

**Terra Capital Plc ('Terra' or 'the Fund')**  
**Manager's Update Regarding Q3 2015**

Terra Capital Plc ('TCA'), the AIM quoted investment trust focused on investing in value opportunities globally, primarily in frontier markets is pleased to report that it has received the latest report from Terra Partners Asset Management Limited ('TPAM' or the 'Fund Manager'), covering its activities in Q3 2015.

TCA's non-executive Chairman, Dirk Van den Broeck said "The Fund's strong relative performance compared to the MSCI Frontier Markets and Emerging Markets indices during Q3 2015, a period marked by heightened market volatility and risk aversion, is testament to not only our focus on value opportunities globally but also the investment process our Fund Manager has put in place. This involves in-house analysts in four continents identifying under-researched value opportunities early; an in depth comprehensive screening process; robust financial analysis; and a focus on risk management."

The Fund Manager's update covering Q3 2015 is reproduced below.

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October 29, 2015

**Terra Partners Asset Management Limited ("TPAM") presents its Third Quarter 2015 Update to shareholders regarding the activities of Terra Capital Plc. ("TCA" or the "Fund"), an AIM quoted investment trust investing globally in value opportunities, primarily in frontier markets.**

The opinions expressed in this document represent the views of TPAM, the Fund Manager of TCA, at the time of its preparation. This document has been prepared from publicly available information, internally developed data and other sources believed to be reliable, and all reasonable precautions have been taken to ensure its accuracy; however, no representation or warranty about the accuracy of the information contained in, or of any omissions from, this document or any supplementary information made available to any interested party or its advisers is implied, and any liability in respect of such information or omissions is hereby expressly disclaimed. Note that the information herein is not all of the information TPAM had available, or which it relied upon, when making its initial and

continuing investment decisions. TPAM reserves the right to amend the information provided herein, and its opinions, at any time, and undertakes no obligation (express or implied) to provide any recipient with any further information or to correct any inaccuracies or omissions which may become apparent. Readers are advised that a fund managed by TPAM, the officers and employees of TPAM, and Directors of TCA currently own positions in TCA.

Investments in Emerging and Frontier markets usually suffer from liquidity problems, and are often affected by governmental interference in the free market, local politics and vagaries in commodity and currency prices; therefore, their prices can be very volatile. This means that it can be difficult to acquire and subsequently sell the shares noted in TCA's portfolio. This document is for information purposes only ***and it is not intended as an offer or solicitation regarding the purchase or sale of any security or investment vehicle.***

All solicitations or offers are on the public market of the AIM Section of the London Stock Exchange and occur by reference to TCA's Offering Memorandum and the document titled "*Tender Offer to Purchase Ordinary Shares at the Tender Price and Restructuring and Amendment to the Directors' Incentive Plan and Change of name to Terra Capital PLC and Notice of Extraordinary General Meeting*" of the April 30, 2012 (the "Circular") as amended by subsequent resolutions, primarily the one passed at the January 26, 2015 EGM. Documents are accessible on TCA's website [www.terracapitalplc.com](http://www.terracapitalplc.com) in the "Investor Centre" tab under the Documents and Announcements section of the file "AIM Rule 26". This website contains important information which may supplement, modify or differ from the information contained herein and no prospective investment decision should be considered before careful reading of documentation found on TCA's website. All current and prospective investors should be aware that **PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS.**

*By accepting this document, you agree to be bound by the foregoing limitations.*

## **TCA's 3rd Quarter 2015 Return & Portfolio**

The Fund's NAV declined by 4.52% during the 3rd quarter versus the MSCI Frontier Markets Index decline of 10.5% and the MSCI Emerging Market Index decline of 17.11%. This caused the Fund's NAV to decline from 0.9672 as of June 30, 2015 to 0.9234 at September 30, 2015.

The Fund's investment level<sup>1</sup> increased from 87.80% at June 30, 2015 to 88.25% at September 30, 2015.

### **Europe**

The Fund's exposure to Europe increased from 24.10% to 26.32%, making it the largest regional allocation. The Fund initiated one new position during the quarter, increased its holdings in two current positions, and reduced three positions. The new position was in Poland and the additional investments were made in Italy. Holdings in Switzerland, Germany and Serbia were reduced.

### **Asia**

The Fund's holdings in Asia declined slightly from 19.16% to 18.52%. The Fund's holding in Australia and one of its positions in Korea were reduced, while its position in Kazakhstan was increased.

### **Middle East**

The Fund's exposure remained roughly stable at 15.22%. Additional investments to current positions in Lebanon and Bahrain were made, while one new position was purchased in Bahrain.

### **Africa**

The allocation to Africa rose from 11.77% to 12.83%. New positions were entered into in Nigeria and Morocco, while the Fund continued to decrease its exposure in Kenya by reducing one position and liquidating another.

