

IPREO REGIONAL FLOW OF FUNDS SERIES

Russia Q1-2017

Market Overview

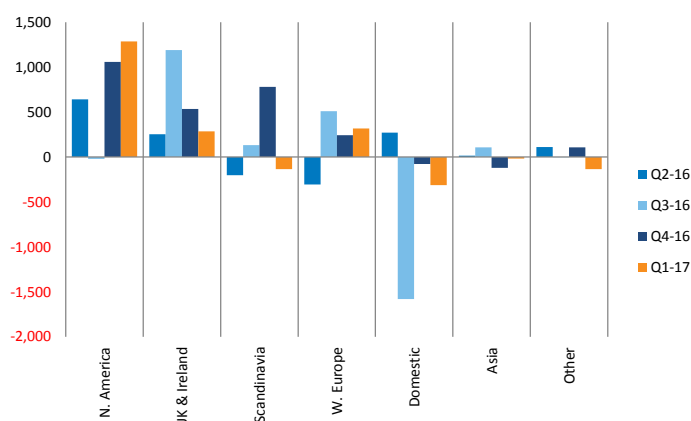
- Coming into Q1-17, **Artisan Emerging Markets Fund** manager **Maria Negrete-Gruson** noted, "Russian equities and the ruble posted strong gains as well, lifted by oil prices and the prospects for improved relations with the US with President-elect Trump." Which provided a tailwind, in part, coming into the new year.
- Since then, "Analyst surveys suggest emerging markets earnings could improve by as much as 23% this year, in contrast to 1.4% growth in 2015 and 2% contraction in 2016. Financial services, energy, materials, and consumer discretionary firms are forecast to drive 60% of 2017 earnings growth." (**Lazard Asset Management**, Outlook Emerging Markets, April 2017).
- Allocations into **North American** equities have reached the lowest levels "in a decade" and 83% of fund managers and as a result **European** and **Emerging Markets** equities are the beneficiaries of this scepticism. "Investors are showing love for Europe and scrambling out of US equities, as the majority find US stocks overvalued and perceive a risk of delayed US tax reform," said **Michael Hartnett**, chief investment strategist at **BofAML**.
- Eurozone** equity allocations rose from net 27% to 48% overweight in April 2017, and **Emerging Market** allocations rose even more sharply from 18% underweight in March to 44% overweight in April. According to the Bank of America Merrill Lynch's fund manager survey for the same period.
- In general Q1 saw inflows into **Emerging Markets** equities mainly driven by **Index** investment (+\$30B) but with heavy active selling.
- Nevertheless, in Q1 inflows into **Emerging Europe** ran at half the rates of Q4-16, with most of **Emerging Markets** enjoying substantial inflows including **China** (+\$12B) and **Latin America** (+\$5B).

Russian Federation

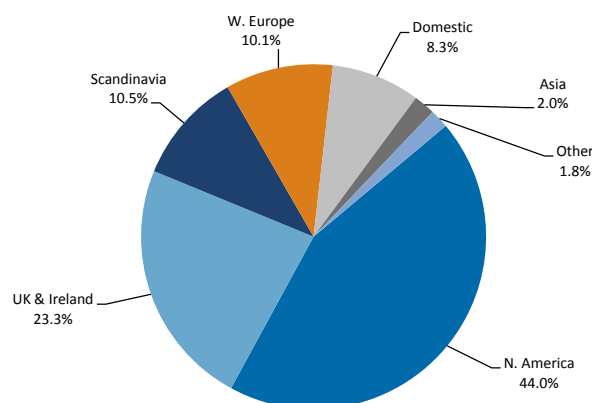
- Russian** equities have seen net inflows of +\$5B in the last 12 months to Q1-17 end with the bulk of this activity driven by **North American** and **UK & Ireland** based **Index** and **GARP** investors. **North American** investors were strong net buyers of **Russian** equities in the period under review which was in line wider **WEU**, **Southern** and **Emerging European** buying activity.
- The **Energy** sector saw the biggest inflows with **Lukoil** as the most bought stock in the sector. It is followed by **Consumer Services**, **Financials** and **Utilities**, while the rest of the sectors are showing net outflows.

