# TAU CAPITAL PLC

Presentation to Investors

November 2011


Richard Horlick, Director

Mathias Wikberg, Head of Public Equity

David Herbada, Head of Private Equity


compass asset management

# Tau Capital Performance

| | YTD 17-Nov-11 | 2010 | Since Inception |
|---|---|---|---|
| Tau | -17.1% | 10.9% | -37.6% |
| KASE | -32.9% | -1.4% | -65.7% |
| RENCASIA | -29.9% | 17.2% | -50.9% |
| MSCI Kazakhstan[1] | -21.0% | -14.7% | -36.4% |
| MSCI World[2] | -6.8% | 12.3% | -17.0% |

*Total return (daily); US$ returns*

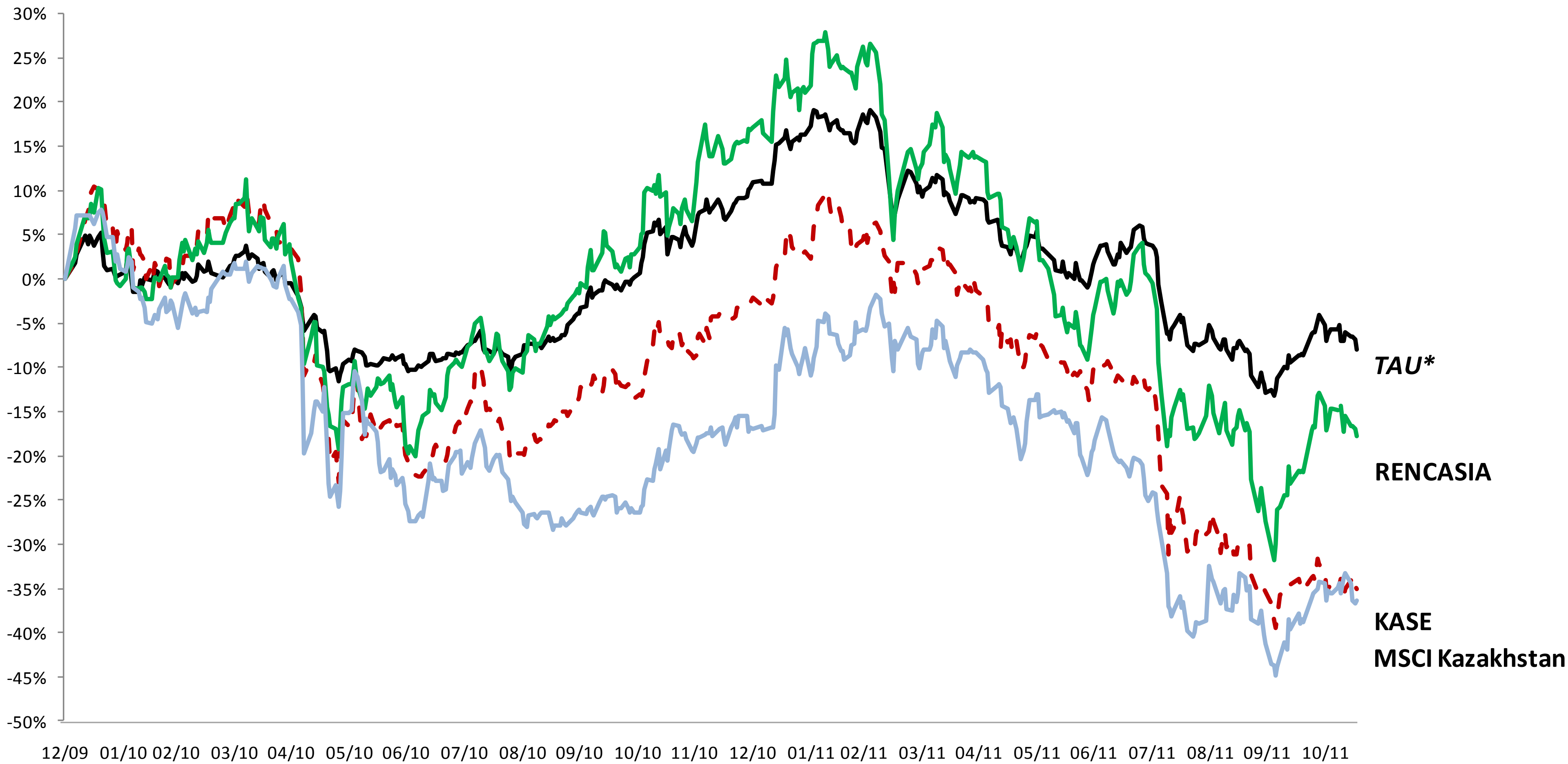
*MSCI data BB Tickers: (1) MXKA*

*(2) GDDUWI*

compass asset management

Sources: Bloomberg; Compass Asset Management Company

# Tau Capital Performance vs. Benchmarks




compass asset management

*NAV per share*

Sources: Bloomberg; Compass Asset Management Company

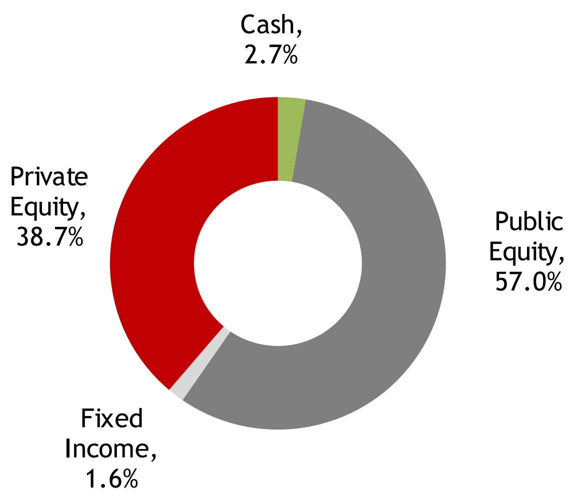
