

October 9th 2014

Mongolia Investors Cockpit

Monthly Report



MSE Top 20 Index, 1 year performance

15,721.4 +13.06% YOY



MSE Top 20 Stocks

(Share Price, Monthly performances)

Company name	1-Sep	8-Oct	%
BDSec JSC (BDS)	2,300	2,499	+8.7%
Gobi JSC (GOV)	7,900	8,100	+2.5%
Bayangol ZB JSC (BNG)	59,000	60,000	+1.7%
State Department Store JSC (UID)	560	569	+1.6%
Ulaanbaatar ZB JSC (ULN)	560	569	+1.6%
Shivee Ovoo JSC (SHV)	6,145	6,200	+0.9%
Suu JSC (SUU)	126,500	126,500	+/-0.0%
Silikat JTJ (SIL)	225	225	+/-0.0%
Baganuur JSC (BAN)	3,500	3,500	+/-0.0%
APU JSC (APU)	3,850	3,750	-2.6%
Tavantolgoi JSC (TTL)	5,205	5,050	-3.0%
Khukh gan JSC (HGN)	118	114	-3.4%
Talkh Chikher JSC (TCK)	21,000	20,000	-4.8%
Genco tour bureau JSC (JTB)	87	80	-8.0%
Mogoin Gol JSC (BDL)	12,000	11,000	-8.3%
Shariin Gol JSC (SHG)	7,450	6,800	-8.7%
Mongolia Development Resources (MDR)	630	570	-9.5%
Telecom Mongolia JSC (MCH)	1,451	1,270	-12.5%
Remicon JSC (RMC)	150.5	111	-26.2%
Mongol Shiltgeen JSC (MSH)	860	590	-31.4%

Source: MSE

Mongolia in the global context

Index	YOY perf.	YTD perf.
DJIA (US)	+17.82%	+4.37%
Nikkei 225 (JP)	+13.29%	-2.49%
Hang Seng (HK)	+6.24%	+4.75%
DAX 30 (DE)	+5.62%	-5.83%
SMI (CH)	+12.29%	+6.14%
MSE20	+13.06%	-3.56%

Source: Bloomberg

Foreign Exchange Rates

(Monthly performances)

USD-MNT	1,844.48	+0.42%
JPY - MNT	17.06	-2.40%
EUR-MNT	2,333.73	-1.84%
CHF-MNT	1,925.90	-2.30%

Source: MongolBank

Market news

September Trading

Total trading on the MSE was 2.2 billion MNT including block trades of 33.2% of MSH (Mongol Shiltgeen JSC 1.9 billion MNT) and 80.5% of CCA (Buudain Tsatsal JSC). The total monthly trading was 2.29 times less compared to the same period of 2013 and compared to the previous month's trade volume of 902.7 million MNT, it had increased by 2.47 times. Out of the MSE TOP 20, MSH shares fell the most (-31.4%) and BDS rose the highest (+8.7%).

Mongolia remains on the FTSE Watch List

The FTSE Group still considers Mongolian capital market important and decides to keep it on its Frontier watch list. FTSE will review this status at the next annual review in September 2015. In order to get into the FTSE Frontier list, the MSE should make number of major improvements such as permission of stock lending and short sales, development of derivatives market and increasing the liquidity of the stocks.

Capital market structural changes

MSE currently is 100% state owned company, which is on a priority privatization list of the Govt. Its main shareholder was the State Property Committee (SPC) up until May 2014. However, the Govt of Mongolia decided to handover the MSE to the Ministry of Finance due to possible changes of SPC status. On September 18th, the Govt issued a decree to move the Mongolian Securities Clearing House and Central Depository (SCH&CD, another state-owned company) under the Ministry of Finance's authority divide its securities depository and clearing services and give the clearing part to the MSE.

Also, in September the Mongolian Finance Minister visited the London Stock Exchange and extended the MSE and LSEG partnership for further three years. Moreover, the Ministry of Finance signed a MOU with Bloomberg on 9th September to use its bond auction system for trading the Govt bonds through the MSE. (Currently the bonds are traded by the MongolBank and mainly between the commercial banks)

Macro economy news

Oyu Tolgoi project

In September we had some positive news for Oyu Tolgoi LLC that may settle the current tax dispute between the company and the Govt as the Tax Office brought the tax fines from 130 mln USD down to 30 mln USD. Also, the company submitted new feasibility study of the underground expansion and announced 5.4 bln USD total project costs. There is an expectation that after finalization of tax and feasibility study issues, the project financing will be easily decided.