### **Americas**

The Americas declined from 16.90% to 15.35%. The Fund reduced one Argentine position.

### **Fund Details**

The following page details the Fund's holdings, changes from the prior quarter, and the local currency performance of each company's shares over the quarter. The information therein is sourced from TPAM's records as at the 30<sup>th</sup> September 2015.

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<sup>1</sup> The investment level represents the value of the investments in equity, fixed income, hedging as well as the commitment to Terra Argentine Fund, L.P. expressed as a percentage of the total Net Asset value of the Fund.

Region	Country	Security	Shares	Market value	% of Fund	Change in Share Holdings	3Q US\$ Total Return	3Q LC\$ Total Return	
AFRICA	Nigeria	Lafarge Africa	2,690,557	1,323,269	2.10%	New	-3.92%	-3.91%	
	Burkina Faso	Onatel BF	47,577	1,052,794	1.67%	Decrease	38.50%	37.78%	
	Tunisia	Tunisie Leasing	87,818	901,132	1.43%	No Change	1.11%	1.51%	
	Tunisia	One Tech Holding	248,305	845,111	1.34%	No Change	-7.59%	-6.82%	
	South Africa	Holdsport	202,501	825,566	1.31%	No Change	-5.67%	7.62%	
	South Africa	Onelogix Group	2,281,292	823,051	1.30%	No Change	-10.42%	1.01%	
	Tunisia	ARTES	246,934	796,541	1.26%	No Change	-17.14%	-10.53%	
	Kenya	Equity Bank	1,282,000	551,003	0.87%	Decrease	-10.22%	-5.26%	
	Uganda	Umeme	2,940,000	493,716	0.78%	No Change	17.98%	31.91%	
	Nigeria	UAC of Nigeria	2,847,886	450,208	0.71%	Increase	-21.75%	-25.88%	
	Morocco	Residences Dar Saada	2,707	36,888	0.06%	New	-21.48%	-25.03%	
	Kenya	Housing Finance	0	0	0.00%	Liquidated	-20.28%	-16.08%	
	AMERICAS	Argentina	Terra Argentine Fund LP Commitment		8,099,279	12.84%			
		Jamaica	National Commercial Bank Jamaica	5,431,719	1,265,500	2.01%	No Change	-6.18%	-3.68%
Argentina		IRSA	81,433	1,184,036	1.88%	Decrease	-19.00%	-19.00%	
Jamaica		Scotia Group Jamaica	5,429,031	1,091,597	1.73%	No Change	1.17%	1.72%	
Peru		Ferreycorp	2,150,387	837,969	1.33%	No Change	-12.49%	-11.27%	
Peru		Refineria La Pampilla	17,808,102	771,057	1.22%	No Change	-30.97%	-30.00%	
Argentina		Terra Argentine Fund LP - Series 2	510,000	587,679	0.93%	No Change	-4.18%	-4.18%	
Jamaica		Jamaica Money Market Brokers	8,500,000	549,060	0.87%	No Change	-0.94%	1.87%	
Argentina		Terra Argentine Fund LP - Series 3	510,000	514,184	0.82%	No Change	-4.03%	-4.03%	
Panama		Copa Holdings	11,165	468,148	0.74%	No Change	-48.21%	-48.21%	
Argentina		Terra Argentine Fund LP - Series 1	340,000	383,425	0.61%	No Change	-4.18%	-4.18%	
ASIA	Bangladesh	Square Pharma	629,734	2,019,359	3.20%	No Change	8.15%	8.15%	
	Bangladesh	Brac Bank	3,592,039	1,902,822	3.02%	No Change	4.83%	4.83%	
	Vietnam	Imexpharm Pharmaceutical	802,158	1,530,979	2.43%	No Change	-8.87%	-5.71%	
	China	Qingling Motors	3,042,615	1,012,883	1.61%	No Change	-1.13%	-1.15%	
	Georgia	Bank of Georgia Holdings	31,280	853,688	1.35%	No Change	-10.98%	-7.49%	
	Vietnam	Hung Vuong	1,115,188	838,469	1.33%	No Change	-16.24%	-13.33%	
