's report

To the Shareholders of
VALARTIS RUSSIAN MARKET FUND
Luxembourg

We have audited the accompanying financial statements of VALARTIS RUSSIAN MARKET FUND which comprise the statement of net assets and the statement of investments and other net assets as at 31 December 2012 and the statement of operations and other changes in net assets for the year then ended, and a summary of significant accounting policies and other 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 and presentation of the financial statements and for such internal control as the Board of Directors of the SICAV determines is necessary to enable the preparation and presentation 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 judgement 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 VALARTIS RUSSIAN MARKET FUND as of 31 December 2012, 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 and presentation of the financial statements.

Other matter

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.

ERNST & YOUNG
Société Anonyme
Cabinet de révision agréé

René ENSCH

Luxembourg, 16 April 2013

Statement of net assets

as at 31st December 2012

(in USD)

Assets

Securities portfolio at market value	60,543,275.94
Cash at banks	1,373,707.32
Receivable on sales of securities	220,563.19
Receivable on subscriptions	1,999,905.60
Income receivable on portfolio	165,555.14
	<hr/>
Total assets	64,303,007.19
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Liabilities

Bank liabilities	4,065,408.76
Interest on bank liabilities and expenses payable	268,540.86
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Total liabilities	4,333,949.62
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Net assets at the end of the year	59,969,057.57
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Number of Class A shares outstanding	305,233
Net asset value per Class A share	108.09

Number of Class B shares outstanding	1,288,927
Net asset value per Class B share	20.93

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

Statement of operations and other changes in net assets

from 1st January 2012 to 31st December 2012
(in USD)

Income

Dividends, net	1,808,734.21
Interest on bank accounts	624.54
Total income	1,809,358.75

Expenses

Advisory fees	406,058.95
Management fees	596,709.37
Custodian fees	32,063.25
Banking charges and other fees	156,636.46
Transaction fees	287,223.01
Central administration costs	94,194.24
Professional fees	42,733.92
Other administration costs	129,915.56
Subscription duty ("taxe d'abonnement")	30,495.72
Interest paid on bank liabilities	60,168.68
Other expenses	40,908.03
Total expenses	1,877,107.19

Net investment loss	-67,748.44
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Net realised gain/(loss)

- on securities portfolio	-5,713,940.93
- on foreign exchange	46,594.33
Realised result	-5,735,095.04

Net variation of the unrealised gain/(loss)

- on securities portfolio	15,681,063.84
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Result of operations	9,945,968.80
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Subscriptions	18,815,878.89
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Redemptions	-24,012,252.10
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Total changes in net assets	4,749,595.59
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Total net assets at the beginning of the year	55,219,461.98
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Total net assets at the end of the year	59,969,057.57
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The accompanying notes are an integral part of these financial statements.

Statistical information

as at 31st December 2012
(in USD)

Total net assets

- as at 31.12.2012	59,969,057.57
- as at 31.12.2011	55,219,461.98
- as at 31.12.2010	111,696,726.01

Portfolio Turnover Rate (in %)

(subscriptions and redemptions of shares are netted by NAV calculation)

- as at 31.12.2012	233.62
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Performance of MSCI Russia 10/40 Index (in %)

- as at 31.12.2012	11.10
- as at 31.12.2011	-24.90
- as at 31.12.2010	26.91

Number of Class A shares

- outstanding at the beginning of the year	326,943
- subscribed	57,200
- redeemed	-78,910
- outstanding at the end of the year	305,233

Net asset value per Class A share

- as at 31.12.2012	108.09
- as at 31.12.2011	89.43
- as at 31.12.2010	133.43

Performance of Class A share (in %)

- as at 31.12.2012	20.87
- as at 31.12.2011	-32.98
- as at 31.12.2010	24.84

TER per Class A share (in %)

- as at 31.12.2012	1.78
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Number of Class B shares

- outstanding at the beginning of the year	1,482,355
- subscribed	591,455
- redeemed	-784,883
- outstanding at the end of the year	1,288,927

Net asset value per Class B share

- as at 31.12.2012	20.93
- as at 31.12.2011	17.53
- as at 31.12.2010	26.48

Performance of Class B share (in %)

- as at 31.12.2012	19.40
- as at 31.12.2011	-33.80
- as at 31.12.2010	23.28

TER per Class B share (in %)

- as at 31.12.2012	3.01
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Annual returns were calculated for the last 3 full consecutive financial years. For share classes launched or liquidated during the financial year, the corresponding annual return has not been calculated.

Past performance is no indication of current or future performance and the performance data do not take account of the commissions and costs incurred on the issue and redemption of shares of the SICAV.

