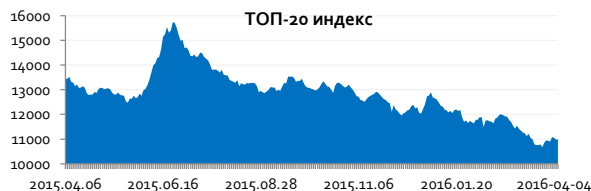


April 11<sup>th</sup>, 2016

# Mongolia Investors Cockpit Monthly Report

## MSE TOP 20 Index, 11,240 -15.41% YOY



## MSE ALL Index, 802.58 -16.90% YOY



## MSE Top 20 Stocks (Monthly performances)

| Company name                 | Opinion* | Mar 7  | Change  |
|------------------------------|----------|--------|---------|
| Sharyn Gol JSC (SHG)         | Buy      | 2,357  | -21.20% |
| BaganuurJSC (BAN)            | Buy      | 1,500  | -16.90% |
| Genco Tour Bureau JSC (JTB)  | Buy      | 72.01  | -14.17% |
| Shivee Ovoo JSC (SHV)        | Buy      | 2,500  | -13.52% |
| Hermes Center JSC (HRM)      | Buy      | 125    | -9.42%  |
| E-Trans Logistic JSC (ETR)   | Hold     | 105    | -8.70%  |
| Hi Bi Oil JSC (HBO)          | Hold     | 350    | -7.89%  |
| Khukh Gan JSC (HGN)          | Hold     | 55.27  | -7.88%  |
| Darkhan Nekhii JSC (NEH)     | Buy      | 18,000 | -5.26%  |
| Gobi JSC (GOV)               | Buy      | 8,105  | -2.29%  |
| Bayangol ZB JSC (BNG)        | Buy      | 44,000 | -2.22%  |
| Makh impex JSC (MMX)         | Buy      | 2,900  | -0.92%  |
| Ulsiin Ikh Delguur JSC (UID) | Hold     | 550.12 | +0.02%  |
| APU JSC (APU)                | Hold     | 3,705  | +1.51%  |
| Merex JSC (MRX)              | Buy      | 71.92  | +2.74%  |
| Arig Gal JSC (EER)           | Hold     | 2200   | +4.86%  |
| BDSek JSC (BDS)              | Hold     | 1,684  | +5.18%  |
| Talkh Chikher JSC (TCK)      | Buy      | 17,000 | +5.33%  |
| UB BUK JSC (BUK)             | Hold     | 3,5000 | +16.67% |
| Tavan Tolgoi JSC (TTL)       | Hold     | 1,627  | +28.72% |

\*For Short term

Source: MSE

## Mongolia in the global context

| Index           | YOY perf | YTD perf |
|-----------------|----------|----------|
| DJIA (US)       | -0.21%   | +0.75%   |
| Nikkei 225 (JP) | -18.90%  | -16.89%  |
| Hang Seng (HK)  | -22.40%  | -6.73%   |
| DAX 30 (DE)     | -21.75%  | -9.87%   |
| SMI (CH)        | -14.84%  | -12.09%  |
| MSE 20          | -15.41%  | -12.30%  |

Source: Bloomberg

## Foreign Exchange Rates (Monthly performances)

|           | Mar 11, 2015 | April 11, 2016 | %      |
|-----------|--------------|----------------|--------|
| USD - MNT | 2,047.92     | 2,023.91       | -1.17% |
| EUR - MNT | 2,282.41     | 2,310.29       | +1.22% |
| JPY - MNT | 18.01        | 18.77          | +4.22% |
| CHF - MNT | 2,076.79     | 2,124.06       | +2.28% |

Source: MongolBank

## Market news

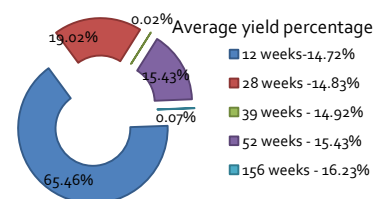
### March trading

Total trading of the MSE in March was 0.52 billion MNT. The total monthly trading was 2.56 times smaller compared to the same period in 2015. Also, compared to the previous month's trade value of 1.34 trillion MNT, it had decreased by 2.1 times.

