Anticipated recovery of Russian economy

- Oil/Ruble Correlation remains strong
- Russian Export Volumes likely to increase due to ruble devaluation and import substitution
- Economy is over 60% driven by domestic consumption
- Hard currency Eurobonds has gone through its worst in 2014 but then saw a surge in demand due to global hunt for high yields (market volume is $140B now vs $190B on top in 2014)
- Every new placement from the non-sanctioned companies goes with several times over-subscription

Source: Garber, M. 2016.
Russia: growth potential

Attractive Private Equity Strategic Projects:

➢ Geographical location and vast territory:
  Russia is a key liaison between Asia and Europe (“New Silk Road” project)

➢ Agriculture opportunities:
  appropriate climate, import substitution, export potential

➢ World’s largest high quality raw material base:
  decrease in dollar production costs

Source: Garber, M. 2016.
Russian local public market at glance

Local market infrastructure has stabilized and consolidated:

- **Top-10** Asset management companies **control over 130 funds** which is **almost 90% of total assets**

- All AM companies are affiliated either with big conglomerates or with the government

- **GHP Group** is an **independent AM** with expertise, own infrastructure and licenses on hand

Source: Garber, M. 2016.
#MIGlobal

## Investing in Russian real estate

### Investment volume ($b)

<table>
<thead>
<tr>
<th>Year</th>
<th>Office</th>
<th>Retail</th>
<th>Warehouse</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>4.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>2.8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q1 16</td>
<td>1.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2016F</td>
<td>2.8</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Available returns

- **Office**: 12-15%
- **Retail**: 14-18%
- **Warehouse**: 15-20%

### Ticket size (based on large 2015 transactions, $m)

<table>
<thead>
<tr>
<th>Type</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2016F</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office</td>
<td>40</td>
<td>170</td>
<td>200</td>
<td>250</td>
</tr>
<tr>
<td>Warehouse</td>
<td>70</td>
<td>200</td>
<td>280</td>
<td>280</td>
</tr>
</tbody>
</table>

### Dominated by local players

<table>
<thead>
<tr>
<th>Year</th>
<th>Local</th>
<th>Foreign</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>70%</td>
<td>30%</td>
</tr>
</tbody>
</table>

### Long term opportunities

- Challenging economy
- Low growth
- Bureaucratic hurdles

However, there is a lack of players with world class expertise operating in the Russian real estate market.

### Alpha-returns are available for disciplined and qualified professional investors

### Investment showcase

- **Business Centre**: ELECTRO
- **Location**: St. Petersburg, Russia
- **Built & owned by**: GHP RREDL
- **Size (sqf)**: 65,000
- **Constructed**: 2014
- **Equity**: $30m
- **ROE**: 30%

Source: Garber, M. 2016.