

Flash note
13 November 2020

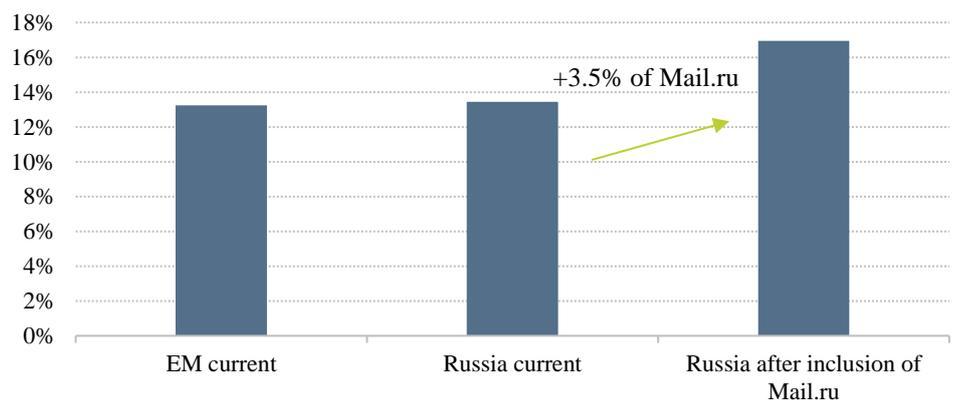
“Russian Tencent” and the ongoing transformation of MSCI Russia 10/40 index

Gennady Sukhanov, Deputy Head of Equities & Head of Research
Egor Kiselev, Head of International Business & Investment Marketing
Marina Tsutskiridze, Junior Investment Specialist
Aleksandra Kuznetsova, Junior Investment Specialist

Earlier this week, MSCI announced that [Mail.ru](#), the “Russian Tencent”, is to be included in the MSCI Russia indices starting with effect from 30 November. We expect the company to have a weight of 3.5% in the MSCI Russia 10/40 index. **This marks the continuation of the trend in which Russian equity indices are becoming more diverse.**

Operating in the communication, gaming and entertainment segments, Mail.ru is the second high-tech company to be included in the MSCI Russia indices. With the inclusion of Mail.ru the **Russian index will become overweight in communication services relative to the EM index.**

Communication sector of MSCI Russia 10/40 vs. MSCI EM



Sources: Bloomberg, TKB Investment Partners

In recent years, the Russian equity market has had to overcome the impacts from events such as major oil price swings, investor fears over sanctions and the effect on the economy arising from the Covid-19 pandemic. Naturally, the market has had to adapt and **stronger companies with greater potential have replaced weaker candidates in the index.**

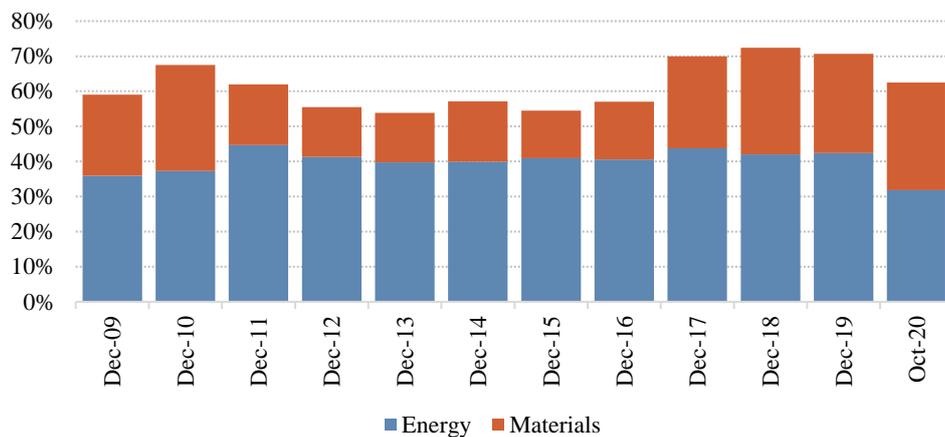
One of the major changes we are seeing is **high-tech companies making their way into the index.** In September the so-called “[Russian Google](#)”, Yandex, was included in the MSCI Russia 10/40 index with a weight close to 10%. Now Mail.ru has followed suit. Another high-tech candidate for inclusion is Tinkoff, the largest purely online bank in Russia and in the world. Furthermore, the “Russian Amazon”, Ozon, is having an IPO in November, which could make it another valid candidate for inclusion in the index at some point later.

Flash note

13 November 2020

Another major shift is that the **dominance of the oil sector in the index has started to wane**. At the end of October, the materials sector rose to a similar weight as that of the energy sector, 31% vs. 32%, respectively, in USD terms¹. Additionally, about **9% of the MSCI Russia 10/40 index is now represented by gold producers**, whereas just three years ago there were none.

MSCI Russia 10/40 energy and materials weights



Sources: Bloomberg, TKB Investment Partners

Note: Any references to specific securities should not be construed as recommendations to buy, sell or hold such securities.

¹ As of 30 November 2020 MMK will be excluded from the MSCI Russia 10/40 index materials sector. At the moment MMK's weight is 1.7%.

Contacts

For more information, contact:

TKB Investment Partners (JSC)
69/71, lit. A, Marata Street
St. Petersburg, Russian Federation

Tel: +7 812 332 73 32

Fax: +7 812 324 65 57

e.kiselev@tkbip.com

www.tkbip.com

The value of investments and the income they generate may go down as well as up and it is possible that investors will not recover their initial outlay. Investing in emerging markets, or specialised or restricted sectors is likely to be subject to a higher than average volatility due to a high degree of concentration, greater uncertainty because less information is available, there is less liquidity, or due to greater sensitivity to changes in market conditions (social, political and economic conditions). Some emerging markets offer less security than the majority of international developed markets. For this reason, services for portfolio transactions, liquidation and conservation on behalf of funds invested in emerging markets may carry greater risk.

TKB Investment Partners (JSC) is the source for all data in this document as at end of August 2020, unless otherwise specified.

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 document is not a personalized investment recommendation. Any financial instruments or other transactions mentioned in this communication may misfit your investment profile. It is upon the investor to determine whether a financial instrument or a transaction fits his investment objectives, investment horizon or risk tolerance. TKB Investment Partners (JSC) shall not be liable for any possible losses incurred by an investor having invested into the financial instruments mentioned herein.

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, Russian Federation, 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.078-09042-001000 as of 11 April 2006 (validity of license – unlimited). Phone: +7 821 332-7332, fax: (812) 346-6557.