### Government bond trading

Since 1<sup>st</sup> January 2016, total trade volume of Government retail bonds was 48.4 bln MNT.

The most popular 12-week bond's average yield was 14.72%. Recently, the demand for the government bond was less than the supply.



### New player - Mongolian Securities Exchange (MSX)

Mongolian Securities Exchange was approved by the FRC on 3th July 2015 to run securities trading and securities settlement in Mongolia. It is the 1<sup>st</sup> privately owned stock exchange and now the second exchange in the Mongolian securities market to compete with the state owned Mongolian Stock Exchange (MSE) which dominated the market for the past 25 years. MSX is collaborating with the NASDAQ group and will use its trading program from 2017.

In 2016, MSX developed its main operating rules such as listing rule and got them approved by the FRC. According to the MSX, certain companies (issuers) already started their application process for listing at the MSX. Currently, about 8 brokerage companies are working with the MSX on a membership basis.

### Mongolian Government issues 500 million USD bond

In March 2016, the Mongolian Government successfully issued 500 mln USD 5-year sovereign bond 10.875% on the international market. Proceeds from this bond will be mainly used for the payment of the Chinggis bond coupon payment and infrastructure projects. This government bond's coupon rate was much higher than sovereign Chinggis bond rate of 4.125% due to decrease of balance of payments, foreign debt increase, and decrease of foreign currency reserves of Mongolia as of end of 2015. The bond underwriters were Credit Suisse, Deutsche Bank, JP Morgan, TDB capital and Golomt Bank.

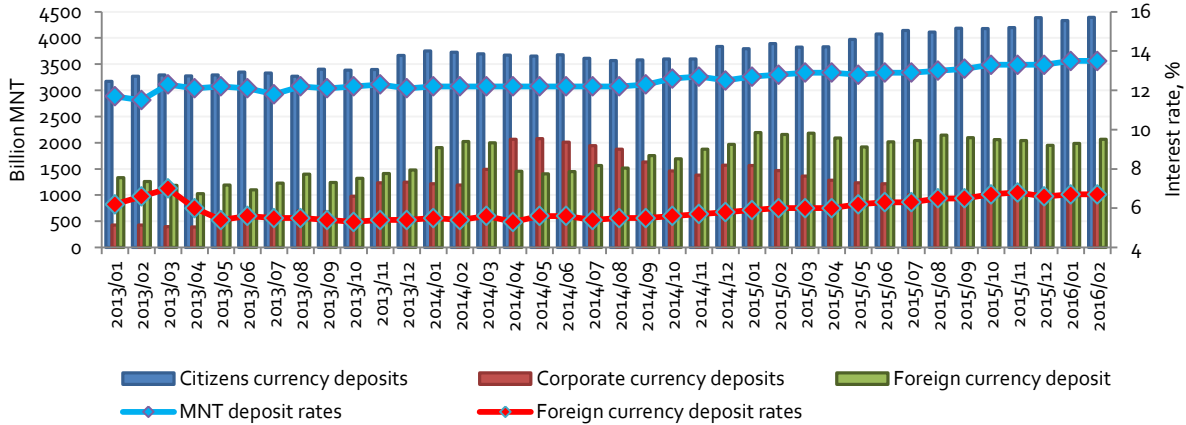
### Inflation rate forecast

According to the Mongolbank's "March inflation outlook report" in relation to the food price stability in the 1<sup>st</sup> three quarters of the year, general inflation rate will continue to drop. However, as the second stage of the Oyu Tolgoi mining project's investment begins, the economy is expected to recover and inflation may increase at the end of this year.

The ADB predicted that inflation level in Mongolia will be around 3% in 2016 and 7% in 2017.

