



Russia: a great contrarian opportunity

BAD TIMES MAKE FOR GOOD BUYS

“I will tell you how to become rich...Be fearful when others are greedy. Be greedy when others are fearful.”

Warren Buffett

“Buy when there's blood in the streets, even if the blood is your own.”

Baron Rothschild

“Bull markets are born on pessimism, grow on scepticism, mature on optimism and die of euphoria.”

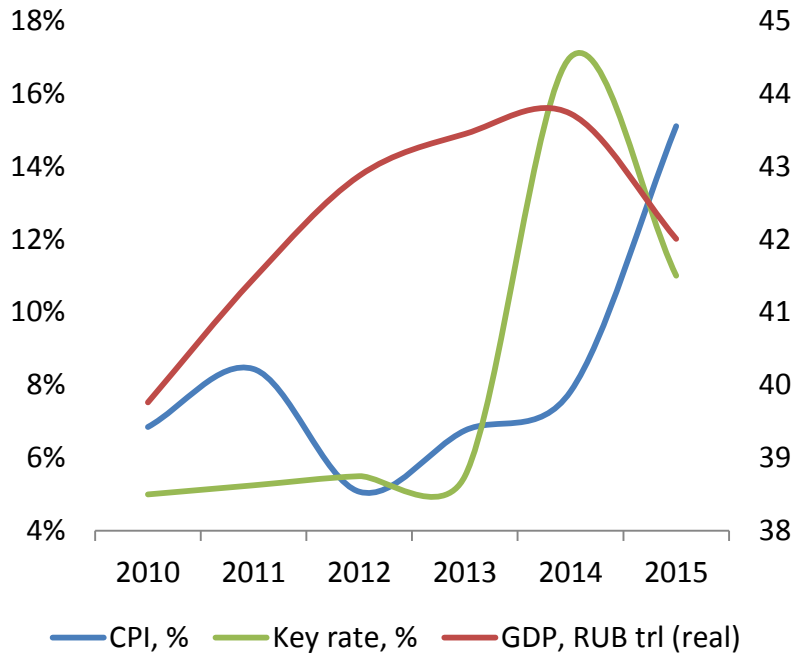
John Templeton

“To be an investor you must be a believer in a better tomorrow.”