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

Statement of investments and other net assets
as at 31st December 2012
(in USD)

Currency	Number / nominal value	Description	Cost	Market value	% of total net assets
<u>Investments in securities</u>					
<u>Transferable securities admitted to an official stock exchange listing</u>					
Shares					
EUR	14,224	C.A.T. Oil AG	111,104.23	126,433.04	0.21
GBP	117,088	Ferrexpo Plc	433,406.44	477,791.45	0.80
GBP	404,091	Petropavlovsk Plc	3,915,470.78	2,369,696.51	3.95
GBP	25,000	Polymetal International PLC	377,470.81	477,182.19	0.80
			4,726,348.03	3,324,670.15	5.55
HKD	2,000,000	United Co Rusal Plc	1,306,919.74	1,264,377.46	2.11
SEK	94,530	Alliance Oil Co Ltd Pref SDR	3,920,632.17	4,122,148.08	6.87
SEK	94,533	Alliance Oil Co Ltd SDR	1,030,941.47	769,298.53	1.28
SEK	250,000	EnergyO Solutions Russia AB	977,049.07	882,883.57	1.47
			5,928,622.71	5,774,330.18	9.62
USD	108,144	Avangardco Inv Public Limited GDR repr 1/40th Shs Reg-S	1,495,387.15	1,225,271.52	2.04
USD	21,199	Eastern Property Hgs Ltd Reg	538,357.23	604,171.50	1.01
USD	394,396	Etalon Group Ltd GDR repr 1 Shares Reg S	2,018,461.82	2,149,458.20	3.58
USD	64,807	Eurasia Drilling Co Ltd GDR Repr 1	1,985,522.57	2,313,609.90	3.86
USD	113,720	Globaltrans Investment Plc GDR repr 1 Sh Reg S	2,066,415.63	1,877,517.20	3.13
USD	677,408	Group LSR OJSC GDR repr 1 Share Reg S	4,398,571.73	2,822,081.73	4.71
USD	235,715	Hydraulic Machine & Sys Gr Plc GDR repr shares Reg-S	1,826,531.78	994,717.30	1.66
USD	49,809	JSFC Sistema JSC spons GDR repr 20 Reg Shares	968,060.42	1,006,141.80	1.68
USD	100,000	Magnitogorsk Iron Stl Wks JSC GDR repr 13 Shares	628,448.03	436,600.00	0.73
USD	54,740	MHP SA GDR repr 1 Share Reg S	946,214.10	859,418.00	1.43
USD	142,008	Nomos Bank ZAO spons GDR repr Share	1,892,486.45	1,924,208.40	3.21
USD	40,000	NovaTek OAO spons GDR repr 10 Shares	4,322,396.95	4,792,000.00	7.99
USD	85,000	Phosagro OJSC spons GDR repr 1/3 Reg Shares	1,191,700.00	1,156,000.00	1.93
USD	88,746	Ros Agro Plc GDR repr 1/5 Share	913,218.53	576,405.27	0.96
USD	457,500	Sberbank of Russia OJSC spons ADR repr 4 Shares	5,504,211.40	5,627,250.00	9.38
USD	128,926	Trubnaya Metallurg Kompany OAO pons GDR Reg repr 4 Shares	2,300,141.27	1,973,857.06	3.29
USD	88,300	VimpelCom Ltd ADR repr 1 Share	1,326,641.88	926,267.00	1.54
USD	62,921	X5 Retail Group NV spons GDR repr Reg S	1,216,704.39	1,123,139.85	1.87
USD	50,000	Yandex NV A	1,006,671.63	1,078,500.00	1.80
USD	100,000	Zhaikmunai LP GDR Repr 1 Sh Reg S	1,009,960.75	1,070,000.00	1.78
			37,556,103.71	34,536,614.73	57.58
Total shares			49,629,098.42	45,026,425.56	75.07
<u>Transferable securities dealt in on another regulated market</u>					
Shares					
RUB	1	Interreg Dist Grid Co Cent JSC	0.05	0.02	0.00
USD	6,331	Acron OJSC	274,831.19	290,939.21	0.49
USD	146,900	Aeroflot Russian Airlines JSC	194,782.94	216,559.98	0.36
USD	475,000	Bank St Petersburg CI A Pref	1,644,080.00	928,530.00	1.55
USD	62,293	Dixy Group OJSC	728,944.28	818,997.22	1.37
USD	2,050,000	Far East Shipping Co	767,549.60	636,320.00	1.06
USD	63	Fed Hydrogenerating Co RusHydro OJSC GDR repr 100 Share	79.53	1.52	0.00
USD	4,300,900	JSFC Sistema JSC	3,946,681.53	3,591,681.59	5.99
USD	82,360	Kuzbasska Toplivn Kompaniy JSC	440,626.00	303,784.86	0.51
USD	150,000	M Video Co JSC	1,219,827.00	1,183,875.00	1.97
USD	91,119	Mobile Telesystems OJSC	679,468.03	736,268.86	1.23
USD	217,500	Mostotrest OAO	1,198,749.75	1,293,864.00	2.16
USD	30,430	Pharmastandard JSC	1,474,221.38	1,631,504.45	2.72
USD	210,000	Plus Bank OJSC *	23,205.00	0.00	0.00