# Kazakhstan Environment

## Kazakhstani Economy

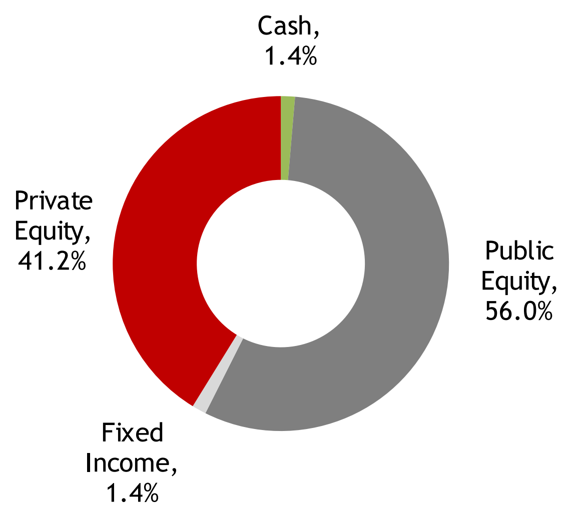
- Real GDP growth running at +7.2% through Oct 2011 YoY
- Main drivers: increased commodity output volumes; well-supported prices
- CPI for Oct 2011 running at 8% YoY
- S&P recently upgraded Kazakhstan credit rating to BBB+ (Stable) citing:
  - fiscal and current account surpluses
  - doubling oil output over the next decade, with net FDI averaging 4% of GDP
  - average real GDP growth of 6% per year through 2014
  - a stronger, but still weak, financial sector
- Investment Environment
  - World Bank's "Doing Business 2011" survey: Kazakhstan #1 on list of countries achieving improvement; in 2011 overtook 15 countries
  - Re-election of President Nazarbayev in April 2011 ensures political stability
  - ENRC's high profile corporate governance turmoil has negatively affected investors' perception of Kazakhstan's State-related companies