Benjamin Graham

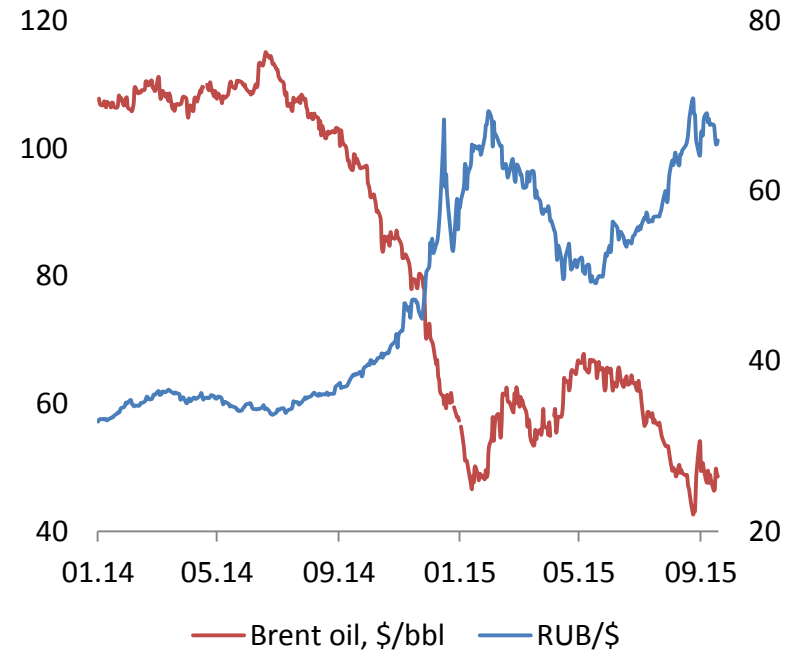
RECENT TURBULENCE

GDP, key rate and inflation



Source: Oxford Economics

Oil prices vs. foreign exchange rate

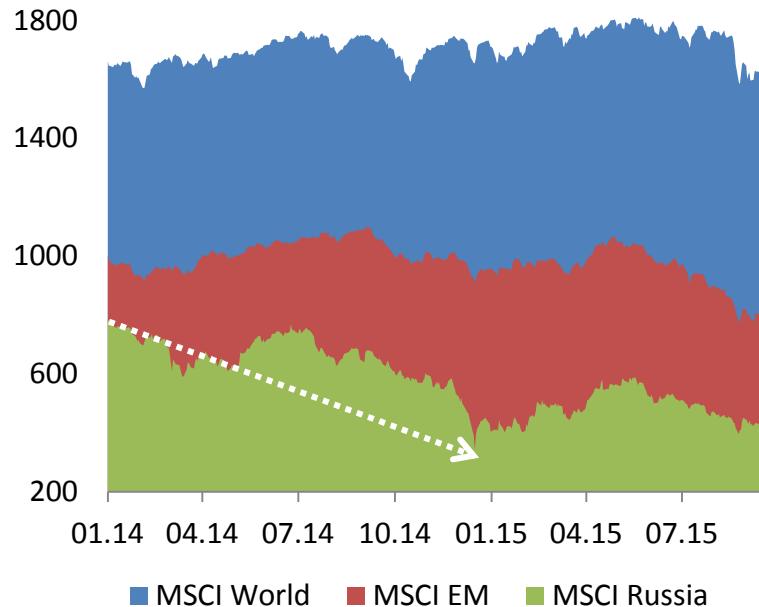


Source: Bloomberg

Current depressed environment in the Russian market paves the way for contrarian investors providing attractive opportunities for entry leveraged by attractive valuations, lack of debt and equity capital as well as reduced competition

