



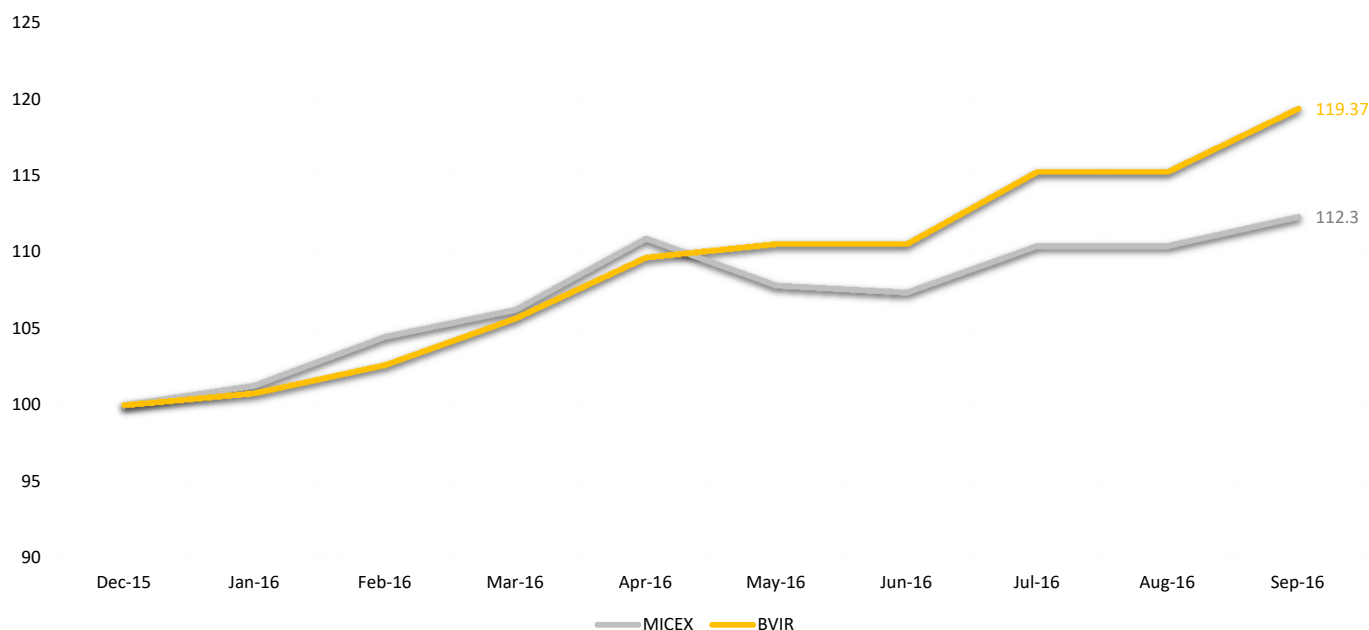
Market commentary

The Micex index of Russia's 50 biggest stocks remained unchanged in September as JPMorgan raised Russian stocks to overweight from neutral citing cheap valuations. Russian shares on the Micex index are trading at 6.2 times estimated 12-month earnings, the lowest level among emerging markets, and half the valuation for MSCI Inc.'s emerging-market gauge. JPMorgan said that the energy sector stocks are pricing in \$45-per-barrel oil, not \$50. The dollar-denominated RTS Index is up 30 percent this year, the fourth-biggest gains among equity indexes worldwide. While the Micex traded stronger for a second month, the gauge's relative strength index stands at 67.7, short of the 70 level that signals to some investors that the rally may be nearing an end.

Macro indicators

Indicator	Nxt. reporting date	Period	Q2 15	Q3 15	Q4 15	Q1 16	Q2 16	Q3 16
GDP (yoy)	14.11.2016	Q3 16	-2.8%	-4.5%	-3.7%	-3.8%	-0.6%	
Inflation (yoy)	4.10.2016	Q3 16	14.3%	15.6%	15.6%	12.9%	7.2%	6.4%
Unemployment	19.10.2016	Q3 16	5.6%	5.3%	5.5%	5.8%	5.4%	
Services PMI	19.10.2016	Q3 16	49.5	51.8	47.9	47.0	55.0	
EUR/RUB			62.5	67.8	70.5	81.8	72.3	69.4
Brent oil			\$55.1	\$63.6	\$48.4	\$37.3	\$48.4	\$51.7

Bernstein Value Index Russia



BVIR Bernstein Value Index Russia is an equal-weighted index compiled of 18-20 Russian value plays selected using Bernstein's proprietary long-term value screening indicators.

MICEX The MICEX Index is a capitalization-weighted composite index of the 50 most liquid Russian stocks of the largest and dynamically developing Russian issuers with economic activities related to the main sectors of the Russian economy.



