



MSCI Russia November review: two candidates for inclusion

The period (October 19-30) used for calculating minimum requirements for MSCI Russia has started last week. The semi-annual global indices review will take place after markets close on November 10. The effective date is December 1, 2020. Major changes are expected in November, which will affect certain stocks and the entire MSCI Russia. The standard cut-off dates for the prices used for calculating minimum requirements including minimum free float market capitalization and liquidity requirements are any one of the last business days of October (October 19 - 30) for the November Semi-Annual Index Review (SAIR).

BOTTOM LINE: INFLOW OF \$350 MLN

- Unless MSCI makes an exception and lowers the minimum market capitalization required for inclusion into for MSCI Russia from \$3,200 mln for and free float capitalization - from \$1,600 mln, Rostelecom (RTKM RX) may not make it to the index, while Tinkoff (TCSG RX) and Mail Group (Mail RX) will certainly do.
- The only candidate for exclusion is MMK, the third largest steel producer in Russia and one of the world's largest.
- Therefore, we expect \$150 mln in passive inflows and \$300 mln in active inflows, a total of \$450 mln. The expected outflow, if MMK is excluded from the index, will amount to \$90 mln, of which one third will be passive funds. The net inflow, including three admissions and one exclusion, would be just over \$350 mln. We anticipate that the total number of companies in MSCI Russia will increase to 24 from the current 23.

CANDIDATES FOR INCLUSION: MAIL GROUP (MAIL RX) AND TINKOFF BANK (TCSG RX)

1. Mail.ru Group with a weight of 1.8% and a total inflow of \$270 mln, of which \$90 mln are passive funds, which is 6.5 times the 30-days average daily trading volume (ADTV). The total inflow, including active funds, will exceed the average daily turnover by 20 times.

2. Tinkoff with a weight of 1.4% and a total inflow of \$210 mln, of which \$70 mln are passive funds, which is 10 times the 30-days ADTV. The total inflow, including active funds, will exceed the average daily turnover by 30 times.

HOW TO MAKE MONEY ON INCLUSION?

- The changes will be announced on November 10 and will come into effect on December 1.
- Traditionally the stocks rally a week before the official announcement, that is from

November 3 and on the date of inclusion, that is December 1. However given that November 3 is the US Presidential Election 2020 Voting Date the stocks will be volatile and if there is a delay in voting, a pick-up in global volatility will have an impact on Mail.ru Group as well.

- Under the best-case scenario, we expect the stock to pick up by 10% before and on the date of announcement (November 10) and by 5-7% on the date of inclusion, which is December 1.
- Passive inflows are expected on the date of inclusion, which is December 1, active inflows on the date of announcement, which is November 10.

HOW LIKELY IS IT THAT MMK WILL BE EXCLUDED FROM MSCI RUSSIA?

- Since October 8, 2020, MMK's free float capitalisation has fallen below the MSCI Russia free-float threshold of \$1 072 mln (in the event of a semi-annual review).
- Since October 19, which is the first cut-off date for the prices used for calculating MSCI Russia minimum requirements, MMK's free float capitalisation was already below the MSCI Russia free-float threshold by \$60 mln.