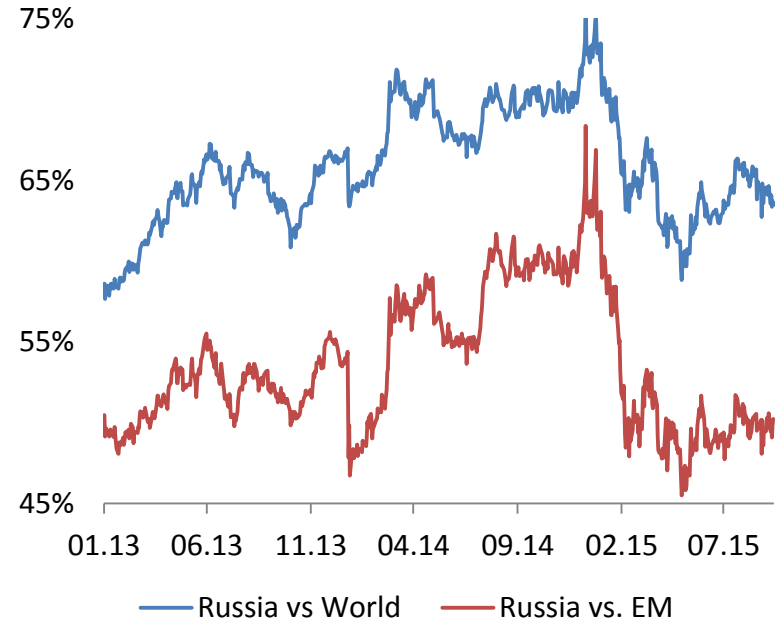
ATTRACTIVE VALUATION

MSCI Russia vs MSCI Emerging Markets vs MSCI World



Source: Bloomberg

P/E discount of Russian equities

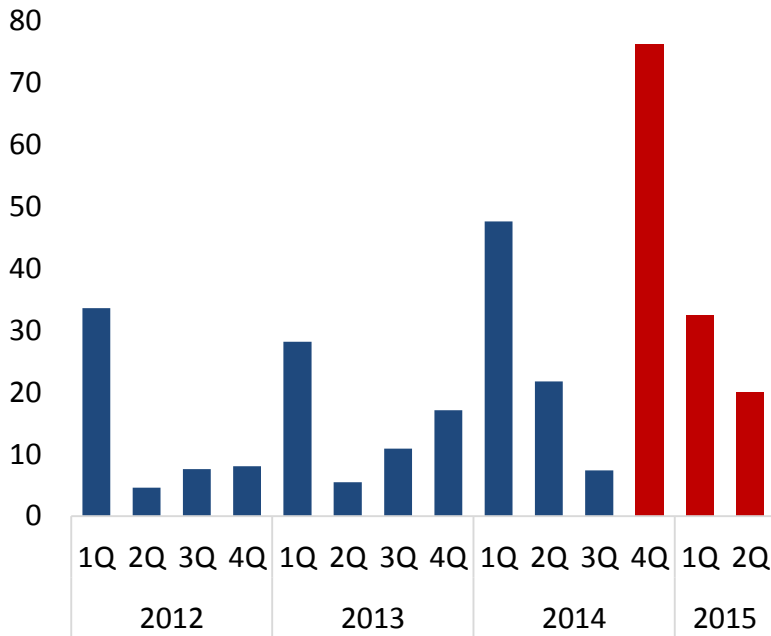


Source: Bloomberg

Unprecedented risk premium for the Russian assets is likely to dissipate at some point in time allowing for major re-rating and upward asset price action