Index constituents news

Ticker	Name	Date	Recent Key News and Events
AKRN:RM	Acron		
SIBN:RM	Gazprom Neft	1.10.2016	Russia's Gazprom Neft Expects Net Profit Growth as Year-End Result - CEO. In 2015, Gazprom Neft net profit amounted to 109.6 billion rubles (\$174.3 million).
CHZN:RM	Chelyabinsk Zinc Plant		
KZOS:RM	Kazanorgsintez	23.09.2016	Russia HDPE production grew 13% in Jan-Aug year on year
MVID:RM	M Video		
MGNT:RM	Magnit	28.09.2016	The Company, as of June 2016, has expanded its total store base to 12,888 stores (9,902 convenience stores, 228 hypermarkets, 170 "Magnit Family" stores and 2,588 drogerie stores). An increase in revenue of 14.67% year-on-year
MTSS:RM	Mobile Telesystems	3.10.2016	Mobile TeleSystems approves \$384M in dividends
NKNC:RM	Nizhnekamskneftekhim		
NVTK:RM	Novatek	11.09.2016	Novatek, Russia's second biggest gas producer, plans to launch liquefied natural gas (LNG) production at Yamal in the second half of 2017 and to ship its first cargoes before the end of that year
TATN:RM	AO Tatneft	26.09.2016	Five leading Russian oil companies, responsible for three quarters of output in the world's largest producer, all say they will be boosting output next year after reaching record levels in recent months
LKOH:RM	Lukoil	18.10.2016	Lukoil is considering launching its first international bond sale in more than three years in the coming weeks. Lukoil feels that conditions and sentiment have improved sufficiently to consider launching a deal.
PLZL:RM	Polyus Gold	14.10.2016	Russia's largest gold producer Polyus has chosen Credit Suisse, Goldman Sachs, JP Morgan, Sberbank CIB and VTB Capital as bookrunners for a secondary share placement
SBER:RM	Sberbank	7.10.2016	9-Month net profit to RAS of 376.65 billion roubles versus 144.43 billion roubles year ago
AFKS:RM	Sistema	7.10.2016	Reliance Communications today said Bombay High Court has approved its deal to acquire Russian conglomerate Sistema's Indian telecom unit, Sistema Shyam Teleservices
SNGS:RM	Surgutneftegaz		
TRNFP:RM	Transneft		
YNDX:RM	Yandex	18.10.2016	Yandex NV, Russia's largest search engine, is expanding to Hungary with an app that promises to help users navigate Budapest's public-transport system.



Index constituents performance

Ticker	Name	Industry	Last		Performance			Mcap EURb	Net Debt EURb	EV/EBITDA TTM	P/E		P/B TTM	EBITDA% TTM	Div yld N12M
			30.09.16	LTM Low	LTM High	% off L	% off H				2016F	TTM			
AKRN:RM	Acron	Agricultural Chemicals	3 375	2 911	4 069	16%	-17%	2.0	0.3	4.1x	8.3x	5.5x	1.8x	36.6%	4.7%
SIBN:RM	Gazprom Neft	Integrated Oils	177	140	184	26%	-4%	12.1	8.8	5.2x	9.6x	4.7x	0.7x	19.3%	3.9%
CHZN:RM	Chelyabinsk Zinc	Base Metals	566	260	650	118%	-13%	0.4	0.0	3.8x	5.5x		1.7x	23.4%	0.0%
KZOS:RM	Organichesky sintez	Diversified Chemicals	42	26	45	63%	-6%	1.1	-0.2	1.9x	3.3x		2.1x	38.8%	7.5%
MVID:RM	M Video	Consumer Elec	343	203	373	69%	-8%	0.9	0.0	6.4x	13.9x	11.4x	4.9x	5.6%	5.8%
MGNT:RM	Magnit	Food & Drug Stores	10 391	8 003	12 371	30%	-16%	14.2	0.4	9.9x	17.3x	16.7x	5.4x	10.7%	2.4%
MTSS:RM	Mobile Telesystems	Telecom Carriers	216	187	273	15%	-21%	6.4	2.6	2.1x	5.1x	6.8x	3.1x	38.9%	10.9%
NKNC:RM	Nizhnekamskneft	Diversified Chemicals	67	34	83	97%	-19%	1.5	-0.2	1.1x	1.8x	3.4x	1.1x	26.4%	5.5%
NVTK:RM	Novatek	Expl & Prod	676	535	710	26%	-5%	29.6	2.4	9.0x	12.6x	11.8x	3.6x	47.9%	2.1%
TATN:RM	OAO Tatneft	Integrated Oils	320	278	366	15%	-12%	10.1	-0.5	4.7x	7.6x	6.9x	1.1x	26.1%	3.3%
LKOH:RM	Lukoil	Integrated Oils	3 068	2 040	3 125	50%	-2%	37.6	6.1	2.5x	6.0x	7.7x	0.8x	12.7%	5.8%
PLZL:RM	Polyus Gold	Precious Metal Mining	4 485	2 505	4 950	79%	-9%	12.3	3.0	11.3x	14.0x		-11.9x	62.1%	0.0%
SBER:RM	Sberbank	Banks	145	70	156	108%	-7%	45.2			7.8x	6.6x	1.2x		1.4%
AFKS:RM	Sistema	Telecom	20	16	24	25%	-16%	2.8	2.8	2.3x	-18.4x		1.0x	23.1%	3.7%
SNGS:RM	Surgutneftegaz	Integrated Oils	31	28	41	9%	-25%	15.8	-9.4	1.4x	2.1x	8.1x	0.3x	33.2%	2.1%
TRNFP:RM	Transneft	Midstream Oil	135 100	132 600	235 700	2%	-43%	3.0	3.5	1.2x	1.3x	5.2x	0.1x	44.7%	0.5%
YNDX:RM	Yandex	Internet Media	1 341	798	1 543	68%	-13%	5.3	-0.5	19.3x	42.8x	29.6x	5.1x	27.0%	0.0%
FIVE:LI	X5 Retail Group NV	Supermarkets	29	15	30	98%	-3%	7.2	1.5	9.9x	25.8x	18.2x	0.1x	6.7%	0.0%
Bernstein Value Index Russia										4.1x	7.7x	7.3x	1.1x	26.4%	2.8%

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