

# Russian Equities Weekly

## August 10–14, 2020

	Week	YTD
<b>RTS Total return TR in USD</b>	4.1%	-11.3%
<b>MSCI EM index TR in USD</b>	0.4%	-0.1%
<b>MOEX index TR in RUB</b>		
Composite	3.0%	4.4%
Blue chip	3.2%	1.2%
Small and mid-cap	1.9%	9.4%
<b>MOEX sector indices TR in RUB</b>		
Oil & Gas	5.4%	-13.1%
Consumer Goods	0.9%	28.4%
Metals & Mining	0.8%	34.1%
Power Utilities	0.7%	17.0%
Financial Services	-0.7%	10.5%
<b>FX</b>		
RUB/USD	1.2%	-14.8%
RUB/EUR	0.0%	-19.4%

Data as of 14 August 2020

TKB Investment Partners (JSC) calculations; Bloomberg

## Driven by index heavyweights

### Russian equity market dynamics

**Last week, the Russian equity market outperformed the broader emerging markets (EM) index.** The RTS index rose by 4.1%, while the MSCI EM index gained 0.4% (in USD terms). The Russian market was supported by a strong performance from index heavyweight Sberbank (13% weight in RTS index), whose share price rose by 5.6% on anticipation of an increase in its dividend pay-out to 50% of net profits. Another major contributory factor was the outperformance of oil and gas companies, which together represent 41% of index's weight.

**The oil and gas sector outperformed the broader Russian market,** mainly thanks to Tatneft and Novatek, whose share prices rose by 8.8% and 6.8%, respectively. Tatneft rose in anticipation of its dividend announcement for 2019. Novatek's shares benefited from the rebound in gas prices in Europe.

**The financial services sector performed the worst over the week,** mostly due to TCS Group, whose share value fell by 10.3% amid profit-taking after their previous outperformance.

## Main Russian news

---

**Russian GDP contracted by 8.5% YoY in Q2 2020**, according to a preliminary report from Rosstat. This assessment was more favourable than the official forecasts of both the Ministry of Economy, which expected a decline of 9.5%, and the Central Bank of Russia, which expected GDP to contract by 9.5%-10%. Rosstat also noted that in Q2 the decline in growth was seen in all sectors of the economy. The exception was agriculture, which rose by 3.1% YoY. The sharpest decline was seen in retail and wholesale sales, which dropped by 16.6% YoY and 9.2% YoY, respectively, as these sectors were hit hardest by the COVID-19 lockdown. There is a risk that the final figure reflecting the contraction in GDP in Q2 will be worse. The current estimate is based on the assumption that small and medium-sized businesses performed in line with the rest of the economy, but the lockdown conditions in Q2 may mean this was not the case.

**Russia's federal budget deficit over the period from January-July totalled RUB 1.5 trillion (~USD 20.5 billion)**, according to the Ministry of Finance (MoF). The preliminary report showed that budget revenues declined by 9.3% over the year to the end of July, mostly due to lower oil and gas prices. Budget expenditure during January-July amounted RUB 11.9 trillion (~USD 167 billion), or 60.6% of the total federal budget expenditure approved for 2020. The most significant increase in spending during the first seven months of 2020 was on healthcare – up by 102% YoY – and social support, on which spending rose by 29% YoY. According to the MoF forecast, the budget deficit will not exceed 5% of GDP in 2020.

*Author: Marina Tsutskiridze,  
Junior Investment Specialist*

## To watch...

---

Rosstat is due to publish industrial production figures for July 2020.