# Portfolio Structure

17 Nov 2011



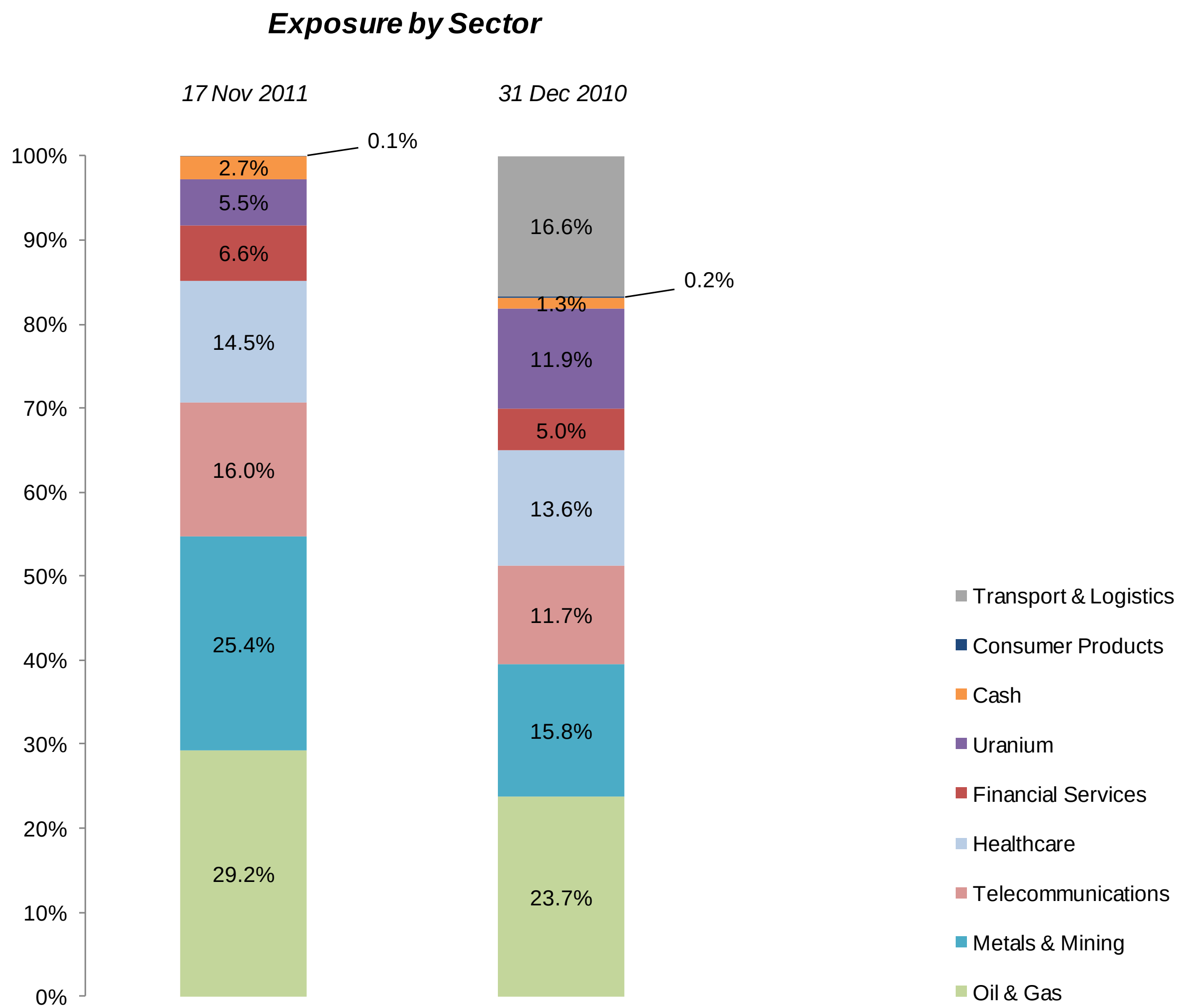

31 Dec 2010




compass asset management

Sources: Compass Asset Management Company

# Portfolio Structure (cont'd)




compass asset management

Sources: Compass Asset Management Company

# Significant Portfolio Activity

## Public Equity Portfolio

- 1H2011
  - Negative cash position due to planned cash injections into Private Equity investment
  - Steadily reduced or exited smaller, illiquid positions
  - Decreased exposure to:
    - Uranium
    - Oil & Gas
- 2H2011
  - Market Exposure reduced Jul- early Sep (-11% of NAV) and cash levels increased
  - Market Exposure increased (+20% of NAV) at the end of Sep until now:
    - Gold sector
    - Financial services
    - Non precious Metals & Mining

# Significant Portfolio Activity

Private Equity Portfolio

- Feb 2011 – Jul 2011
  - Further commitments for a total amount of $10.5M were provided to Lucent Petroleum LLP (“Lucent”)
- During 2011
  - PE exposure decreased due to the Fund’s exit from Teniz Services LLP (“Teniz”):
    - Realized return on Teniz of 18% p.a. equivalent to 1.5X gross multiple and 15.5% gross IRR
    - Initial investment made in Sep 2008 in the form of $19.5M mezzanine loan with three year maturity
    - Loan principal and interest payment received in Sep 2011
- Sep 2011
  - Alem Communications Holding (“Alem”) investment mark-up to $21.1M (investment cost $19.5M) in accordance with IPEVCA guidelines post-stakes acquisition by an unrelated third party

# Private Equity Investment – Stopharm LLP

СТОФАРМ

- Structure of Investment
  - 24% equity stake subject to approval by the Anti-monopoly Commission ("AMC") of Kazakhstan
  - AMC ruling expected before EoY
  - Total consideration $21.5M
  - Substantial minority rights, Board representation and active involvement
- Financial performance*
  - 9M2011 Revenues increased 19% compared to 9M2010 reaching $142.2M
  - Gross Profit for 9M2011+13.9% above budget, reaching $23M
  - 9M 2011 EBITDA 52.2% higher than budgeted with EBITDA margin of 8% vs. 5.3% budgeted
- Exit strategy
  - Trade sale to another major international distributor
  - Listing on an internationally recognized stock exchange
    (several Emerging Markets pharma distributors currently listed worldwide)



***Important note:*** *All financials shown are provisional and derived from management accounts. Subject to review and restatement*

# Private Equity Investment – Alem Communications (DTVI)

Alem Communications Holding

- Structure of investment
  - $19.5M invested as shareholder loans and equity participation up to regulatory limit with entitlement to 'economic interest' above limit
  - Substantial rights, Board representation and active involvement jointly with partner Midas

