

## Daily Performance & Commentary



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We expect the recent volatility to continue today even though the US markets are closed. Investors are still digesting the meaning of yesterdays ECB statement following the 25 bps rate hike, and a rebound in metals and mining equities globally should have implications for Russian names. Adding fuel to the expected rebound is a report that the Federal Anti Monopoly service has recommended not imposing export tariffs or quotas on the steel sector in Russia, but instead the agency will support the signing of long term volume contracts with prices to be set quarterly. This is a clear victory for the steel companies, as it effectively keeps the status quo in place and allows them to continue to benefit from record high steel prices. Gazprom CEO Alexei Miller said that export prices to Europe will likely reach \$500/mcm later this year. This is not a surprise as the pricing formula for gas exports to Europe is effectively 4x the Brent crude price on a 6 month lagging basis. So if oil prices hold around the \$140 level, Europe will in fact be looking at paying nearly \$600/mcm for Russian gas next winter. This is obviously hugely bullish for Gazprom, which is on track to being the most profitable company in the world next year.

### Announcement

- Two Pharos Funds have ranked in the Top 15 Hedge Funds globally from Q1'05 to Q1'06 by Bloomberg (#3 Pharos Gas Investment Fund; #14 Pharos Russia Fund).
- Two Pharos Funds have ranked Top 10 by Eurohedge (#3 Pharos Gas Investment Fund; #6 Pharos Russia Fund).

### Performance

	Pharos Russia Fund	Pharos Small Cap Fund	Pharos Gas Investment Fund
Date	July 03	July 03	July 03
Indicative NAVs	249.5	161.3	4590.3
DTD	-1.5%	-2.4%	-1.3%
MTD	-2.7%	-2.6%	-2.8%
YTD	1.1%	3.6%	0.5%
3 months	11.4%	6.4%	8.3%
12 months	10.5%	5.0%	28.4%
2007	9.6%	7.8%	10.1%
2006	36.9%	39.4%	53.3%
2005	66.4%	3.7%*	110.1%
5 Year Annualized	31.9%	n/a	n/a

\* Since inception – 01 Dec 2005

### Pharos Russia Fund - 11 year track record - monthly performance since inception

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2008	-9.6%	3.9%	-2.9%	3.3%	11.0%	-0.7%*	-2.7%*						1.1%*
2007	-1.2%	0.5%	3.3%	-1.7%	-6.6%	5.6%	2.9%	-3.9%	4.8%	4.6%	-2.7%	4.5%	9.6%
2006	14.1%	4.7%	0.2%	11.1%	-13.2%	-5.5%	2.8%	4.7%	-4.3%	3.9%	9.8%	7.1%	36.9%
2005	1.1%	10.2%	-8.6%	-3.4%	2.8%	1.6%	10.5%	13.5%	17.2%	-8.4%	8.8%	10.8%	66.4%
2004	10.2%	11.6%	10.0%	-12.5%	-3.0%	3.4%	-7.8%	3.0%	11.4%	6.3%	-3.2%	-2.8%	26.0%
2003	-2.2%	11.5%	-1.6%	11.3%	5.0%	7.1%	-5.0%	4.2%	4.5%	-10.4%	-0.8%	5.3%	32.1%
2002	14.1%	0.5%	11.0%	6.1%	11.5%	-14.2%	-9.7%	0.1%	-2.4%	9.1%	2.3%	0.0%	24.5%
2001	16.6%	1.3%	-0.9%	2.1%	10.0%	9.4%	-8.6%	1.6%	-16.4%	13.9%	15.6%	13.6%	66.7%
2000	12.6%	5.7%	38.2%	-6.6%	-18.0%	-11.0%	9.0%	19.0%	-17.7%	-2.8%	-21.1%	-1.5%	-9.7%
1999	-1.3%	3.3%	7.4%	0.9%	4.7%	27.3%	-12.0%	-11.0%	-31.3%	11.1%	37.0%	39.3%	68.1%
1998	-30.9%	13.4%	6.9%	-2.2%	-38.1%	-18.1%	-5.1%	-36.4%	-8.1%	-4.3%	12.8%	-0.8%	-75.3%
1997										-19.2%	-15.8%	12.7%	-23.2%

\* Estimates