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Russian Minister of Industry and Trade, Denis Manturov, is excited about the prospects that WTO membership will have for his country.

RUSSIA

WTO Accession Opens Opportunities

The ratification of Russia's entry into the World Trade Organization this summer has presented the country with a golden opportunity to transform itself into a global powerhouse.

Like Brazil, China and India before it, WTO membership offers the fourth member of the BRIC grouping both the incentive and the imperative to diversify its economy and modernize its existing industrial base.

With natural resources currently accounting for some 80% of Russia's exports, diversification is understandably high on the agenda for Denis Manturov, the country's Minister of Industry and Trade. "Countries cannot solely depend on natural resources," he says, "because there will come a time when they don't have any more oil—look at Dubai. And—like Dubai—any country that has the potential to develop its industry is going to do so."

There are, however, some fundamental differences between Russia and the oil-dependent desert states of the Arabian Gulf. Despite the country's indisputable economic dependence on its oil, gas, timber, and other natural resources, Russia has a long and proud heritage of industry and research on which to build as it looks to the future and life within the WTO. "We have always been an industrially developed country," says Minister Manturov. "We have a great tradition of scientific research and innovation that we never lost. It is now time for us to jump to a completely new level."

Attracting investment and technical expertise will be crucial to this process, he believes. "We have always encouraged foreign and Russian investors to participate in the activities of both state and private enterprises—and not just to attract money, but also to bring in new technology and to help us become part of the global supply chain. If we don't join the system we will always be consumers of foreign products. When we have become part of the global system it will give us access to international markets as well as our internal ones. We need to promote our products more aggressively in foreign markets—we need to learn how to sell ourselves."

WTO membership is not without its challenges for Russian industry, particularly its agricultural sector where there have been genuine concerns that the removal of tariffs on imported foods could seriously undermine the competitiveness of domestic businesses. But as the Deputy Minister of Agriculture Dmitry Yureyev points out, every cloud has a silver lining. "We need to think philosophically about this and find the positive in the situation," he says. "There are new export opportunities opening up for our agricultural producers, and we are already seeing new projects taking

shape that are oriented for export instead of the internal market. This is good news, as the business model in the agricultural sector has changed a lot in the last 10 years. Proper regulation combined with the appropriate level of support will help Russian agribusinesses integrate into the world market."

Conglomerates like SAHO have, he suggests, long been gearing up to supply those of Russia's neighbors who lack the resources to feed themselves. Russian industry can also boast significant market leaders in other sectors, such as pipe manufacturer TMK, which ranks among the world's top three suppliers to the oil and gas industry.

TMK's predominance is no accident but the result of careful planning and strategic thinking according to its Chairman Dmitriy A. Pumpyanskiy. "We have maintained our position as global leader in terms of the volumes of steel pipe that we manufacture by constantly striving to increase our output of high-performance products, by upgrading our production facilities, and by developing both our global distribution network and our oilfield services," he says. "By going global, we are now positioned to supply products for oil and gas projects of any level of complexity across the world."

Other well-established brand names like Aeroflot are also only too aware that they are competing for customers with major Western airlines. "We have to compare ourselves to Western airlines as we

have no direct competitors in Russia," says Director General Vitaly Saveliev. "We are now the third biggest airline in Europe." Key factors in this success, he believes, have been an attention to detail, a focus on customer service, and a willingness to learn from the competition. "We decided that we had to adopt best practices," he recalls. "We trained more than 60 people, eight of whom attained instructor's certificates so they could train our staff here in Russia. We have set up new internal codes of practice for standards of

passenger service. Today, if you use our airlines you can see we have a bit of Asian style. The stewardess will sit down beside you and talk to you." The levels of customer service at Aeroflot are now rapidly becoming a benchmark that other airlines aspire to.

In their own way, each of these companies owes its success to its understanding of the importance of customer service, professionalism, and Corporate Social Responsibility in today's business environment. "We have based our corporate identity on three core values," says Pumpyanskiy. "Our customers have to have confidence in our reliability; our management team needs to be both stable and professional; and we must be responsible and consistent in the way we treat our employees."

It appears that the blueprint for Russian success on the world stage has already been written. ●

"It is now time for us to jump to a completely new level."

Minister of Industry and Trade, Denis Manturov

Garant-Invest

In sharp contrast to the rest of the Eurozone, Russian economic numbers continue to blossom.

Real wages are rising at 10% annually and economic growth is forecast at 4% over the next two years. Much of this growth will be fuelled by inward investment and consumer expenditure.

These drivers of economic prosperity are good news for the Garant-Invest Group, a privately-owned investment bank and holding company that was established almost 20 years ago as an investment bank but which in recent years has been increasingly focussing on property. "Our main activity over the last 10 years has been commercial real estate development where we handle the ownership, development, and investment of projects, as well as the leasing, central management, and property management," says President Alexey Paniflov. "We have initiated and still retain ownership of 18 development projects in Moscow." Garant-Invest counts Panasonic, the Discovery Channel, and Bausch & Lomb among its clients and is now looking to attract some new names, not just as tenants, but as partners in the new development projects it has in the pipeline. Its list of tenants include German DIY giant OBI and MediaMarkt, as well as the ever-present McDonalds and Starbucks which are soon to be joined by Swedish multinational retail-clothing company H&M.

The extent of the Group's ambition and its commitment to innovation were both evident at the MAPIC international property show in Cannes last month, where Garant-Invest chose to reach out to both tenants and potential development partners. "The retail sector is probably the most effective channel through which to attract foreign investment into Russia," Paniflov says, "because we offer modern shopping centers that compare with what Europe and the U.S. have to offer." Garant-Invest now operates a network of supermarkets that between them turn over about US\$100 million and attract over 10 million customers each year.

Nor has it turned its back on its banking roots. "Our starting point was as a bank," says Paniflov. "Although we still rank in the top 25% of the Russian banking system, we wouldn't describe ourselves as a big bank. Our main focus these days is on private banking, which is what gives us our competitive advantage over our larger rivals. People come to us who need a high-quality boutique private service—and when they have used us once they tend to stay. That is our niche." In line with the Group's other activities, there is an increasing focus on commercial property, and its banking arm has recently designed investment products for both institutional and individual customers to enable them to invest in the booming Russian real estate market. If anybody can spot a shrewd investment in Russian property, it is surely the Garant-Invest Group. ●



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