- Operational highlights
  - 9M2011: Consolidation and integration
  - Focus on growth and improving operating earnings
  - +22% (48k) subscriber growth through Sep 2011 to 266,453
  - +24% YTD increase in ARPU, led by Broadband Mobile
  - +50% increase in monthly revenues; monthly run rate of $2.5M in Sep 2011

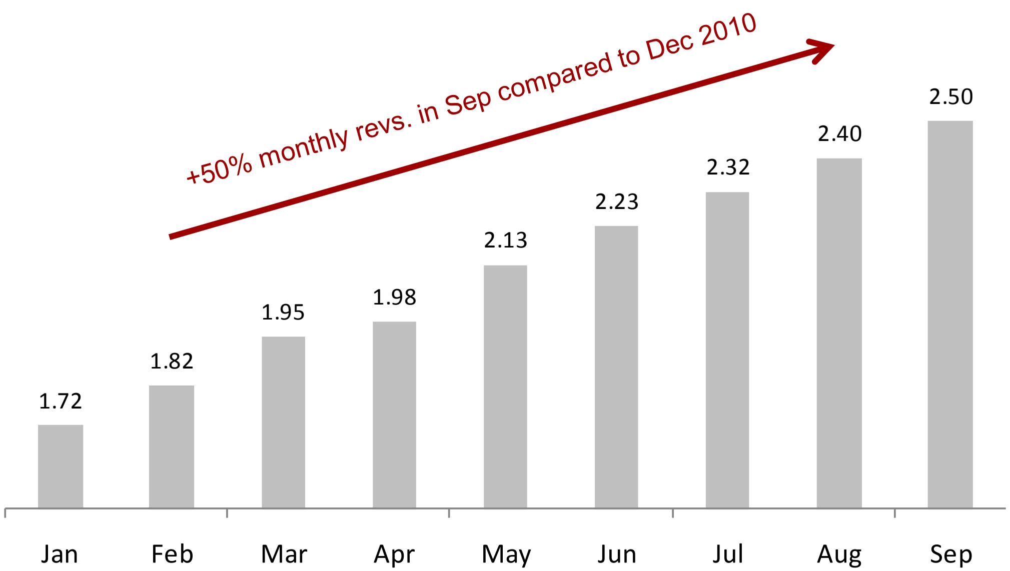
- Strategy
  - Preparations for major push in the WiMAX rollout underway
  - Groundwork being laid for exit (target: Jun 2012) as a dual track
    - Trade sale to a strategic acquirer
    - IPO on an international stock exchange

# Private Equity Investment – Alem Communications (DTVI)

Alem Communications Holding

- Financial highlights*

**Monthly Revenues ($M)**




**Total Subscribers ('000s)**

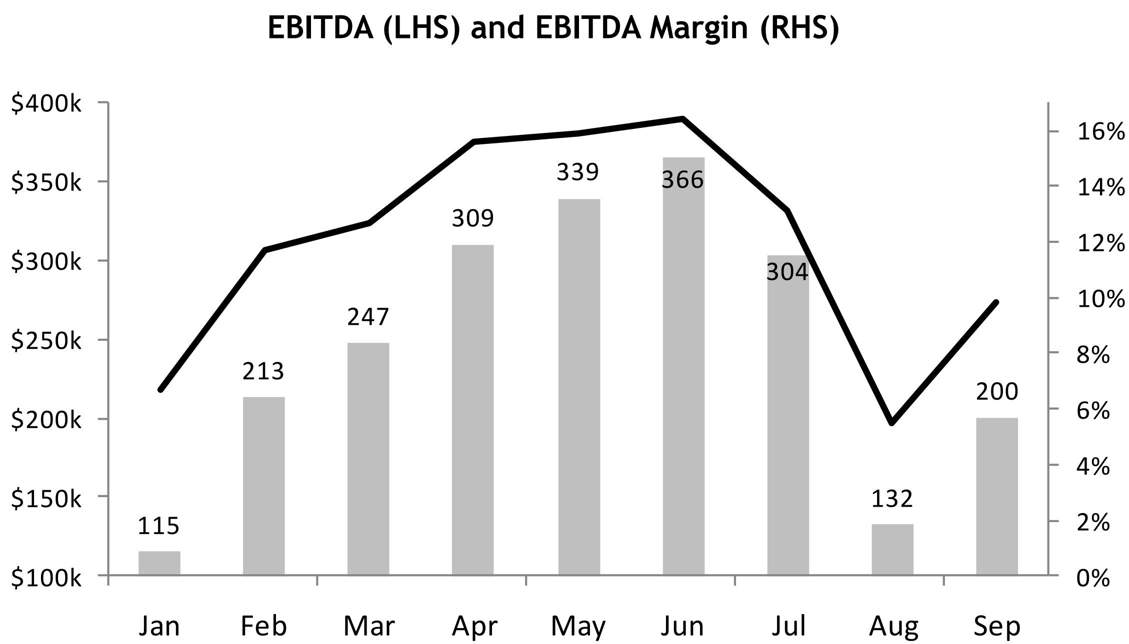

compass asset management

****Important note:*** *All financials shown are provisional and derived from management accounts. Subject to review and restatement*