	Australia	Ardent Leisure Group	422,606	797,870	1.27%	Decrease	12.80%	26.50%	
	Kazakhstan	Kcell	127,990	666,828	1.06%	Increase	-39.98%	-39.98%	
	Korea	Lotte Chilsung Beverage Preferred	749	580,681	0.92%	No Change	-25.82%	-21.32%	
	Korea	Kumho Petro Chemical Preferred	17,850	512,738	0.81%	No Change	-18.73%	-13.80%	
	Korea	Shinyoung Securities	8,370	391,885	0.62%	No Change	-7.55%	-2.83%	
	Korea	Hyundai Motor Preferred	3,880	361,688	0.57%	Decrease	2.14%	9.31%	
	Vietnam	Hau Giang Pharmaceutical	75,853	224,412	0.36%	No Change	-12.55%	-9.52%	
EUROPE	Hungary	Any Security Printing	553,679	1,837,046	2.91%	No Change	-2.21%	-2.92%	
	Serbia	Galenika-Fitofarmacija	82,744	1,699,189	2.69%	No Change	5.56%	4.71%	
	Italy	QF Polis	1,524	1,456,060	2.31%	Increase	15.84%	15.54%	
	Russia	JSC ACRON	308,792	1,408,092	2.23%	No Change	19.84%	19.69%	
	Ukraine	Kemel Holding	86,323	1,022,273	1.62%	No Change	17.86%	19.14%	
	Slovenia	Gorenje Velenje	175,399	979,998	1.55%	No Change	-12.55%	-12.76%	
	Macedonia	Komercijalna Banka-Skopje	28,845	949,668	1.51%	No Change	2.59%	2.26%	
	Montenegro	Crnogorski Telekom	222,624	939,460	1.49%	No Change	-6.28%	-6.44%	
	Portugal	Portucell	259,423	898,666	1.42%	No Change	-9.91%	-10.14%	
	Poland	PKP Cargo	42,964	763,083	1.21%	New	-19.35%	-18.47%	
	Croatia	Hrvatski Telekom	36,228	746,263	1.18%	No Change	-9.14%	-8.70%	
	Switzerland	U-Blox	3,469	698,072	1.11%	Decrease	-0.57%	3.65%	
	Germany	Vib Vermoegen	29,378	564,649	0.90%	Decrease	10.76%	10.50%	
	Russia	X5 Retail	29,846	519,320	0.82%	No Change	4.50%	4.50%	
	Italy	QF BNL	817	503,952	0.80%	Increase	15.30%	15.00%	
	Bulgaria	Monbat	115,000	492,688	0.78%	No Change	-8.72%	-8.93%	
	Serbia	Komercijalna Banka Serbia	25,564	429,520	0.68%	Decrease	-9.22%	-9.95%	
	Estonia	Silvano Fashion Group	267,000	375,933	0.60%	No Change	3.26%	3.03%	
	Bulgaria	Speedy	16,818	336,245	0.53%	No Change	12.27%	11.18%	
	MIDDLE EAST	Qatar	Al Meera Consumer Goods	21,218	1,455,235	2.31%	No Change	-1.16%	-1.15%
Lebanon		Blom Bank GDS	144,872	1,390,771	2.21%	No Change	-4.00%	-4.00%	
Oman		Oman Refreshment	175,000	1,135,936	1.80%	No Change	-0.05%	0.00%	
Qatar		Doha Bank	77,678	1,070,626	1.70%	No Change	-5.65%	-5.64%	
Lebanon		Solidere	89,508	895,080	1.42%	Increase	-9.49%	-11.89%	
Oman		Bank Sohar	2,049,283	856,650	1.36%	No Change	-13.02%	-15.79%	
Oman		Oman Cement	720,950	823,633	1.31%	No Change	-16.71%	-16.98%	
Bahrain		SEEF Properties	1,333,577	706,718	1.12%	Increase	-1.04%	0.00%	
Qatar		Gulf Warehousing Company	32,600	608,643	0.97%	No Change	-10.31%	-10.29%	
Bahrain		Bahrain Commercial Facilities	200,000	381,558	0.60%	No Change	-2.08%	-2.70%	
Bahrain		Gulf Hotel Group	134,273	284,627	0.45%	New	-11.19%	-11.11%	
					9,609,478	15.24%			
			Total Equity Holdings		55,715,892	88.34%			
			Cash		6,656,529	10.55%			
	Fixed Income								
	Ukraine	City of Kiev Bond	844,000	630,280	1.00%	No Change			
		Hedging		67,640	0.11%				
		Total Fund		63,070,342					

