

BERNSTEIN TRUST & CAPITAL SERVICES

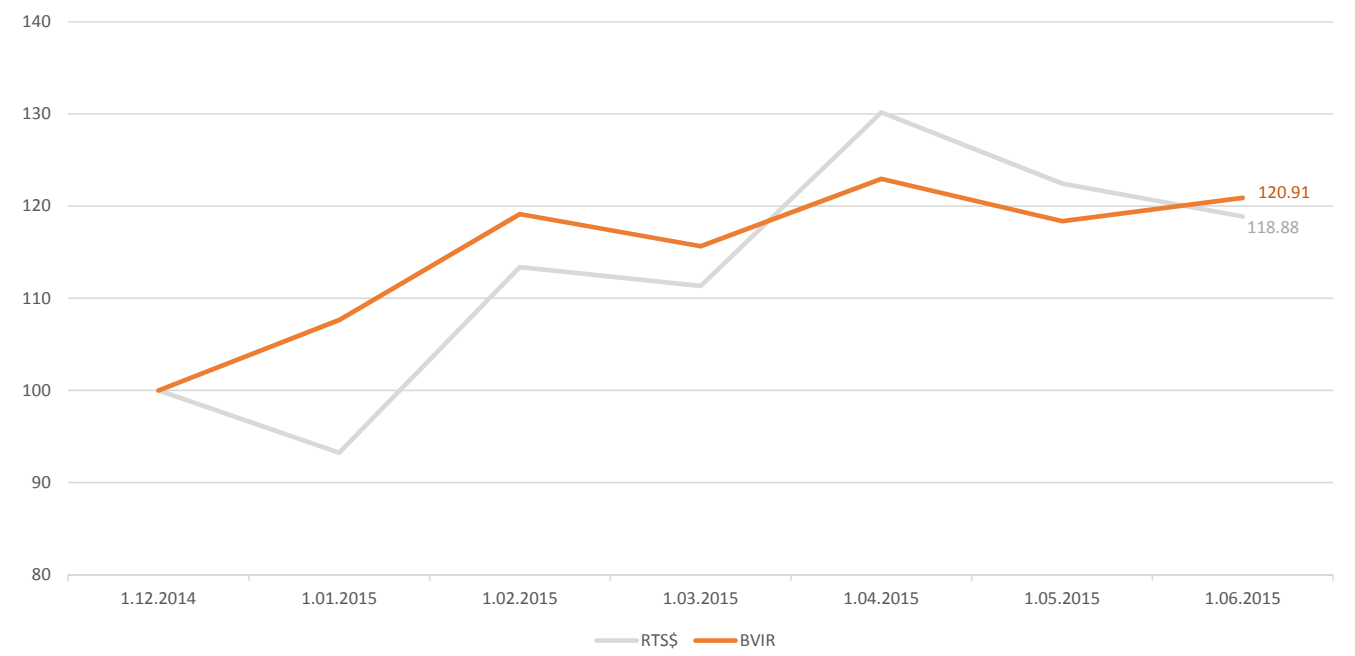
Market commentary

Russian equity market indices fell in June over 3% in EUR terms. Share prices in RUB also declined. Over the last 3 years Russian equities have underperformed other emerging markets by ca 40%. Russia 2030 USD denominated government bond yields decreased by 10 bps to 3.7% and 5 yr CDS decreased by 48 bps to 310 bps indicating bond markets attitude towards Russian risk. Sentiment on Russian financial markets has somewhat calmed down, equity prices peaked at the end of February, there was some profit taking in March and now markets have been relatively stable for the last two months. Lately there has been news that troops are strengthening forces around Mariupol with any pick up in fighting likely to increase volatility. The ruble has remained stable over the past 2 months, having appreciated only +0.6% vs euro (+21% YTD), but still down -21% yoy. Oil price was also flat in June (YTD oil is up 26.1% in EUR). Any escalation of geopolitical situation can bring along selling.

Macro indicators

Indicator	Reporting date	Period	Dec 14	Jan 15	Feb 15	Mar 15	Apr 15	May 15	Jun 15
GDP (yoy)	20.07.2015	Jun 15	0.50%	-1.10%	-1.40%	-1.30%	-2.70%	-4.20%	
Inflation	4.08.2015	Jul 15	11.40%	15.0%	16.7%	16.9%	16.4%	15.8%	15.3%
Unemployment	17.07.2015	Jun 15	5.30%	5.50%	5.80%	5.90%	5.80%	5.60%	
EUR/RUB			67.3	77.8	68.8	62.3	58.0	57.5	61.6
Brent oil			\$57.3	\$53.0	\$62.6	\$55.1	\$66.8	\$65.6	\$63.6

Bernstein Value Index Russia



BVIR Bernstein Value Index Russia is an equal-weighted index compiled of 20-25 Russian value plays selected using Bernstein's proprietary long-term value screening indicators.

RTSS The RTS is a capitalization-weighted composite index calculated based on prices of the 50 most liquid Russian stocks listed on Moscow Exchange. The Index is calculated in real time and denominated in US dollars.