# Private Equity Investment – Alem Communications (DTVI)

Alem Communications Holding

- Financial highlights*




- Increasing EBITDA and EBITDA margin throughout 1H2011 due to successful subscriber acquisition and general improvement in ARPUs
- Reduced EBITDA in Aug and Sep due to preparatory expenses for the launch of wide-reaching marketing and subscriber acquisition campaign in 4Q2011 and 1Q2012

compass asset management

****Important note:*** *Calculated from Normalized EBITDA*
*All financials shown are provisional and derived from management accounts. Subject to review and restatement*

# Private Equity Investment – Lucent Petroleum LLP

- Structure of investment
  - Total commitment as a line of equity of total $15M already deployed in three tranches:
    - Initial Sep 2010 - $4.5M; Feb 2011 $6.5M; Jul 2011 $4M
  - Each tranche structured as a bridge convertible loan awaiting grant of approvals for conversion by the Government of Kazakhstan under Art.37 of Subsurface Law
  - Approvals have been granted by the government of Kazakhstan for conversion on Nov 2011 of the three tranches into equity
  - Substantial rights and Board representation post conversion
- Operational and Financial highlights*
  - Project OPEX for 2011 is over budget by $2M due to delays in drilling program
  - Drilling on Lebyazhye reservoir is completed and testing is in process; results are expected in December
  - Drilling on South Prorva started during the third week of Nov 2011
- Exit strategy
  - Listing / IPO on AIM or another internationally recognized exchange post-drilling program as pre-agreed with majority shareholder
  - Trade sale to strategic investor also possible

compass asset management

***Important note:** *All financials shown are provisional and derived from management accounts. Subject to review and restatement*

# Public Equity Portfolio Structure

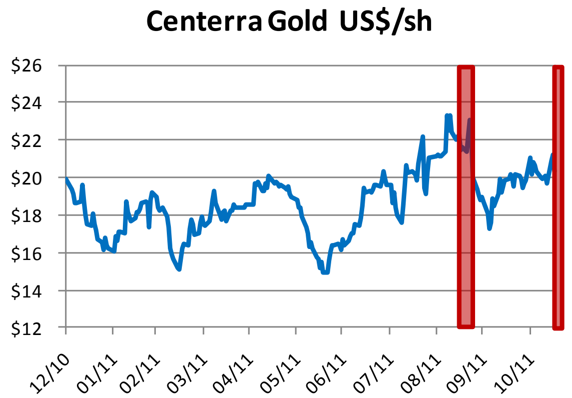
| Ten largest positions - % of NAV | | | |
|---|---|---|---|
| | 17-Nov-11 | | 31-Dec-10 |
| Centerra Gold | 6.5% | Uranium One | 11.1% |
| Dragon Oil | 6.3% | Zhaikmunai | 8.4% |
| Zhaikmunai | 5.7% | KazMunaiGas | 5.6% |
| KazMunaiGas | 5.7% | Dragon Oil | 5.4% |
| Sberbank | 5.6% | Kazakhmys | 4.6% |
| Uranium One | 5.0% | Ivanhoe Mines | 4.6% |
| Kazakhmys | 4.9% | ENRC | 4.4% |
| Ivanhoe Mines | 4.3% | Sberbank | 3.1% |
| ENRC | 3.8% | Kazakhtelecom | 1.7% |
| Polymetal | 3.6% | Chimpharm | 1.6% |
| **Total** | **51.4%** | **Total** | **50.5%** |

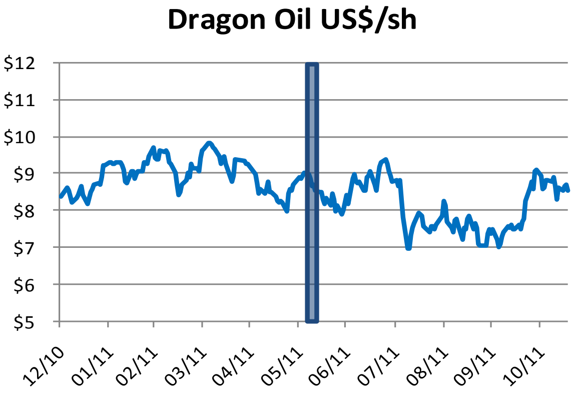
| New Positions | Divested | Significant Trades |
|---|---|---|
| Polymetal | Chimpharm | Sberbank |
| Centerra Gold | Aurum Mining | ENRC |
| | Shalkiyazinc | Kazakhmys |
| | | KazMunaiGas |
| | | Ivanhoe Mines |
| | | Uranium One |

