Date	Wed 6 Dec 2017
Venue	Grange St. Pauls Hotel, London
Event	Moscow Stock Exchange Forum
Notable Attendees	
Arkady Dvorkovich	Deputy Prime Minister, Russian Federation
Alexander Afanasiev	CEO, Moscow Stock Exchange
Pavel Grachev	CEO, Polyus
	Russia’s largest gold producer (www.polyus.com)
Oleg Mukhamedshin	Deputy CEO, RUSAL
	Russia’s largest aluminium producer (www.rusal.ru)
Context	A public forum, attended by 100+, facilitated by Goldman Sachs, followed by one-on-one meetings with C level representatives from large Russian companies. I was seated one place away from Arkady Dvorkovich, however did not have an opportunity to ask him any direct questions

Main Points (all points paraphrased from the original)

Photographs taken openly during the discussions

Arkady Dvorkovich

- Most senior RF visitor in London for a number of years

<u>RF Economy</u>

- Sees state owned enterprises continuing to pay a good dividend to international investors, RF are keen to continue to attract foreign inbound investment, are liberating access to RF’s financial market to make it easier for foreign investors to access.

- Sees e.g. Gazprom continuing to pay ~20% dividend, attractive to foreign investors when compared to others. Sees non-discriminatory access to pipeline, supported by the launch of a commodities stock exchange
- The current focus is to improve efficiency in SOE's, improve profitability as paying dividends not easy to do given that borrowing is harder given US and other agencies sanctions.
- Tarrifs: SOE's will liberate some tarrifs, specifically mentioning power generation and rail, though this will take some years.
- Economic growth: Q3 was below expectations (1.8% vs 2.0), reduced due to Opec+ deal and seasonal nature of agriculture (which is not weather/season independent, yet). Forecasts approaching 2.0% growth going forward.
- The OPEC+ deal has a short term negative effect to the RF economy in the short term though expects significant benefit when taking a three year view.

<u>Sanctions</u>

- Expecting a new list of sanctioned individuals from the US soon. Believes that the sanction are counter-productive, do not destabilise the RF economy.
- The RF response will be determined by the nature of the sanctions.
- RF will see if EU/UK joins the sanctions. If this happens then RF will need to look at existing contracts and agreements with EU/UK, capital raising relationships. RF 'has many partners all over the world, and has already moved towards the east, with facilities already in place with China'.
- London is an important financial centre to the RF, example of the rail bond new issue in London a few weeks ago, at 7.9%, though RF will be easily able to raise financing/capital elsewhere.
- RF will not close foreign access to their market in response to sanctions.

<u>Repatriation of Assets</u>

- Confirmed that measures to encourage repatriation of Russian capital into RF are being looked at, have been looked at previously (tax amnesties) though were of limited success. Sanctions may drive a repatriation of capital effort, including repatriation of physical assets (ships, airframes) as well as economic assets (there has been industry talk of treasury bonds that would pay above base rates to encourage RF nationals and corporates to repatriate capital).

<u>RF / USA Relationship</u>

- Some discussion on meeting Carter Page. Downplayed as being simply a business meeting, nothing of substance discussed, no discussion related to sanctions

<u>Crypto Currencies</u>

- Personal view is sceptical, does not understand the risks yet and therefore the potential (negative) consequences. Mentioned a recent Chinese delegation to RF and discussion, where the Chinese view was to ban crypto currencies, though AD's personal opinion is that it's not so easy to ban, there 'is a lot of crypto currency activity going on in China anyway'.

<u>Grain Supply</u>

- Stated that RF is now the world's largest grain exporter, can and is planning to increase export capacity, can add another 100%.

- Is providing grain to Syria and other humanitarian causes, sees provision to Syria can increase 1-2% per year if the Syria situation is stable. Noted that this is 'not linked to any military strategy, RF decided to give now when it is needed, rather than other nations that talk but do nothing'.

<u>Oil/Petrol</u>

- Stated that RF is looking at different ways to stimulate Rouble denominated trade, some discussion of ceasing to trade petrol in USD and moving instead to Rouble (note: refer to this point being made at the last SIREN weekend).
- Also commented that Renmimbi trade in RF is increasing every year
- Mentioned that an effect of US sanctions is to drive down the use of the USD.

Pavel Grachev

- The past few years have focused on efficiency, cost control, halting of large capital investment projects. PG now sees this changing, the Rouble devaluation effect has largely taken place and now investment in technology and engineering is going ahead.
- Mentioned a new large reserve being located (I missed the name), 3o years of capacity, plans to increase (double) output organically, not through M&A.
- Mentioned that lack of talent is an inhibitor, not purely based on education but also geographical challenges i.e. not all want to relocate to Siberia etc.
- Noted that the Russian Central Bank has been purchasing 50-80% of all gold produced (note: a hedge against a fall in its currency due to some unfavourable geo-economic event?)

Oleg Mukhamedshin

- Also cites new capex investment initiatives, increase output over the next 3 years, increased aluminium demand for electric vehicles, battery technologies, electricity distribution.
- Noted that SOE's must improve their efficiency, 70% of RF GDP comes from SOE's
- Sees the new breed of management from the commercial sector now beginning to improve SOE's, increasing efficiency > improved cashflow > improved dividends to investors > increased foreign investment > greater investment in growth initiatives ….
- Sees exchange rate volatility now smoothing, oil based volatility now also stabilising, inflation now beginning to catch up, driving competition, investment
- Sees some input cost lags i.e. increased costs will only feed through in 2018/19.
- Sees that RF companies are still trading at a discount to their international peers (geopolitical risk), good investment for foreign investors.
- Noted that it is difficult to raise necessary capital in RF, hence opening up of market access to meet the need for foreign inbound investment flows.
- Noted that there are large bond repayments coming up in 2018/19 and therefore the need for inbound foreign investment is now.
- Mentioned that there is a China/RF project that will be launched shortly (I suspect Renmimbi clearing and possibly stock market access, possibly Panda bonds in Russia) – and continued to say that this is necessary to access 'other sources of capital' given sanctions, that China is the world's 3rd largest economy. Developing capital links with China 'is the creation of an option' (note: should capital from other sources be curtailed by e.g. sanctions)

Alexander Afanasiev

- Announced the intention to open to global trading
- Now have 65 direct clearing connections for international investors.
- Trade volumes are up, private accounts are up, fixed income volumes at a historic high, ditto repo, FX swaps, all in all easy for foreign investors,