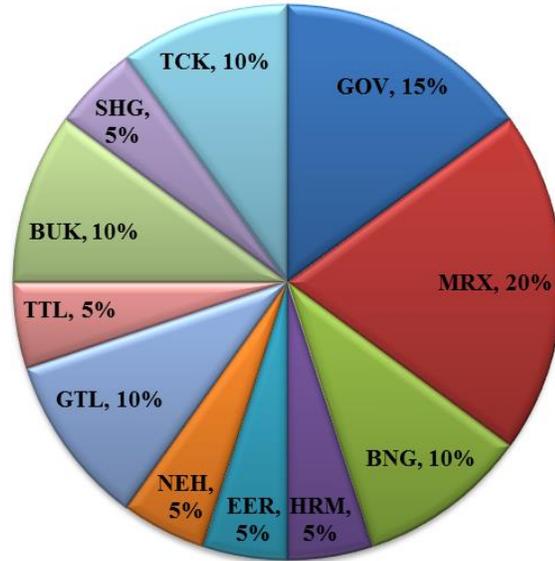
Main export production

According to the Mongolian Govt's 2014 export plan for mining products, 1 million tons of copper concentrate and 30 million tons of coal should be exported for this year. As of August, total copper concentrate export was 0.84 million tons (84% of 2014 plan) and coal export was 12.2 million tons (40% of 2014 plan). Main coal producers' were: Erdenes Tavantolgoi 3.7 million tons, Energy Resources 4 tons, MAK 1.8 tons, South Gobi Sands 1.5 million tons.

Standard Investment MSE Portfolios

We made portfolio from companies which have low P/B ratios and comparatively promising future plans. And this portfolio would work in long term.

Stocks	%
GOV	15%
MRX	20%
BNG	10%
HRM	5%
EER	5%
NEH	5%
GTL	10%
TTL	5%
BUK	10%
SHG	5%
TCK	10%



For further information please contact chimgee@standardinvestment.mn

Global Network Contacts

MONGOLIA

Standard Investment LLC
Head office
Jigjidjav's Street 5/3
Khoroo 1, Chingeltei District
Ulaanbaatar, Mongolia
Postal address:
POB 1487, Central Post Office
Ulaanbaatar 15160
T +976 7011 4433
info@standardinvestment.mn

EUROPE & MIDDLE EAST

Standard Investment LLC
Representative Office
Switzerland
Bahnhofstrasse 98, 4th Floor
8001 Zurich
T +41 44 500 3220
europe@standardinvestment.mn

HONG KONG

Standard Investment Co. Ltd.
Hong Kong Branch
21st Floor, Fairmont House,
8 Cotton Tree Drive, Central
Hong Kong
T +852 61030227
hk@standardinvestment.mn

Disclosures and Important Information

The information and opinions were prepared by Standard Investment LLC, and/or its affiliates (collectively, "Standard Investment").

Analyst Certification

As to each company mentioned in this report, the respective primary research analyst or analysts covering that company hereby certify that their views about the companies and their securities discussed in this report are accurately expressed and that they have not received and will not receive direct compensation in exchange for expressing specific recommendations or views in this specific report.

Market Research Conflict Management Policy

The equity research analysts or strategists principally responsible for the preparation of Standard Investment's market research have received compensation based upon various factors, including quality of research, investor client feedback, stock picking, competitive factors, firm revenues and overall investment banking revenues.

The fixed income research analysts or strategists principally responsible for the preparation have received compensation based upon various factors, including quality, accuracy and value of research, firm profitability or revenues (which include fixed income trading and capital markets profitability or revenues), client feedback and competitive factors. Fixed Income Research analysts' or strategists' compensation is not linked to investment banking or capital markets transactions performed by Standard Investment or the profitability or revenues of particular trading desks.

Standard Investment and its affiliates and/or sister companies (part of the Standard Group) do business that relates to companies/instruments covered in Standard Investment's research publications, including market making, providing liquidity and specialized trading, risk arbitrage and other proprietary trading, fund management, investment services and investment banking. Standard Investment sells to and buys from customers the securities/instruments of companies covered in our research publications on a principal basis. Standard Investment's may have a position in the debt of the Company or instruments discussed in this report.

INVESTORS ACT ON THEIR OWN RISK. THIS IS NOT AN OFFER TO BUY OR SELL OR THE SOLICITATION OF AN OFFER TO BUY OR SELL ANY SECURITY/INSTRUMENT OR TO PARTICIPATE IN ANY PARTICULAR TRADING STRATEGY.

ALL INFORMATION IN THIS REPORT IS FOR GENERAL INFORMATION ONLY. THE INFORMATION IS DERIVED FROM SOURCES WHICH THE COMPANY BELIEVES TO BE RELIABLE AND PREPARED IN GOOD FAITH. STANDARD INVESTMENT LLC MAKES NO GUARANTEE OF ACCURACY, TIMELINESS AND COMPLETENESS OF THE INFORMATION. NEITHER STANDARD INVESTMENT NOR ITS AFFILIATES SHALL BE LIABLE FOR ANY DAMAGES ARISING OUT OF ANY PERSON'S RELIANCE UPON THIS REPORT.

IT IS NOT ALLOWED TO COPY, REPRODUCE AND/OR DISTRIBUTE PARTS OF THIS RESEARCH REPORT (OR THE WHOLE CONTENT) TO THIRD PARTIES WITHOUT THE WRITTEN CONSENT OF STANDARD INVESTMENT LLC.

© 2014 Standard Investment LLC – "Mongolia Investors Cockpit" is a service mark of Standard Investment Securities Company LLC.