



PROSPERITY CAPITAL MANAGEMENT

Active investment approach

INVESTOR TRIP 2017 | MOSCOW, RUSSIA

26 – 27 SEPTEMBER 2017

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Multifaceted active shareholder approach

Active and engaged shareholder

Each shareholder owns a part of the business that they invest in and have the same rights as other investors and the owners. This means that Prosperity is a stakeholder in the firms in which we invest on behalf of our shareholders and that it is our job to try to ensure that management works for the benefit of all shareholders. We generally adopt a relationship investing approach to work in a constructive and collegial manner with the management and stakeholders to add value to our companies.

Shareholder value is often created in companies that are in the midst of a transformation – be it a merger, corporate restructuring, change of control or management or an on-going sector consolidation. During such periods, it is important to safeguard good corporate governance standards and an active approach can be a major contributor to enhanced shareholder value.

Relationship investing

- Constructive, collegial approach
- Engage with corporate management and core shareholders
- Discuss issues of corporate governance and corporate finance
- Effectively provide consulting services to help improve profitability and value
- Viewed as a welcome and positive contribution by other stakeholders

Conflict resolution

- Seek to mitigate risks, minimise impact
- Where corporate governance practices have been or are at risk of being breached or where our minority shareholder rights are threatened
- Take action to resolve a potential conflict, or minimize the damage where a conflict has arisen
- Activity can take many forms, including negotiations, appeals to regulatory authorities or legal action, for example

Government and regulator advice

- Prosperity works with the government, regulators and legislators to improve the overall investment climate
- Prosperity co-founded the Association of Institutional Investors and our Chief Investment Advisor, Alexander Branis, is the current Chairman
- Alexander leads the corporate governance working group within the presidentially-commissioned International Financial Center initiative and Denis Spirin is a member of the Government Expert Council and the Agency for Strategic Initiatives

Active and engaged shareholder examples

Relationship investing M Video (2008-2017)

- Nominated two independent non executive Directors
- Successfully lobbied for enactment of a dividend policy, which was established at 100% of free cashflow
- Active engagement in takeover, which resulted in VTO to all shareholders on same terms; Prosperity sold its stake to Safmar

Conflict resolution Enel Russia

- Nomination and election of independent Board Member
- Active engagement on improvement of corporate governance
- Protection of minority rights in case of unfair related party transactions with mother company Enel S.p.A
- Lobbying against major asset sale at distressed valuation

Government advice

- Actively work in a constructive and collaborative manner to drive improvements to corporate governance standards, practices and regulation amongst portfolio companies, in the broad market and through engagement with the government and regulators, not least through various governmental bodies and initiatives

Relationship investing Cherkizovo (2008-2017)

- Nominated independent non executive Director
- Successfully lobbied for management changes; poultry unit CEO success in 2015-2017
- Unsuccessfully lobbied for increased payout
- Negotiated sale of 21% to the founders with VTO to all shareholders on same terms

Conflict resolution GAZ Group

- Successful claim over deferred dividends
- Legal case against sale of treasury stake to a related party at a discount
- Ongoing case regarding unrepaid loans to controlling shareholder

Government and regulator advice

- Have actively supported the implementation of state-owned enterprise reform, focused on the advent of dividend reform, through the provision of intellectual capital
- Co-founder and Chairman of API; active member seeking to defend minority shareholder rights and lobby for positive developments to corporate governance standards, practices and regulation



PROSPERITY CAPITAL MANAGEMENT

*“We always tell ourselves we own part of a company, not a piece of paper.
Our holdings are not just share certificates someone might pay more for tomorrow.”*

Mattias Westman
Founding Partner

Investment Advisor

Prosperity Capital Management (RF) Limited
10 Nikolskaya Street
Moscow, Russian Federation
T: +7 495 961 2910

Client Services

Prosperity Capital Management (UK) Limited
6 Cavendish Square
London, United Kingdom
T: +44 207 299 6950