MMK FREE FLOAT-ADJUSTED CAPITALISATION



Source: ITI Capital, Bloomberg

MSCI CONSTITUENTS

Ticker	Company name	30-Day average trading volume (ADTV), \$ mln	Price, \$	Mkt Cap, \$ mln	Volume above the minimum requirement, \$ mln	FF Mkt Cap, \$ mln	Volume above the minimum requirement, \$ mln	Weight in the MSCI Index, %	FF, MSCI	Expected passive capital inflow, \$ mln	Expected active capital inflow, \$ mln
SBER RX	SBERBANK OF RUSSIA PJSC	179,8	2,8	60 189,1	58 045,1	30 094,5	29 022,5	15,9%	50,0%	793,2	1586,5
GAZP RM	GAZPROM PJSC	94,5	2,1	50 549,5	48 405,5	25 274,8	24 202,8	13,4%	50,0%	666,2	1332,4
LKOH RM	LUKOIL PJSC	59,2	56,1	38 887,0	36 743,0	23 332,2	22 260,2	12,4%	60,0%	615,0	1230,0
YNDX RX	YANDEX	71,8	58,6	18 563,4	15 363,4	17 820,9	16 220,9	9,4%	96,0%	469,7	939,4
GMKN RM	MMC NORILSK NICKEL PJSC	60,8	257,1	40 689,1	38 545,1	16 275,6	15 203,6	8,6%	40,0%	429,0	858,0
NVTK LI	NOVATEK PJSC-SPONS GDR REG S	10,2	137,3	41 688,5	39 544,5	12 506,5	11 434,5	6,6%	30,0%	329,6	659,3
TATN RM	TATNEFT PJSC	26,4	5,7	12 367,3	10 223,3	8 038,7	6 966,7	4,3%	65,0%	211,9	423,8
PLZL RM	POLYUS PJSC	28,3	214,9	29 242,1	27 098,1	7 310,5	6 238,5	3,8%	25,0%	192,7	385,4
ROSN RM	ROSNEFT OIL CO PJSC	18,1	4,9	52 034,7	49 890,7	5 723,8	4 651,8	3,1%	11,0%	150,9	301,7
POLY RX	POLYMETAL INTERNATIONAL PLC	20,8	22,9	10 758,9	8 614,9	5 379,4	4 307,4	2,8%	50,0%	141,8	283,6
MGNT LI	MAGNIT PJSC-SPON GDR REGS	3,6	14,8	7 551,6	5 407,6	5 286,1	4 214,1	2,8%	70,0%	139,3	278,7
FIVE RX	X 5 RETAIL GROUP NV-REGS GDR	6,1	38,5	10 456,4	8 312,4	4 705,6	3 633,6	2,5%	45,0%	124,0	248,1
MBT US	MOBILE TELESYSTEMS-SP ADR	24,9	8,3	8 293,3	6 149,3	3 732,0	2 660,0	2,0%	45,0%	98,4	196,7
SNGSP RM	SURGUTNEFTEGAS-PREFERENCE	13,5	0,5	3 750,3	1 606,3	3 375,3	2 303,3	1,8%	90,0%	89,0	177,9
SNGS RX	SURGUTNEFTEGAS PJSC	14,0	0,4	15 842,1	13 698,1	3 168,4	2 096,4	1,7%	20,0%	83,5	167,0
CHMF RM	SEVERSTAL PJSC	11,1	13,9	11 685,8	9 541,8	2 921,5	1 849,5	1,5%	25,0%	77,0	154,0
NLMK RM	NOVOLIPETSK STEEL PJSC	11,6	2,4	14 091,9	11 947,9	2 818,4	1 746,4	1,5%	20,0%	74,3	148,6
MOEX RM	MOSCOW EXCHANGE MICEX-RTS PJ	22,3	1,9	4 216,4	2 072,4	2 740,7	1 668,7	1,3%	65,0%	72,2	144,5
ALRS RM	ALROSA PJSC	15,2	1,0	7 186,9	5 042,9	2 515,4	1 443,4	1,3%	35,0%	66,3	132,6
IRAO RM	INTER RAO UES PJSC	14,0	0,1	7 159,0	5 015,0	2 505,6	1 433,6	1,3%	35,0%	66,0	132,1
PHOR LI	PHOSAGRO PJSC-GDR REG S	2,3	11,9	4 623,6	2 479,6	1 618,3	546,3	0,9%	35,0%	42,7	85,3
VTBR RX	VTB BANK PJSC	12,6	0,0	5 852,1	3 708,1	1 463,0	391,0	0,8%	25,0%	38,6	77,1
MAGN RM	MAGNITOGORSK IRON & STEEL WO	10,0	0,5	5 443,3	3 299,3	1 088,7	16,7	0,6%	20,0%	28,7	57,4
Candidates for inclusion											
MAIL RX	MAIL GROUP	13,6	29,6	6 154,6	2 954,6	3 361,8	1 761,8	1,8%	55,0%	88,6	177,3
TCSG RX	TCS GROUP HOLDING-GDR REG S	7,1	24,5	4 867,3	1 667,3	2 677,0	1 077,0	1,4%	55,0%	70,6	141,1

Source: ITI Capital, Bloomberg

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