* The Board of Directors has decided to evaluate this security at USD 0

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

Statement of investments and other net assets (continued)

as at 31st December 2012
(in USD)

Currency	Number / nominal value	Description	Cost	Market value	% of total net assets
USD	0.8571	Territorial Generat Co 1 OJSC	0.00	0.00	0.00
USD	170,000	Tuymazy Concr Truks Plant OJSC	3,825,000.00	262,565.00	0.44
USD	72,033	Vozrozhdeniye Bank OJSC	2,899,990.85	1,275,358.67	2.13
			19,318,037.08	13,170,250.36	21.98
Total shares			19,318,037.13	13,170,250.38	21.98
<u>Open-ended investment funds</u>					
Investment funds (UCITS)					
USD	60,000	Valartis Fds (Lux I) Valartis Russia CIS Growth Cap	2,318,390.00	2,346,600.00	3.91
Total investment funds (UCITS)			2,318,390.00	2,346,600.00	3.91
Total investments in securities			71,265,525.55	60,543,275.94	100.96
Cash at banks				1,373,707.32	2.29
Bank liabilities				-4,065,408.76	-6.78
Other net assets/(liabilities)				2,117,483.07	3.53
Total				59,969,057.57	100.00

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

Industrial and geographical classification of investments

as at 31st December 2012

Industrial classification

(in percentage of net assets)

Energy	24.16 %
Materials	18.81 %
Banks	16.27 %
Telecommunication services	10.44 %
Capital goods	6.18 %
Transportation	4.55 %
Food, beverage and tobacco	4.43 %
Investment funds	3.91 %
Retailing	3.84 %
Pharmaceuticals and biotechnology	2.72 %
Investment companies	2.48 %
Software and services	1.80 %
Food retailing, drugstores and pharmacies	1.37 %
Total	<u>100.96 %</u>

Geographical classification

(by domicile of the issuer)

(in percentage of net assets)

Russia	63.25 %
Bermuda	8.15 %
Grand Duchy of Luxembourg	5.34 %
United Kingdom	4.75 %
Guernsey	3.58 %
The Netherlands	3.34 %
Cyprus	3.13 %
Jersey	2.91 %
Ukraine	2.04 %
Isle of Man	1.78 %
Sweden	1.47 %
British Virgin Islands	1.01 %
Austria	0.21 %
Total	<u>100.96 %</u>

Notes to the financial statements

as at 31st December 2012

Note 1 - Main accounting policies

a) Presentation of the financial statements

The financial statements of the SICAV are established in accordance with the Luxembourg legal and regulatory requirements concerning undertakings for collective investment.

b) Valuation of assets

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

The value of all portfolio securities and money market instruments or derivatives that are listed on an official stock exchange or traded on any other regulated market is based on the last available price on the principal market on which such securities, money market instruments or derivatives are traded, as supplied by a recognized pricing service approved by the Board of Directors. If such prices are not representative of the fair value, such securities, money market instruments or derivatives as well as other permitted assets may be valued at the latest available bid price. If such price is not representative of the fair value, such securities, money market instruments or derivatives may be 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 of Directors.

The securities and money market instruments which are not quoted or traded on a regulated market 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 of Directors.

The value of the participations in investment funds is based on the last available valuation. Generally, participations in investment funds are valued in accordance with the methods provided by the instruments governing such investment funds. These valuations shall normally be provided by the fund administrator or valuation agent of an investment fund. To ensure consistency within the valuation of the SICAV, if the time at which the valuation of an investment fund was calculated does not coincide with the valuation time of the SICAV, and such valuation is determined to have changed materially since it was calculated, then the net asset value may be adjusted to reflect the change as determined in good faith by and under the direction of the Board of Directors.

c) Acquisition cost of securities in the portfolio

The acquisition cost of the securities that are denominated in currencies other than the reference currency of the SICAV is converted into this currency at the exchange rate prevailing on the date of purchase.