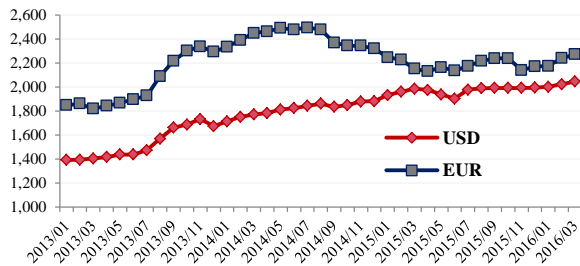
### Commercial banks saving rates and deposits in Mongolia

Since 2013 Mongolian total deposit amount has been continuously increasing and reached 7.4 trillion MNT as of the end of February 2016, which shows 50.7% increase from 2013. 72.2% of the total deposit was MNT deposits and 27.8% was foreign currency deposits. As shown below the foreign deposits increased during the last 3 months due to recent fluctuations of the MNT exchange rate.

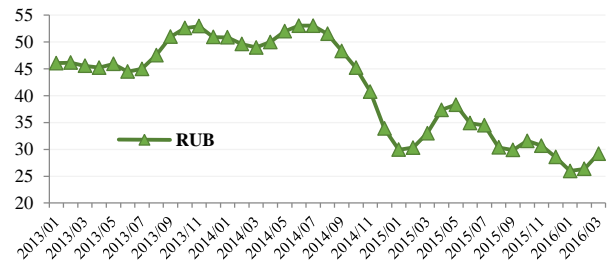


### Foreign exchange rate

Euro and USD rates against the MNT have been rising since 2013 and showed 46.9% and 22.9% increase as of end of March 2016.



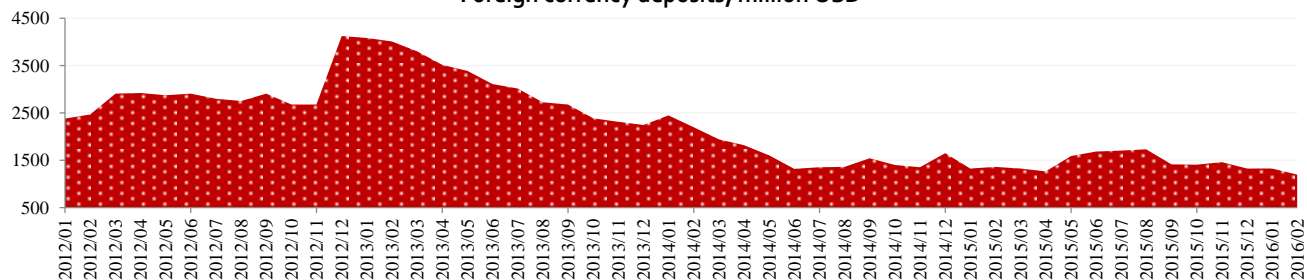
Ruble's exchange rate against the MNT had decreased due to Russian political situation. Compared to 2013 y-o-y, MNT appreciated against the RUB by 36.6%.



### Foreign currency deposits of Mongolia

From the graphic above and below, we can see that MNT depreciation against USD started as Mongolia's USD deposits decrease since December 2012. After the Mongolian government issued Chinggis bond (4.1 bln USD) in December 2012, the USD exchange rate was 1,396 MNT. Since then the USD deposits continuously dropped and the USD rate reached 2,046 MNT in March 2016. After the second stage of the Oyu Tolgoi investment in 2016, it's expected that the total foreign currency deposits will increase by 1 bln USD. However, Mongolian total export is expected to decline due to the main export minerals and product's demand and price deterioration. Therefore, we expect that MNT will continue to depreciate against the USD.

Foreign currency deposits, million USD



Source: Mongolian Bank

## Year-end (2015 Q4) Financial Information of MSE listed companies

Currently, 67 joint stock companies submitted their 2015Q4 financial report to the MSE. Below please see the main data of selected 14 companies listed by their P/B order. You may notice that the stocks have lower P/B value compared to the previous year. The reason is that almost all MSE stocks' prices decreased during the last 2 years.