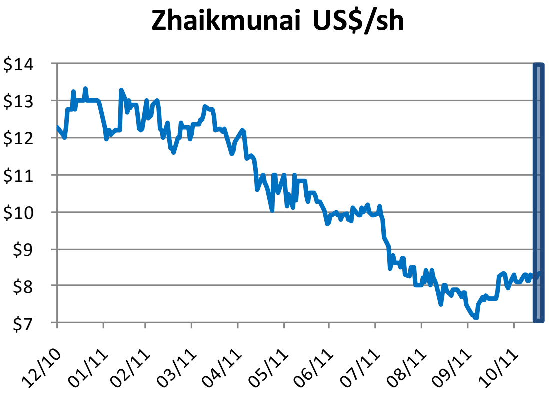
compass asset management

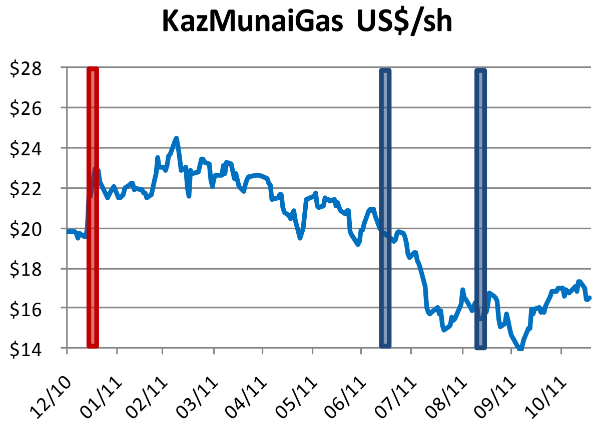
Sources: Compass Asset Management Company

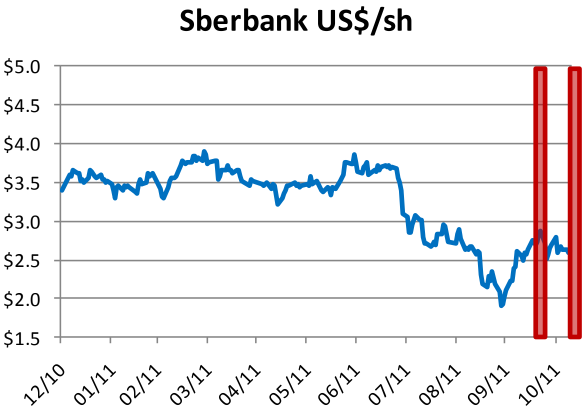
# Stock Performance of Largest Equity Holdings