Sources: Rosstat, Vedomosti, Bloomberg, TKB Investment Partners (JSC); August 2020

## Quarterly results: actual vs. consensus for EPS

(Earnings per share, adjusted, in US dollar) \*

Major RTS index constituents	Q3 '19	Q4 '19	Q1 '20	Q2 '20
Lukoil	40.1%	-1.3%	-	-
Gazprom	15.6%	18.0%	-	-
Sberbank	-	17.1%	-9.4%	21.8%
Novatek	-	-23.4%	-40.6%	-0.8%
Tatneft	24.3%	-	23.4%	-
Magnit	-48.5%	154.4%	-12.5%	25.1%
MTS	6.8%	-12.8%	64.1%	-
Alosa	24.3%	12.6%	-	-
Severstal	-11.5%	12.8%	-81.6%	57.9%
NLMK	-43.6%	-33.5%	46.4%	-66.4%
Moscow Exchange	1.4%	14.3%	9.7%	-
Magnitogorsk Iron & Steel	-14.3%	-	-87.9%	-85.9%
Phosagro	11.8%	0.1%	-33.6%	-

\* based on Bloomberg consensus

	Actual figure is better than consensus by more than 5%
	Actual figure is worse than consensus by more than 5%
	The deviation of actual results from consensus is between -5% and +5%

Source: Bloomberg, TKB Investment Partners; data as of 14 August 2020

These companies are mentioned for illustrative purpose only; this is not intended as a solicitation of the purchase of such securities. It does not constitute any investment advice or recommendation.

## For more information:

TKB Investment Partners (JSC)  
69/71, lit. A, Marata Street  
Saint Petersburg, 191119, Russia

Tel: +7 812 332 73 32  
Fax: +7 812 324 65 57

[info@tkbip.ru](mailto:info@tkbip.ru)  
[www.tkbip.com](http://www.tkbip.com)

This material is issued and has been prepared by TKB Investment Partners (JSC).

This material is produced for information purposes only and does not constitute:

1. An offer to buy nor a solicitation to sell, nor shall it form the basis of or be relied upon in connection with any contract or commitment whatsoever or
2. Any investment advice.

Opinions included in this material constitute the judgment of TKB Investment Partners (JSC) at the time specified and may be subject to change without notice. TKB Investment Partners (JSC) is not obliged to update or alter the information or opinions contained within this material. Investors should consult their own legal and tax advisors in respect of legal, accounting, domicile and tax advice prior to investing in the Financial Instrument(s) in order to make an independent determination of the suitability and consequences of an investment therein, if permitted. Please note that different types of investments, if contained within this material, involve varying degrees of risk and there can be no assurance that any specific investment may either be suitable, appropriate or profitable for a client or prospective client's investment portfolio.

Given the economic and market risks, there can be no assurance that any investment strategy or strategies mentioned herein will achieve its/their investment objectives.

This material shall not be considered as any kind of a guarantee or a promise of the future effectiveness (profitability or break-even) of investment activity. Results of investments in the past shall not be considered as a guarantee of such results in future. All past performance data have documental confirmation. There are no guarantees of profits or returns from financial instruments unless otherwise clearly indicated in respective prospectus or fund's legal documentation.

Returns may be affected by, amongst other things, investment strategies or objectives of the financial instrument(s) and material market and economic conditions, including interest rates, market terms and general market conditions. The different strategies applied to the financial instruments may have a significant effect on the results portrayed in this material. The value of an investment account may decline as well as rise.

Investors may not get back the amount they originally invested.

The performance data, as applicable, reflected in this material, do not take into account the commissions, costs incurred on the issue and redemption and taxes.

TKB Investment Partners (JSC) is the legal entity registered under laws of Russian Federation with principal state registration number (ORGN) 1027809213596, having its registered address at: 69/71, lit. A, Marata street, Saint-Petersburg, 191119, Russia, holding the license issued by FFMS of Russia to carry out asset management of mutual funds & non-state pension funds Nr. 21-000-1-00069 as of 17 of June 2002 (validity of license – unlimited), and the license of FFMS of Russia of professional securities market participant to carry out the trust management activity Nr. 040-09042-001000 as of 11 April 2006 (validity of license – unlimited). Phone: +7 (812) 332-7332, fax: +7 (812) 346-6557.