d) Net realised gain or loss on investments

The realised gains and losses on sales of securities are determined on the basis of the average acquisition cost.

e) Investment income

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

Notes to the financial statements (continued)

as at 31st December 2012

f) Transaction fees

Transaction costs disclosed under the caption "Transaction fees" in the expenses of the statement of operations and other changes in net assets are mainly composed of transaction fees incurred by the SICAV relating to purchases or sales of securities.

g) Conversion of foreign currencies

Cash at banks, other net assets and the market value of the investment portfolio expressed in currencies other than the currency of the SICAV are converted into this currency at the exchange rate prevailing on the date of the report. Income and expenses expressed in currencies other than the currency of the SICAV are converted into this currency at the exchange rate prevailing on the date of the transaction. Exchange gains or losses are recorded in the statement of operations and other changes in net assets.

The Net Asset Value of the SICAV is calculated in USD for Class A and B shares and the financial statements are expressed in this currency.

Note 2 - Management, advisory and performance fee

The SICAV pays aggregate management / advisory fees of:

- for Class A shares, 1.00% per annum payable quarterly in arrears based and calculated on the average weekly Net Asset Value of the Class (0.85% for the management fee and 0.15% for the advisory fee);
- for Class B shares, 2.25% per annum payable quarterly in arrears based and calculated on the average weekly Net Asset Value of the Class (1.10% for the management fee and 1.15% for the advisory fee).

Furthermore, a performance fee equal to 15% for Class A shares and 10% for Class B shares of any progression of the Net Asset Value of the valuation day compared to the last Net Asset Value which entailed a payment of performance, multiplied by the number of shares, is charged to the SICAV.

An accrual for the performance fee is made on each valuation day, when appropriate, and the final performance fee is payable annually, based on the last valuation day of December in each year. If losses are incurred in the Net Asset Value, the performance fee will not be paid until the losses are recovered and there are new profits.

If at the end of the Calculation Period, the Net Asset Value per share has reached a new all-time high, this new all-time high Net Asset Value will serve as the *High Water Mark* which applies to the next Calculation Period. The performance fee shall be payable only if the Net Asset Value has reached a new maximum historic Net Asset Value ("all time high").

The *High Water Mark* shall be the all-time high Net Asset Value since the 1st January 2008.

The Board of Directors has taken a resolution on 4th April 2012 to apply as first *High Water Mark* the price per share of the NAV dated 31st December 2007 (USD 190.93 for Class A shares and USD 39.32 for Class B shares).

The performance fee is payable annually on the basis of the last valuation day of December of each year and the calculation period shall start on 1st January and end on 31st December of each year.

As at 31st December 2012, there is no performance fee to be accrued, as the *High Water Mark* has not been reached.

Notes to the financial statements (continued)

as at 31st December 2012

Note 3 - Subscription duty ("taxe d'abonnement")

The SICAV is governed by Luxembourg tax law.

Pursuant to the legislation and regulations in force, the SICAV is subject to an annual subscription duty ("taxe d'abonnement") of 0.05% which is payable quarterly and calculated on the basis of the net assets on the last day of each quarter.

Pursuant to Article 175 (a) of the 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 4 - Total Expenses Ratio ("TER") and Portfolio Turnover Rate ("PTR")

The TER and the PTR disclosed under "Statistical information" of this report are calculated in accordance with the "Guidelines on the calculation and disclosure of the TER and PTR of collective investment schemes" issued by the Swiss Funds Association "SFA" on 16th May 2008.

The TER and the PTR are calculated for the last 12 months preceding the date of this report.

Transaction fees are not taken into account in the calculation of the TER.

The PTR has been calculated according to the following formula $(\text{Total 1} - \text{Total 2})/M \times 100$

with Total 1 = Total securities transactions = X + Y

X = Securities purchases

Y = Securities sales

Total 2 = Total subscriptions and redemptions = S + T

S = subscriptions

T = redemptions

S+T: subscriptions and redemptions are netted per NAV calculation day

M = average net assets

Note 5 - Directors' fees

Some Directors are entitled to a fee for services at a rate determined by the Board of Directors or the Shareholders in general meeting.

Note 6 - Statement of changes in investments

The statement of changes in investments for the period covered by the report is available free of charge at the registered office of the SICAV and at the offices of the representatives in Switzerland and in Austria.

Note 7 - Risk management

As required by Circular CSSF 11/512, the Board of Directors needs to determine the global risk exposure of the SICAV either by applying the commitment approach or the VaR approach. In terms of risk management, the Board of Directors of the SICAV decided to adopt the commitment approach as a method of determining the global risk exposure.