| Symbol | Company name     | Total assets,<br>thous. MNT | Total<br>liabilities,<br>thous.MNT | Total net<br>profit / loss<br>thous.MNT | Share<br>numbers | EPR    | Stock price<br>MNT,<br>11.04.2016 | Book value<br>per share,<br>MNT | P/B   | P/E    |
|--------|------------------|-----------------------------|------------------------------------|---|------------------|--------|-----------------------------------|---------------------------------|-------|--------|
| ALA    | Altain negdel    | 955,934                     | 174,149                            | 9,180                                   | 103,308          | 89     | 350                               | 7,567.5                         | 0.05  | 3.94   |
| NXE    | Nekheesgui edlel | 9,981,263                   | 8,381,668                          | 23,990                                  | 82,417           | 291    | 1,145                             | 19,408.5                        | 0.06  | 3.93   |
| INT    | Ingettolgoi      | 1,822,251                   | 977,519                            | 18,947                                  | 624,383          | 30     | 138                               | 1,352.9                         | 0.1   | 4.55   |
| RMC    | Remicon          | 20,571,852                  | 12,321,717                         | -560,880                                | 78,679,464       | -7     | 50                                | 83.6                            | 0.6   | -7.02  |
| ETR    | E-trans logistic | 6,206,525                   | 317,920                            | 61,644                                  | 46,200,000       | 1      | 112                               | 109.2                           | 1.03  | 83.87  |
| BUK    | UB BUK           | 38,934,218                  | 4,241,460                          | -1,500,055                              | 1,128,275        | -1,330 | 35,000                            | 30,748.5                        | 1.14  | -26.33 |
| TAH    | Takhi-co         | 14,067,170                  | 60,414                             | 1,127,034                               | 1,189,983        | 947    | 19,000                            | 11,767.7                        | 1.61  | 20.06  |
| ZOO    | Zoos goyol       | 1,949,545                   | 45,372                             | 253,007                                 | 13,038           | 19,405 | 265,000                           | 146,010.5                       | 1.81  | 13.66  |
| BHG    | Bukhug           | 3,355,719                   | 1,768,814                          | -544                                    | 457,293          | -1     | 7,000                             | 3,470.2                         | 2.02  | -5,886 |
| MIK    | MIK holding      | 2,167,353,263               | 2,053,918,935                      | 30,374,966                              | 20,709,320       | 1,467  | 11,250                            | 5,477.5                         | 2.05  | 7.67   |
| MSH    | Mongol shiltgeen | 5,538,870                   | 2,607,093                          | -117,367                                | 10,000,000       | -12    | 700                               | 293.2                           | 2.39  | -59.64 |
| TTL    | Tavan tolgoi     | 56,971,118                  | 28,370,405                         | 572,070                                 | 52,665,200       | 11     | 1,415                             | 537.7                           | 2.63  | 130.27 |
| SIL    | Silikate         | 2,661,318                   | 1,577,931                          | 18,194                                  | 46,334,602       | 0      | 225                               | 21.7                            | 10.38 | 573.01 |
| TSA    | Tsagaan tolgoi   | 69,515                      | 9,041                              | -6,906                                  | 110,813          | -62    | 6,650                             | 545.7                           | 12.19 | -106.7 |
| BAN    | Baganuur         | 123,436,990                 | 121,906,433                        | -13,011,161                             | 20,974,360       | -620   | 1,487                             | 58.6                            | 25.39 | -2.4   |

Source: MSE

## Dividend distribution information

As of now, the following listed companies disclosed their dividend information to the public.

| Symbol | Company name   | Dividend per share, MNT |
|--------|----------------|-------------------------|
| APU    | APU            | 70                      |
| ADL    | Aduun chuluun  | 100                     |
| BTG    | Bayanteeg      | 100                     |
| SUL    | Gazar suljmel  | 10,201.91               |
| GHC    | Gan khiits     | 100                     |
| HRM    | Hermes Center  | 4.39                    |
| GOV    | Gobi           | 140                     |
| GTL    | Gutal          | 749                     |
| ZOO    | Zoos goyol     | 17,000                  |
| MIE    | Material impex | 30                      |
| MMX    | Makh impex     | 100                     |
| MIK    | MIK holding    | 241.2                   |
| TCK    | Talkh Chikher  | 130                     |
| TAH    | Takhi-Co       | 108                     |

Source: MSE

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