Institutional Investment Flow Highlights

Net Change (\$M Value) by Region

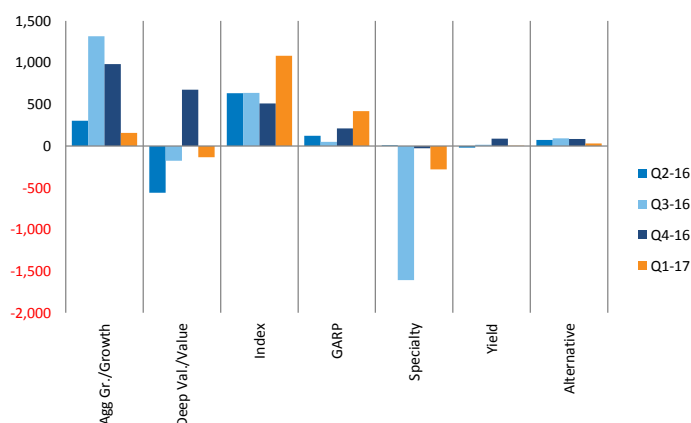


Ownership by Region

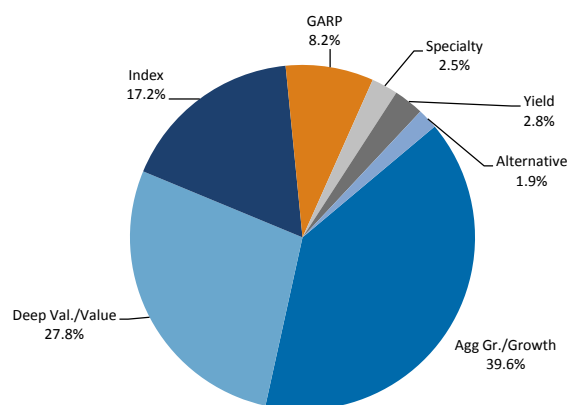


- Russia's** largest institutional investor according to public filing data, **OppenheimerFunds** was a net buyer this quarter in contrast to second largest seller in Q4-16 and helped drive **North American** inflows. **OppenheimerFunds** was buying in **Financials** and **Consumer Services** sectors.
- Russian** equities saw inflows in Q1 driven by two investment styles, **Index** and **GARP** in that order. **GARP** inflows were driven heavily by top active buyer **Barings (US)** adding +\$680M in **Russian** equity exposure in Q1 with the bulk of funds invested into **Lukoil**.
- Q1 **Domestic** net sales were driven by the **Mikhail Prokhorov** controlled **Onexim Group** which divested over \$260M in **UC Rusal**.

Net Change (\$M Value) by Style



Ownership by Style



- Index** investors became the main source of inflows in Q1, in-line with the general world trend (+\$1B), while **Growth** investors continue to hold the dominant share of the market, with **OppenheimerFunds**, **OTKRITIE** and **J.P. Morgan Asset Management** among the top holders of **Russian** equity
- GARP** investors are buying at double the rate of Q4 with inflows of +\$418M, while **Value** started selling (-\$135M) after being the second biggest source of inflows in Q4 -16
- Specialty** continued selling for the third quarter in a row (-\$277M), driven by **Onexim Group** continuing to divest its strategic holdings.

Top Invested Cities

Most Invested				
Country / City	Total Equity Assets (\$M)	Value (\$M)	Activity (\$M)	# Firms
United Kingdom (London)	2,237,231	18,240	202	117
United States (New York)	2,866,970	10,348	183	64
Russian Federation (Moscow)	6,172	6,401	-311	18
United States (Malvern)	2,440,927	5,821	162	1
United States (San Francisco)	2,315,972	4,785	618	9
United States (Boston)	3,725,046	3,706	-331	27
Sweden (Stockholm)	152,631	3,491	126	18
Norway (Oslo)	602,144	2,646	2	3
Netherlands (Amsterdam)	164,326	1,745	7	7
United States (Los Angeles)	1,101,515	1,413	-28	8
<i>Excludes Passive/Index Investors</i>		58,595	630	272

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United Kingdom (London)	2,237,231	18,240	202	117
United States (New York)	2,866,970	10,348	183	64
United States (Boston)	3,725,046	3,706	-331	27
Spain (Madrid)	52,024	204	21	26
France (Paris)	280,332	553	-30	24
Canada (Toronto)	589,709	531	21	23
Japan (Tokyo)	720,716	289	21	20
Switzerland (Zürich)	246,326	961	21	19
United States (Chicago)	626,182	765	0	19
Russian Federation (Moscow)	6,172	6,401	-311	18
<i>Excludes Passive/Index Investors</i>		41,999	-202	357

Top Holders, Buyers & Sellers

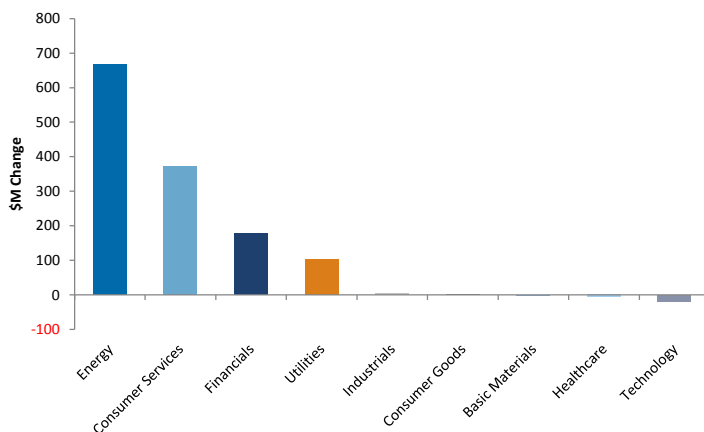
Top Holders	Country	Style	Turnover	Equity Assets (\$M)	Value (\$M)	Change (\$M)	% Port.	Chg
OppenheimerFunds, Inc	United States	Growth	Medium	147,090	3,294.7	231.2	2.2	7.5
Norges Bank Investment Management (Norway)	Norway	Value	Low	590,129	2,600.0	0.0	0.4	0.0
OTKRITIE Management Company OOO	Russian Federatic	Growth	Unknown	2,476	2,476.3	-35.6	100.0	-1.4
J.P. Morgan Asset Management (UK), LTD	United Kingdom	Growth	Medium	105,097	2,448.3	-98.2	2.3	-3.9
Van Eck Associates Corporation	United States	Value	Medium	32,620	2,376.6	-58.7	7.3	-2.4
Lazard Asset Management, LLC (U.S.)	United States	Value	Medium	86,930	2,198.1	13.3	2.5	0.6
Genesis Investment Management, LLP	United Kingdom	Growth	Medium	25,248	2,174.1	-1.5	8.6	-0.1
APG Asset Management N.V.	Netherlands	Yield	Low	147,181	1,694.4	-4.6	1.2	-0.3
Alfred Berg Asset Management (Sweden) AB	Sweden	Growth	High	3,449	1,533.9	281.5	44.5	22.5
BlackRock Investment Management (U.K.), LTD	United Kingdom	Growth	Low	330,039	1,533.2	11.8	0.5	0.8
					13,195.9	38.7		

