



November 2002

Siberian Investment Co.

The Russian market has been in the doldrums over the month with investors concentrating on two reasons for an oil price decline. The price per barrel has fallen as traders predicted that the US choice of going through the UN would delay the prospect of war. This may be the case but the chance of Saddam Hussein fully complying with the wishes of the United States is low and confrontation still seems likely. Secondly, news was reported that OPEC members were producing oil substantially above their quotas. However, OPEC has since said it may force cut backs in December to protect its chosen price range. It appears that the over production may have been intentional in lieu of reduced Iraqi production.

Whatever the reasons we believe the oil price will stay at current levels (\$20-\$24 per barrel). With this in mind we continue to recommend Russian oil stocks not just in the short term but also the longer term. The larger Russian oil stocks with their reserve bases on a par with the big international majors are still inexpensive.

This month has seen the outperformance of United Energy Systems as fears about asset stripping and corporate governance were overdone. It may be coincidence but the rally in UES began just after the ending of the Russian hostage crisis. The public saw President Putin's handling of the situation as firm and decisive and this perhaps reassured domestic investors (foreigners remain more cautious) that the blatant corruptions of the past would no longer be tolerated at the top. Reinforcing this point the auction of Slavnaft on December 18th will ostensibly be the fairest ever. Bidding for the government owned oil asset begins at \$1.7 billion and it appears there will be a lot of competition. The government will benefit as much as the winner, as next year's coffers will be given a substantial top up.

The Fund owns Slavneft's prime upstream asset the second tier (and much undervalued) Megionneftegas. The stock has risen 70% over the month and we still believe it trades at about two thirds of its fair value.

Top 10 Holdings

| Company | % NAV | Company | % NAV |
|---------------------------|-------|-------------------------------------|--------------|
| Yukos | 17.6 | Gazprom ADR Reg S | 4.9 |
| Sibneft | 14.6 | Uralskie Mashinostroitelniye Zavody | 4.5 |
| United Energy Systems GDR | 5.9 | Sberbank | 4.3 |
| Mobile Telesystems ADS | 5.7 | Yukos ADR | 4.1 |
| Surgutneftegaz Pref | 5.3 | Megionneftegas | 3.4 |
| | | | 70.3% |

Siberian Investment Co. Performance

| | <i>LG Fund</i> | <i>RTS Index</i> | Micropal Russian Universe |
|-----------------|----------------|------------------|--|
| Last month | 4.67 | 3.10 | 5.18 |
| Last 3 months | 5.88 | 6.08 | 6.11 |
| Last 6 months | -6.55 | -9.99 | -9.46 |
| Year to date | 46.14 | 35.63 | 22.81 |
| Last 1 year | 74.17 | 72.30 | 53.17 |
| Last 2 years | 120.24 | 87.63 | 68.88 |
| Last 3 years | 260.33 | 262.36 | 188.21 |
| Last 4 years | 245.60 | 536.83 | 335.95 |
| Last 5 years | -27.31 | -17.44 | -30.65 |
| Since inception | 9.90 | 6.89 | -3.52 |

Micropal Ranking in Russia closed & open-ended funds

| | <i>Last month</i> | <i>Last 3 months</i> | <i>Last 6 months</i> | <i>Last 1 year</i> | <i>Last 2 years</i> | <i>Last 3 years</i> | <i>Last 4 years</i> | <i>Last 5 years</i> | <i>Since inception</i> |
|--------------|-----------------------|--------------------------|--------------------------|------------------------|-------------------------|-------------------------|-------------------------|-------------------------|----------------------------|
| Sibinco | 21 | 22 | 9 | 2 | 4 | 5 | 20 | 8 | 4 |
| No. of funds | 39 | 39 | 39 | 39 | 38 | 33 | 31 | 19 | 15 |

Sector Breakdown

| Sector | % NAV |
|--------------------|--------------|
| Oil & Gas | 58.4 |
| Chemicals | 1.0 |
| Metals | 3.6 |
| Telecommunications | 12.4 |
| Engineering | 6.3 |
| Energy | 9.9 |
| Funds | 0.7 |
| Banking | 4.3 |
| Others | 1.8 |
| Shipping | 0.8 |
| Cash | 0.8 |
| Total | 100.0 |

Siberian Investment Co.

INVESTMENT OBJECTIVE

The principal investment objective of the Fund is to provide Shareholders with long-term capital appreciation through investment primarily in a diversified portfolio of traded securities of Russian companies whose principal business activities are in the regions of the Russian Federation located east of the Ural Mountains.

LLOYD GEORGE MANAGEMENT

Lloyd George Management is an independent company predominantly owned by its senior management team. We have additional shareholders in the United States, Germany and Japan. Established by Robert Lloyd George in 1991, Lloyd George Management provides investment management in Asian and emerging markets equities for both private clients and institutional investors. The company comprises a team of highly experienced fund managers each offering a specialised area of knowledge, the senior management team having an average of 16 years investment experience.



EDWARD ROBERTSON - FUND MANAGER

Prior to joining Lloyd George Management, Edward Robertson moved to Hong Kong in 1992, where he lived for five years working for the South China Morning Post and subsequently for Cazenove & Co. and Nava Standard Chartered Securities where he was responsible for Sales of South East Asian securities to institutional clients. In 1999, he joined Lloyd George Management where he runs the Siberian Fund and covers the EMEA region.

General information

The Siberian Investment Co. is a closed-ended designated investment company incorporated in Ireland.

This is neither an offer to sell nor a solicitation of any offer to buy shares in any fund managed by us. Any offering is made only pursuant to the relevant information memorandum, together with the current financial statements of the relevant fund, if available, and the relevant subscription application, all of which must be read to their entirety. No offer to purchase shares will be made or accepted prior to receipt by the offeree of these documents and the completion of all appropriate documentation. The shares have not and will not be registered for sale, and there will be no public offering of the shares. No offer to sell (or solicitation of an offer to buy) will be made in any jurisdiction in which such offer or solicitation would be unlawful. Past performance of a fund is no guarantee as to its performance in the future.

| | |
|----------------------------|-------------------|
| Inception date: | February 1997 |
| NAV per share | US\$10.99 |
| No. of shares | 1,791,369 |
| Fund size | US\$19.69 million |
| Cash holding (%NAV) | 0.8% |
| Number of holdings | 40 |

Fund information as at 31st October 2002

For further information, please contact:

Dominic Johnson
Marketing & Sales
Lloyd George Management (Europe) Ltd.
25 Grosvenor Street, London W1K 4QN

Tel: (44) 020 7495 8688 Fax: (44) 020 7495 8651
Email: info@uk.lloydgeorge.com

Lloyd George Management (Europe) Ltd. is regulated by FSA