



ITI FUNDS UCITS ETF SICAV

RCS number B217005

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Notice of RUAL holding re-purchase

In order to increase RTS index tracking precision and due to recent change in US sanction regime against certain Russian companies Board of ITI Funds RTS Equity UCITS ETF SICAV S.A. approved a re-investment into United Company RUSAL (ISIN JE00B5BCW814) shares. ITI Funds RTS Equity UCITS ETF SICAV (RUSE) has added Rusal shares back to fund's assets at RUB 30.15 at market on close of Feb 07 (current price RUB 32.65). RUSAL shares had been previously excluded from Fund's holdings in April 2018 due to US sanctions against United Company RUSAL PLC.

On February 04, 2019 MSCI Inc. announced that "EN+ Group and United Company RUSAL are now eligible for potential inclusion in the MSCI Equity Indexes should they meet the necessary requirements as per the MSCI Global Investable Market Indexes methodology".

Long Rusal looks attractive for the following reasons:

Rusal market cap of \$6.9bn is well below the market cap of its 27.8% stake in Norilsk (\$9bn+)
Rusal is FCF positive and its p/e is 3.7x vs median of 11.75x for peers;
Bulge bracket banks will resume coverage after US sanctions lift;
Merrill Lynch was first to reinstate target pricing with a BUY rating today of 5.5 HK\$ vs current 3.3 HK\$ price tag;
Stock is back on investors' radar
Potential index inclusion announced by MSCI is positive as expected inflows only from ETFs will top US\$60m.

What could spoil the party:

Potential index inclusion is a bit too long term for the investment case;
Aluminum prices already started to go lower and that will reduce RUSAL margins.