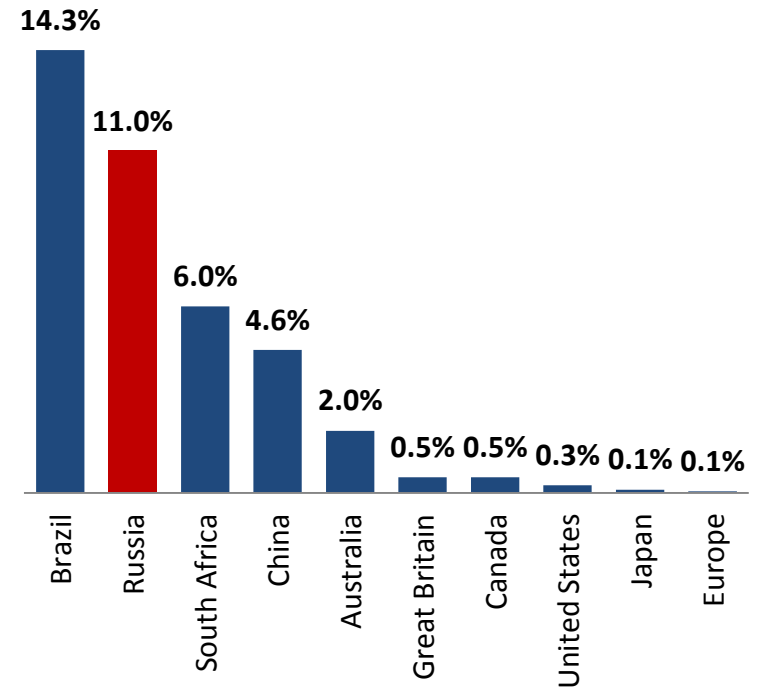
DECREASED SUPPLY OF DEBT AND EQUITY

Capital outflow, USD bln



Source: Oxford economics

Central banks' key rates

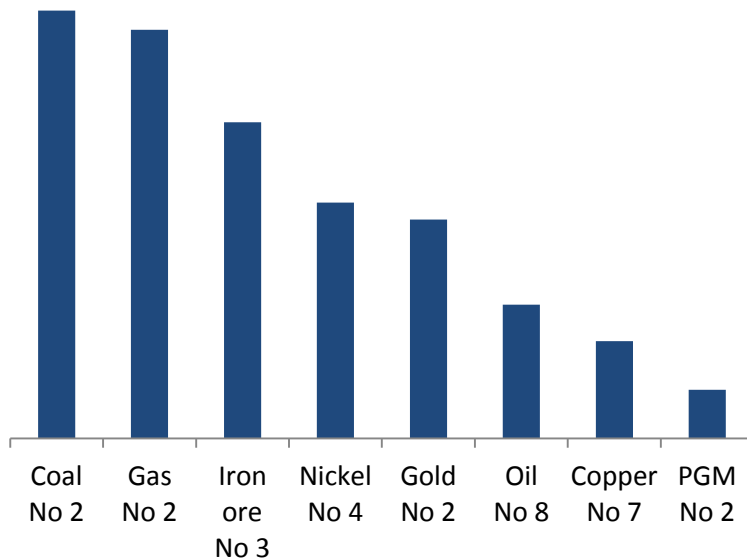


Source: Global rates

Decreased competition in Russian debt and equity markets resulting from constrained access of Russian banks and companies to foreign financing as well as massive outflow of capital facilitate access to Russian quality assets

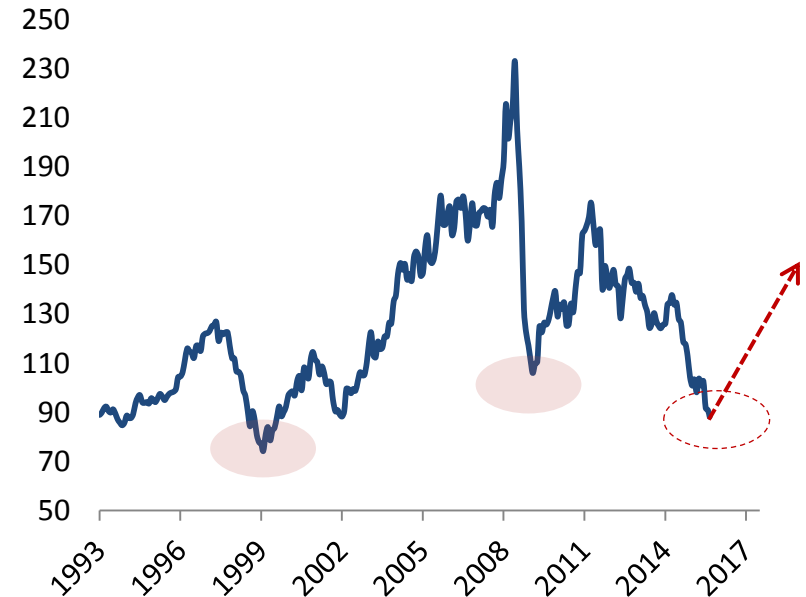
EXPOSURE TO LOW-COST RESOURCE ASSET BASE

Russia' share in global reserves and ranking



Source: BP Statistical Review of World Energy June 2014, Bloomberg

Bloomberg Commodity Index*



Source: Bloomberg

*includes Energy, Grains, Industrial Metals, Precious Metals, Softs, Livestock

Russia provides low-cost access to a wide range of commodities with operations strengthened by cheap local currency. Once the commodities cycle experiences turnaround, commodities producers should face revaluation

EXAMPLES OF SECTORS WITH HIGH INVESTMENT POTENTIAL

Metals and mining

- Reduction of cash operating costs and CAPEX resulting from Rouble depreciation
- Decrease in the purchase cost of raw materials due to commodities cycle downturn

Agriculture

- Suppressed competition from imports caused by embargo favoring domestic producers
- Government support of the sector
- Increased export potential due to reduced costs on the back of Rouble depreciation

Real estate

- Currency risk protection – premium assets generate EUR/USD denominated cash flows
- Depressed valuations due to significant oversupply of quality assets and overall recession

Retail

- Defensive segments:
 - Food and Beverages
 - Children goods
 - Pharmaceuticals
- Prospective post-crisis boost of deferred demand for cyclical goods