Top Buyers	Country	Style	Turnover	Equity Assets (\$M)	Value (\$M)	Change (\$M)	% Port.	Chg
Barings, LLC	United States	GARP	High	3,911	679.9	679.2	17.4	108,486.0
Dodge & Cox	United States	Value	Low	171,399	552.4	321.6	0.3	139.4
Alfred Berg Asset Management (Sweden) AB	Sweden	Growth	High	3,449	1,533.9	281.5	44.5	22.5
OppenheimerFunds, Inc	United States	Growth	Medium	147,090	3,294.7	231.2	2.2	7.5
Pictet Asset Management, LTD	United Kingdom	Growth	High	10,226	780.8	112.7	7.6	16.9
Robeco Institutional Asset Management BV	Netherlands	Value	Medium	37,596	718.7	98.3	1.9	15.8
Artisan Partners, L.P.	United States	Growth	Medium	83,263	168.0	76.0	0.2	82.6
Somerset Capital Management, LLP	United Kingdom	Value	Low	4,247	104.1	61.8	2.5	146.0
Aviva Investors Global Services, LTD (U.K.)	United Kingdom	Growth	Low	47,274	116.6	61.1	0.2	110.2
Delaware Investments	United States	Growth	Low	52,319	372.9	37.9	0.7	11.3
					8,322.0	1,961.3		

Top Sellers	Country	Style	Turnover	Equity Assets (\$M)	Value (\$M)	Change (\$M)	% Port.	Chg
Onexim Group	Russian Federatic	Specialty	Unknown	1,135	1,135.5	-261.9	100.0	-18.7
Wellington Management Company, LLP	United States	Value	Low	463,357	170.4	-176.8	0.0	-50.9
Swedbank Robur Fonder AB	Sweden	Growth	Low	68,830	780.1	-157.8	1.1	-16.8
Grantham Mayo Van Otterloo & Co., LLC	United States	Value	Medium	41,948	830.5	-151.2	2.0	-15.4
East Capital Asset Management AB	Sweden	GARP	Medium	1,192	684.3	-103.3	57.4	-13.1
Orbis Investment Management, LTD	Bermuda	Value	Medium	27,752	850.3	-98.3	3.1	-10.4
SEB Varahaldus AS	Estonia	Growth	High	717	312.1	-98.3	43.6	-23.9
J.P. Morgan Asset Management (UK), LTD	United Kingdom	Growth	Medium	105,097	2,448.3	-98.2	2.3	-3.9
Fidelity International Limited - FIL Investment Service: United Kingdom	United Kingdom	Growth	Medium	95,188	1,202.5	-84.0	1.3	-6.5
J.P. Morgan Asset Management (Korea) Company, LTI South Korea	United Kingdom	Value	High	356	1.9	-79.1	0.5	-97.7
					8,416.0	-1,308.8		

- **Energy** was the most bought sector in Q1 with five of the top ten most bought equities coming from the sector. Top amongst them was **Lukoil** (+\$393M) followed by **Gazprom** (+\$186M). In the **Consumer Services** sector, buying in **Magnit** (+\$342M) was somewhat offset by selling of **M.Video** and **Lenta** (-\$104M in total).

Most Bought & Sold Sectors



Most Bought & Sold Stocks

BOUGHT Securities	Industry	Change (\$M)
Lukoil Oil Company PJSC	Energy	392.6
Magnit PJSC	Consumer Services	342.2
Gazprom PJSC	Energy	185.5
Sberbank of Russia OJSC	Financials	171.4
AK Alrosa ZAO	Basic Materials	134.1

SOLD Securities	Industry	Change (\$M)
United Company RUSAL Plc	Basic Materials	-241.2
Rosneft Oil Company PJSC	Energy	-129.5
QIWI Plc	Technology	-120.9
M.Video PJSC	Consumer Services	-57.4
Lenta Ltd.	Consumer Services	-46.7

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