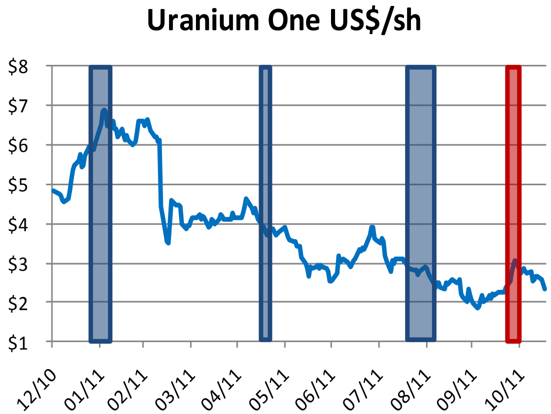


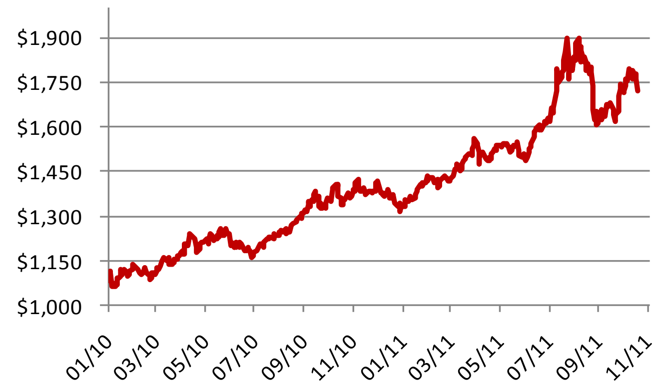

Red blocks indicate purchases

Blue blocks indicate sales

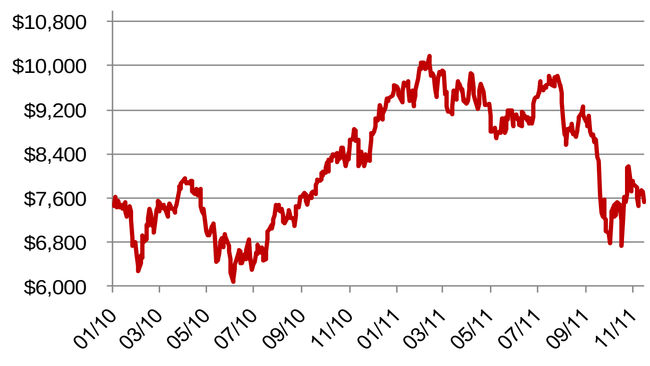
compass asset management

Sources: Bloomberg; Compass Asset Management Company

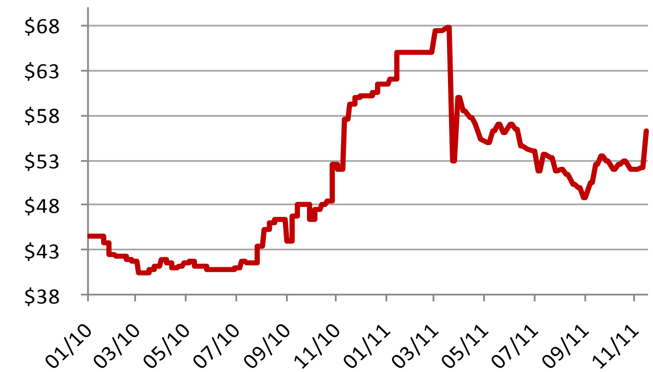
**Gold price \$/oz**



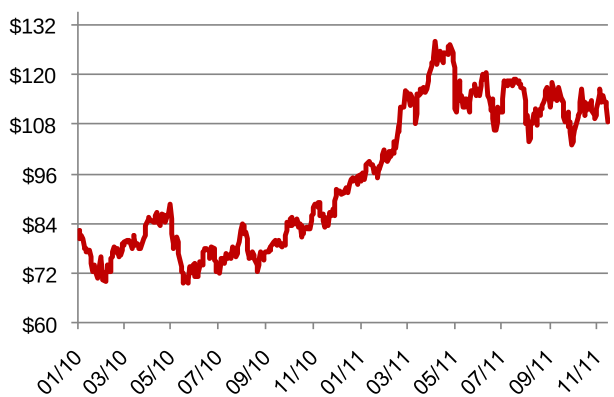

**Copper price \$/t**



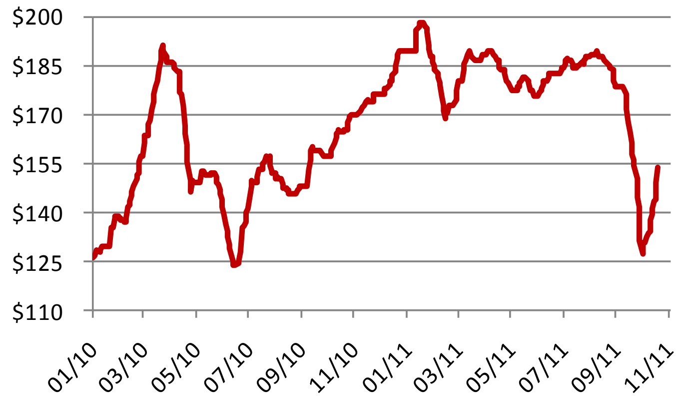

**Uranium price \$/lb**



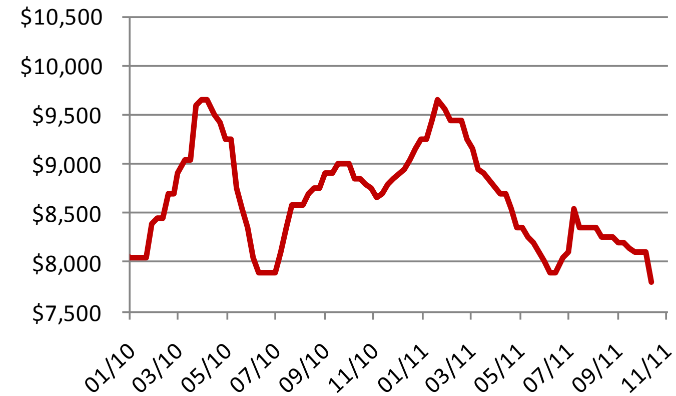

**Oil (Brent) \$/bbl**




**Iron Ore price \$/t**
Main China Port; 63.5% fines




**FerroChrome \$/t**
China Spot; 6-8%




compass asset management

Sources: Bloomberg

# Investment Management Team – Reinforcement and Changes

- Mathias Wikberg leads Tau's listed equities activities since July 2011 after a coordinated succession from Terrence Currier

**Mathias Wikberg - Head of Public Equities (Jul 2011)**

- Eight years of experience in Emerging Markets asset management
- Prior to joining Compass, Mathias was an Emerging Market strategist for Aviate Global LLP in London, UK
- Mathias spent two years as a Portfolio Manager for Emerging Economies Research LLP (E2 Research), a London based asset management and research boutique focused on the emerging economies of Russia/CIS, Eastern Europe, the Middle East and Africa
- Before joining E2 Mathias was a Portfolio Manager for four years for Nordea Investment Management in Copenhagen, Denmark, where he managed the $1bn Emerging Europe and Russia equity funds and co-managed the New Frontier Fund
- Mathias holds an MSc degree in Business Administration from Lund University in Sweden