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Index constituents news

Company	EPS Date	News date	Recent Key News and Events
Acron	31.08.2015		
Chelyabinsk Zinc Plant		10.06.2015	Says signed agreement with Sibir-Polimetally OJSC to buy 100 pct stake in Korbalikhinskiy Rudnik for 3.4 billion roubles (\$61.21 million)
Gazprom Neft	14.08.2015		
Kazanorgsintez			
Lukoil	24.08.2015	15.06.2015	NK Lukoil OAO: Expects 2015 EBITDA growth by \$2 billion, company president Alekperov told - Reuters. NK Lukoil reported FY 2014 EBITDA of \$15.98 billion. NK Lukoil FY 2015 EBITDA of \$16.33 billion - Thomson Reuters I/B/E/S.
M Video	24.08.2015		
Magnit	22.07.2015	5.07.2015	Announces 24.57 percent retail sales growth in roubles to 78.52 billion roubles (\$1.38 billion) for June 2015; Says Q2 like-for-like sales rise 8.61 percent, year-on-year.
Mobile Telesystems	17.08.2015		
Moscow IED	3.09.2015		
Nizhnekamskneftekhim	1.09.2015		
Novatek	6.08.2015		
OAO Tatneft	24.08.2015		
Polyus Gold	24.08.2015		
Rosneft Oil	23.07.2015	8.07.2015	NK Rosneft' OAO to buy 49 pct in Essar Oil Ltd's Vadinar refinery and supply 100 mln tonnes of oil
Sberbank	7.08.2015	23.06.2015	Moody's affirms Sberbank's Rossii OAO debt ratings. Moody's affirmation of long and short-term deposit, debt, and subordinated debt ratings reflects the affirmation of its ba2 BCA, which is one of the highest among its Russian peers
Sistema	26.08.2015	29.06.2015	Sistema JSFC has reported that net income attributable to the company for the first quarter ended March 31, 2015 was RUB32.10 billion, or RUB3.40 per share, compared to RUB10.45 billion, or RUB1.12 per share, for the same quarter ended March 31, 2014.
Southern Kuzbass Co			
Surgutneftegaz	29.07.2015	8.07.2015	Surgutneftegaz H1 oil production of 30.5 mln tonnes, similar to H1 2014
Transneft	27.08.2015		
Vsmo	14.08.2015	8.07.2015	Russia's VSMPO-Avisma, the world's largest titanium producer, has agreed to supply products worth more than \$300 million to British aircraft engine maker Rolls-Royce
X5 Retail Group	13.08.2015	1.07.2015	Moody's upgrades X5 Retail Group NV CFR to Ba3, outlook stable

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Index constituents performance

Company	Industry	Share price	Mcap	Net Debt	Performance		EV/EBITDA	P/B		ROE	
		EUR	EURm	EURm	1mo	YTD	Latest	Latest	5yr Ave	Latest	5yr Ave
Acron	Specialty Chemicals	37.3	1 518	641	0.7%	24.0%	6.4x	1.4x	5.1x	15.4%	20.3%
Gazprom Neft	Integrated Oil & Gas	2.2	10 344	5 942	-1.3%	-11.6%	4.3x	0.6x	4.6x	12.6%	19.4%
Chelyabinsk Zinc Plant	Nonferrous Metals	8.1	448	-7	4.1%	43.2%	4.5x	2.0x	8.0x	32.1%	10.1%
Kazanorgsintez	Commodity Chemicals	0.1	555	129	8.3%	35.7%	4.2x	1.7x	5.3x	42.5%	19.2%
M Video	Specialty Retailers	2.9	517	-300	-6.8%	37.6%	0.9x	2.3x	8.4x	57.3%	38.4%
Magnit	Food Retailers & Wholesale	180.1	17 355	1 101	8.5%	9.8%	9.2x	7.3x	21.8x	37.7%	27.0%
Mobile Telesystems	Mobile Telecommunications	5.3	7 057	3 038	-6.5%	27.0%	3.9x	2.6x	9.5x	32.0%	40.9%
Moscow IED	Conventional Electricity	0.0	651	956	-2.4%	18.4%		0.3x	4.4x	5.2%	13.2%
Nizhnekamskneftekhim	Commodity Chemicals	0.5	864	-2	-2.6%	0.3%	2.5x	0.8x	4.0x	15.3%	24.4%
Novatek	Exploration & Production	8.9	27 515	2 815	6.7%	28.3%	13.0x	4.4x	15.3x	11.6%	32.4%
OAO Tatneft	Integrated Oil & Gas	4.6	10 590	-455	5.8%	12.0%	4.7x	1.2x	6.4x	18.9%	16.5%
Lukoil	Integrated Oil & Gas	39.0	29 975	8 227	0.3%	-9.7%	2.9x	0.4x	5.6x	5.3%	12.3%
Polyus Gold	Gold Mining	28.5	5 530	110	8.6%	71.4%	8.4x	3.6x	34.6x	-18.2%	6.3%
Rosneft Oil	Integrated Oil & Gas	3.6	38 755	40 026	-0.9%	3.2%	4.7x	0.8x	6.0x	10.4%	17.4%
Sberbank	Banks	1.12	24 645	56 809	-1.6%	31.8%	3.6x	0.8x	6.3x	12.9%	21.6%
Sistema	Mobile Telecommunications	0.3	2 891	5 326	17.4%	74.0%	4.4x	1.1x	8.1x	17.4%	
Southern Kuzbass Co	Coal	9.4	346	1 352	10.0%	14.1%		3.0x	37.8x		
Surgutneftegaz	Integrated Oil & Gas	0.5	17 772	-9 961	6.8%	8.6%	2.6x	0.4x	3.0x	39.8%	18.3%
Transneft	Pipelines	2 068.5	14 976	2 849	9.2%	-3.1%	1.0x	0.7x	3.5x	8.0%	15.5%
VSMPO	Iron & Steel	139.8	1 644	465	-0.6%	-10.4%		2.1x	13.9x	12.1%	13.0%
X5 Retail Group NV	Food Retailers & Wholesale	30.4	1 147	1 451	-14.2%	34.3%	8.4x	0.8x	9.8x	17.6%	11.2%
Bernstein Value Index Russia					2.1%	20.9%	4.4x	1.2x	6.4x	15.3%	18.3%

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