**Summary of TPAM's Policy and Procedures of Terra Partners Asset Management Limited ("TPAM") regarding Liquidity and the Allocation of Investment Opportunities among Investment Advisory Clients.**

**This summary is being provided to shareholders in accordance with the provisions in the Circular of December, 2014, as approved by shareholders in January, 2015.**

The policy ("Policy") of TPAM is that no Fund for which TPAM has investment decision responsibility (each portfolio or account TPAM manages shall in this Policy be referred to individually as a "Fund" and collectively as "Funds") shall receive preferential treatment over any other Fund other than as described in this Policy. In allocating investment opportunities, each Fund shall receive equivalent treatment.

Prior to engaging in any trading activity TPAM shall first evaluate each Fund's investment objectives and strategies as set forth in that Fund's governing documents to determine whether an investment in the particular security is appropriate for each Fund.

TPAM shall take into consideration, among other factors in the governing documents, the trading liquidity of a security when assessing its appropriateness for a Fund. Specifically for TCA, in regard to securities listed and quoted on a recognized securities market, TPAM will use its best efforts to invest in securities trading with moderate liquidity unless it is a targeted activist position, for which liquidity will not be a factor. "Moderate Liquidity" of a listed security shall be calculated at the time of the initial purchase and shall mean:

- 52 week average daily value of trades of a minimum of US\$ 150,000; or
- there exists an opportunity to purchase a significant block of securities of a minimum of US\$ 3 million for all applicable Clients' portfolios; or
- it is an activist targeted position.

If a listed ADR or GDR for a particular security trades on a market other than the market on which the underlying security trades, then without regard to the liquidity of the ADR/GDR on that market, if the underlying security meets the liquidity provisions on its home market *and* such securities can be used to create additional ADRs/GDRs, such ADR/GDR shall be considered to meet the liquidity requirements.

TPAM acts for Funds that have overlapping or identical investing policies and therefore it will be likely that investment opportunities sourced by TPAM will be suitable for more than one of its Funds. In these circumstances, TPAM will allocate a Fund's exposure to such opportunity on a *pro rata* allocation principle based primarily on the size of the Fund's portfolio. In allocating a security among its Funds, TPAM may deviate from this *pro rata* allocation principle by taking into account some, or all, of the following:

- the investment objectives and restrictions applicable to the Fund;
- the investment phase of the Fund (e.g. a Fund in a ramp-up phase may be allocated

- a higher percentage of a trade);
- the Fund's total assets and its cash resources available for investing;
- the Fund's liquidity needs or preferences;
- the liquidity of the security being purchased;
- the geographic distribution of the Fund's portfolio at the time of investment;
- the sector concentration of the Fund's portfolio; and
- the currency exposure of the Fund's portfolio.

The nature of trading listed securities in markets indicated in each Fund's governing documents often makes it difficult to acquire those securities in adequate quantities in one block or during the course of the day (or any other relevant time period) so that TPAM may subsequently allocate a portion of the trades to each Fund. The nature of these markets often makes aggregation of trades, and the use of average prices for allocation of trades, among TPAM's Funds impossible. Furthermore, TPAM may invest a part of the Fund's portfolio in securities displaying various types of trading liquidity constraints ("other less liquid securities"). Frequently, TPAM can only acquire a Funds' targeted security and other less liquid securities over a period of time and in small quantities. It is not uncommon for the price and liquidity of a security to change during the time period in which TPAM is attempting to acquire such security. Such market changes can create significant swings in the price of the security – or even make it impossible to acquire any amount, or as much of the security as TPAM might want to purchase, for each Fund.

Since TPAM acts for several Funds, each with a separate account, to ensure that no Fund receives an unfair advantage, or suffers any disadvantage with respect to the timing of execution of a trade, when aggregation and use of average pricing is not possible TPAM may attempt to purchase sufficient amounts of that security *sequentially* for all of its Funds in order to manage the conflicts and issues of fairness to each Fund. In addition, or alternatively, TPAM may purchase the security in rotation so that each Fund will have an equal opportunity to be the first entity trading in such security and to achieve fairness on an overall basis, and over time, with respect to the timing of executing trades; however, regardless of these efforts, market prices and liquidity change frequently and may shift significantly up or down before TPAM can purchase the full extent of the initially desired securities for each of its Funds. Depending on the type of trade, market conditions, and time constraints, TPAM may be forced to deviate from its normal rotation policy and therefore TPAM cannot guarantee that each Fund will be able to purchase the same security at the same time, at the same price, or at all.

Where the allocation of a trade would result in a *de minimis* amount (*e.g.* an amount such that it would not be economically beneficial to a Fund when taking into account the cost of the transaction and other relevant factors) being allocated to one or more Funds, TPAM may determine not to have such Fund(s) participate in such trade.

The Chief Compliance Officer is responsible for monitoring TPAM's compliance with this Policy.

***The above constitutes a summary of TPAM's Policy. For the full version or any relevant extract therefrom, kindly request a copy from TPAM.***

RESPECTFULLY SUBMITTED BY:

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**NOTES:**

Terra Capital Plc is an AIM quoted investment trust focussed on generating high absolute returns while ensuring volatility is kept to a minimum. The fund predominantly invests in under-researched and under-valued companies. The Fund Manager targets companies that are trading at less than their intrinsic worth and so, aside from any potential growth prospects, provide scope for capital appreciation as a result of a reversion towards underlying value. Investments are also made in companies which are viewed as fair value but offer opportunities for growth at a reasonable price. Due to inherent market inefficiencies, the Fund Manager believes many such 'value' opportunities can be found in Frontier Markets and utilises in-house teams of analysts on the ground in areas of interest to investigate suitable opportunities rather than rely on third party research.