



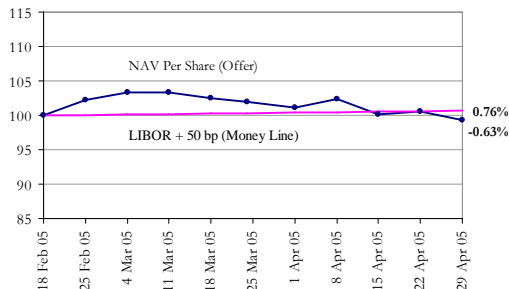
The Diamond Age ♦ Russia Fund

MONTHLY LETTER TO INVESTORS

April 2005



NAV per Share since Inception (net of fees)



International Business Partners and Terms

Investment Advisor	Diamond Age Capital Advisors, Ltd.
Russian Sub-Advisor	Diamond Age Investment Advisors, Ltd.
Administrator	CIBC Bank and Trust Company (Cayman)
Russian Custodian	ZAO Citibank – Russia
Auditors	KPMG – Cayman Islands
Tax Consultants	Ernst & Young – Russia and Cyprus
Legal Counsel	Turner & Roulstone – Cayman Islands
Base Currency	US Dollar
Hurdle Rate	US Dollar 3-month LIBOR + 50 bps
Inception Date	18 February 2005
Fund Price	Bid \$96.51; Offer \$99.37
Dealing Day	Friday
Minimum Subscription	\$100,000
Bloomberg Ticker	DIAMRUS KY <Equity>

Performance Ratios

	Bid NAV	Offer NAV	RTS Index
April 2005	-2.68%	-2.54%	-1.23%
March 2005	-1.15%	-0.27%	-3.23%
Since Inception	-3.49%	-0.63%	0.19%
Volatility (annualised)	7.89%	9.52%	23.36%
Alpha vs. RTS (annualised)	n/m	n/m	n/m
Beta (of weekly returns)	0.29	0.36	1.00
Sharpe Ratio (s/inception)	n/m	n/m	n/m

Portfolio Constituents

Equities (Long)	56.20%
Diamond Age True Dollar Index (DAT\$I)	30.55%
“Blue Chips”	
Preferred Equity Basket	9.73%
Second Tier (Emerging Small Cap)	9.01%
Diamond Age Expanded Coverage Universe	6.91%
Equities (Short)	0.00%
Enterprise Specific Short	0.00%
DAT\$I Synthetic Index Short	0.00%
Net Equity Exposure	56.20%
Bonds (Long)	27.92%
Rouble Bonds – Russia	11.49%
Hryvnia Bonds – Ukraine	10.26%
Tenge Bonds – Kazakhstan	4.09%
Lari Bonds – Georgia	2.08%
Bonds (Short)	9.37%
USD Bonds	9.37%
Net Debt Exposure	18.55%
Derivatives (Long)	0.00%
Derivatives (Short)	4.09%
Net Derivative Exposure	4.09%
Total Cash and Cash Equivalents	2.39%
Totals	100.00%
Total Leverage	11.70%

Executive Summary

April proved to be a moderately challenging month for The Diamond Age Russia Fund. As such investors can, for the first time since inception, buy shares in the Fund at or very near the original NAV of \$100 (Offer is \$99.37) or 0.63% cheaper than on launch date.

As an absolute return vehicle, the Fund is not benchmarked against a particular index or asset class, and the Investment Advisor is therefore disappointed in its inability to generate wealth for the Fund’s investors under any market circumstance. However, the Investment Advisor has not identified any structural problems within the Fund’s portfolio, and has pro-actively advised elimination of the singular enterprise-specific holding that “surprised” to the downside. Importantly, the Fund has delivered on its stated investment objectives of poor correlation to the RTS Index and reduced volatility, as demonstrated by standard deviation and Beta being three times lower than that of the broad equity market.

Therefore the Fund has not changed the investment rationale or the portfolio construction under the present market conditions. After an extensive (position-by-position) review of all portfolio constituents, the Investment Advisor is unwavering in its conviction. The Fund does not anticipate any meaningful changes in asset allocation, sector allocation, country weights, nor currency exposures.

Of note: the Fund did establish its “Long Rouble – Short USD” currency trade at favourable levels and also layered on a Short US 30 Year Long Bond position to hedge against its long fixed income positions in very attractive domestic instruments from Ukraine, Georgia, Kazakhstan and Russia (denominated in local currencies).

While the Fund is an absolute return vehicle, by way of relative performance compared to meaningful peer indices, since inception on February 18th the Fund outperformed:

MSCI Eastern Europe	-6.71%	
MSCI Emerging Markets	-6.12%	[Source: MSCI Capital Markets]

Stated Investment Objectives

The Fund’s stated investment objectives are:

- ♦ **Reduced Volatility**
- ♦ **Poor Correlation to RTS Index**
- ♦ **Smoothed Returns**
- ♦ **Lower Risk Profile and ultimately,**
- ♦ **Increased Diversification**
- ♦ **Market Out Performance**

The Fund’s portfolio was engineered to achieve these stated objectives and generate maximum (absolute) long-term U.S. Dollar capital appreciation through an actively managed, concentrated, hedged long / short portfolio of publicly traded Russian and related assets of the former Soviet Union including debt, equity, currencies, and derivative securities. The Fund’s strategy is both “complex” and “multi-layered.” It is intended to explore broadly – locally and internationally – the implications of Russia’s integration into the global economy. The Fund’s style should be characterised as “absolute return.”

PROBABILITY ANALYSIS

	Return
Bear Case (10% probability)	-20.30%
Base Case (60% probability)	36.42%
Bull Case (30% probability)	61.76%

Mean Anticipated Return **38.29%**

COST OF EQUITY ESTIMATES

Long-term risk free rate	5.60%
Russian Country Risk Premium	1.95%
Russia Risk Free Rate	7.55%
Equity Risk Premium	4.00%
Excess RTS Volatility Premium	1.65%
Russian Equity Risk Premium	5.65%
BASE CASE COST OF EQUITY	13.20%

Expected excess return over cost of equity **25.09%**

For comprehensive attribution analysis / anticipated return estimates, please contact: funds@diamondage.ru, +7(095) 255.84.58

DISCLAIMER: This material is for information purposes only and does not constitute an offer to sell or a solicitation of an offer to buy shares in the Diamond Age Russia Fund (the “Fund”) in any jurisdiction to any person to whom it is unlawful to make such an offer or sale. Subscriptions will only be received and shares issued on the basis of the current Offering Memorandum for the Fund, and prospective investors should carefully consider the extensive risk warnings and disclosures for the Fund set out therein. Investors should also consider any other factors that may be relevant to their circumstances, including tax considerations, before making an investment. An investment in the Fund is speculative and is not intended as a complete investment program.

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Note: All performance data are shown in terms of comparing the last Friday of the current month to the last Friday of the previous month, due to weekly valuations of the Fund.