# Conclusion

- Volatility in markets expected to continue
  - European discord
  - China: disinflation & policy easing; commodity demand remain strong but with pockets of weakness
  - U.S. economy: better than expected; recovery remains slow
- 2012 outlook
  - Overhanging risk of EU recession and possible global contagion
- Listed Equities Focus
  - Short to medium term caution on economy and market: Prepared to reduce risk further and add downside protection if needed
  - Global investor sentiment and well supported oil and commodity prices are critical
  - Long term fundamental case for region remains intact
- Private Equity Focus
  - Shifted from portfolio management into active exit preparation across portfolio: starting with *Alem* with preparations underway and then moving on to *Lucent* and *Stopharm* contingent on operational delivery and appropriate market conditions

# Disclaimer

**Important Notice**

The contents of this presentation has been approved and issued for information purposes only. It does not constitute an offer or solicitation to any person in any jurisdiction to purchase or sell any investment. No information in this document should be construed as providing financial, investment or other professional advice. The information in this document is for the sole use of the intended recipients and may not be copied, published or otherwise distributed.

Tau Capital plc (the "Fund") is a mutual fund listed on the AIM exchange in London. The information below is for general guidance only and further information will be available in the Prospectus. The taxation implications of investing in the Fund will depend on individual financial circumstances and the investor's country of residence. Application to invest in the Funds must only be made on the basis of the Prospectus and subscription documentation.

**United Kingdom:** The Fund is not a recognised collective investment scheme for the purposes of the Financial Services and Markets Act 2000 ("FSMA"). The promotion of the Fund and the distribution of the Prospectus is accordingly restricted by law. The Prospectus may only be issued to persons who are authorised under FSMA or to persons who are of a kind to whom the Fund may be promoted by an authorised person by virtue of Section 238(5) of FSMA and Annex 5 to Chapter 3 of the Financial Services Authority's Conduct of Business Sourcebook ("Annex 5"). When viewing this presentation you confirm that you are a person falling within the eligible categories of permitted investors as listed in Annex 5. Many of the protections provided by the United Kingdom's regulatory regime will not apply to investors in the Fund, including access to the Financial Ombudsman Service and the Financial Services Compensation Scheme.

**United States:** The shares of the Fund (the "Shares") have not been and will not be registered under the Securities Act 1933 of the United States (as amended) (the "1933 Act"), or the securities laws of any of the States of the United States. The Shares may not be offered, sold or delivered directly or indirectly in the United States or to or for the account or benefit of any "US Person" as defined in Regulation S under the 1933 Act except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the 1933 Act and any applicable State laws. The Funds have not been and will not be registered under the United States Investment Company Act of 1940 (as amended) (the "1940 Act") since Shares will only be sold to United States persons who are "qualified purchasers", as defined in the 1940 Act. There has not been and will not be any public offering of the Shares in the United States.

Investment Risks

Investment in the Fund carries substantial risks and persons considering investing in the Fund should read the risk disclosures in the Prospectus. Investment results may vary substantially over time and there can be no assurance that the investment objectives of the Fund will be achieved. The Fund is intended for experienced investors who are able to understand and accept the risks involved. The Fund is not intended to provide a complete investment programme for any investor. The value of all investments and the income derived therefore can decrease as well as increase. This may be due, in part, to exchange rate fluctuations in investments that have an exposure to currencies other than the base currency of the Fund. Past performance is no guide to or guarantee of future performance. The value of commodity and derivative investments such as options and futures can be extremely volatile. The Fund may invest in higher risk securities of distressed companies, illiquid securities and non - publicly traded securities.

Fees

The Fund carries with it a management and performance fee and investors should refer to the prospectus in respect of fees charged. The Investment Managers receive from Tau Capital plc a 2% annual management fee, together with a performance fee of 20%.

Limitation of Liability and Indemnity

The parties presenting this document or mentioned throughout this document do not warrant the accuracy, adequacy or completeness of the information and data contained herein and expressly disclaim liability for errors or omissions in this information and data. No warranty of any kind, implied, expressed or statutory, is given in conjunction with the information and data. The parties presenting or mentioned in this document accept no liability for any loss or damage arising out of the use or misuse of or reliance on the information provided including, without limitation, any loss of profits or any other damage, direct or consequential. In accessing or using the information contained herein you agree to indemnify and hold harmless the parties presenting or mentioned in this document and its partners and employees from and against any and all liabilities, claims, damages, losses or expenses, including legal fees and expenses, arising out of your access to or use of the information in this presentation, save to the extent that such losses may not be legally excluded.

Copyright and Other Rights



**The contents of this presentation may be changed after issue at any time without notice.**