

AN INTRODUCTION TO MONGOLIAN CAPITAL MARKET

June 2016

MONGOLIAN CAPITAL MARKET

- **REGULATOR:**

Financial Regulatory Commission

- **A CENTER FOR TRADING LISTED COMPANIES:**

Mongolian Stock Exchange

- **AN ORGANIZATION ENGAGES IN SECURITIES CLEARING AND DEPOSITORY ACTIVITIES:**

Securities Clearing House and Central Depository

Custodian (Golomt Bank, Trade and Development Bank of Mongolia, Khan Bank)

Intermediate Organizations

- 54 brokerage and dealing companies
- 23 underwriting companies
- 14 investment advisory companies

Investment Products on Mongolian Capital Market

- Stock
- Corporate bond
- Government bond

MSE HISTORY

- 1991 The Mongolian Stock Exchange was established
- 1994 Law on securities market was approved
- 1992 Primary market started
- 1992 475 state owned entities were privatized.
- 1995 Secondary market started
- 1995 The MSE charter was renewed
- 1996 The first Government bond issued.
- 1998 The MSE joined Eurasia Stock Exchange Association
- 1999 Top 75 index was created
- 2001 The first corporate bond issued
- 2002 Law on Securities market was amended
- 2003 The MSE was reorganized as a state owned JSC



In 2010 the MSE was the world's best-performing stock market after an increase of 121%

It was the second best performing stock market in 2011. Its market capitalization quadrupled to US\$2 bln in end of 2011 from 2008

MSE HISTORY

2003 Top 20 index newly created from Top 75

2003 The MSE Signed MOU with Taiwanese SE

2005-07 MOU signed with Korea, Turkey and Hong Kong Stock Exchanges

2005 The first IPO on the MSE (Hotel Mongolia) – raised MNT 770mn

2006 Three IPOs, raised MNT 9.5 bn

2007 Three IPOs, raised MNT 14.18 bn

2008 Four IPOs, raised MNT 31.16 bn

2011 Mongolian Government and London Stock Exchange group signed the Master Service Agreement

2012 “Millennium IT” integrated system of trading, settlement, surveillance and depository introduced into Mongolian capital market

2013 Mongolian capital market included in FTSE Watch List for further review the possible inclusion of Mongolia as a frontier market

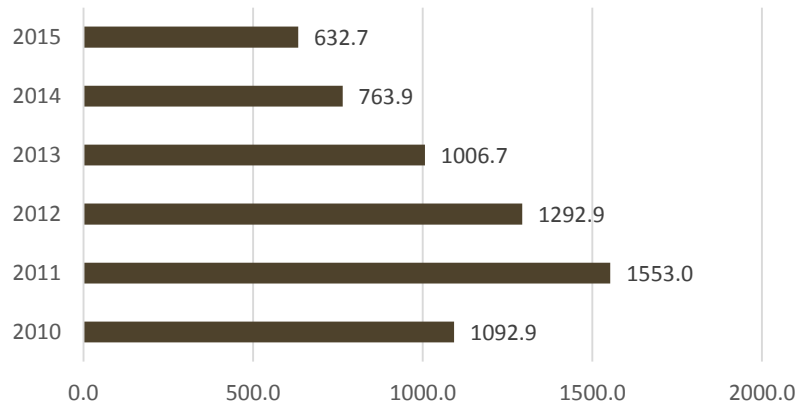
2012 One IPO, raised MNT 924 mn

2014 One IPO, raised MNT 2.6 mn

MSE MARKET CAPITALIZATION

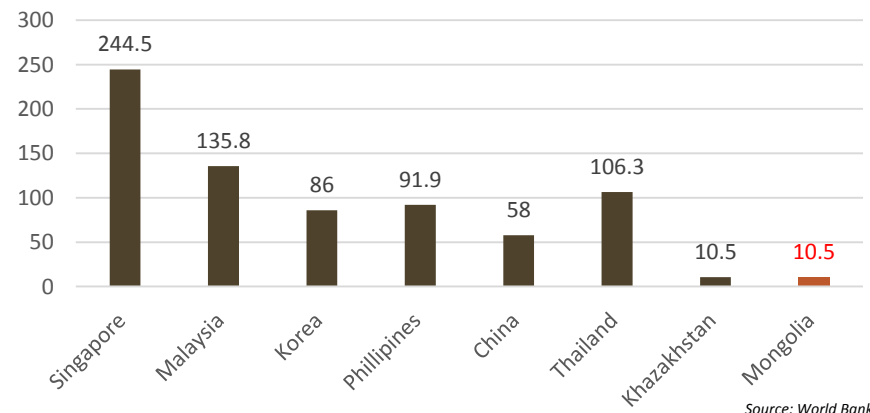
- ❑ Majority of 235 listed companies are very small
- ❑ Top 20 companies represent over 70% of total MSE market cap
- ❑ In 2015, total market capitalization of MSE was US\$632.7 mln, decrease of -17.17% compared to previous year

Market Capitalization US\$ mln



Source: MSE

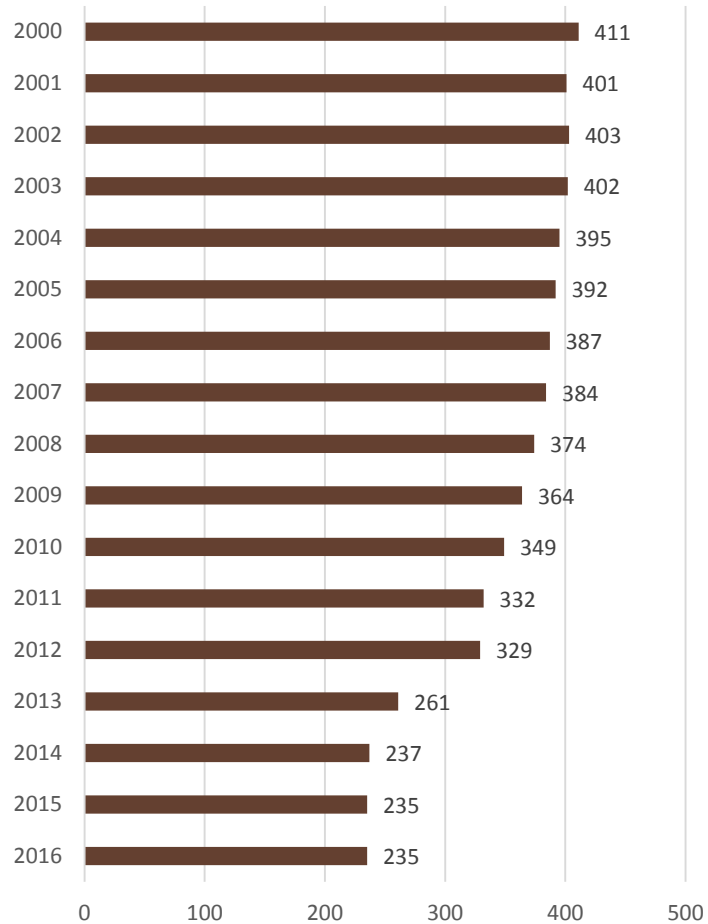
Market capitalization of listed domestic companies (% of GDP)



Source: World Bank

MSE – LISTED COMPANIES

Number of MSE Listed Companies

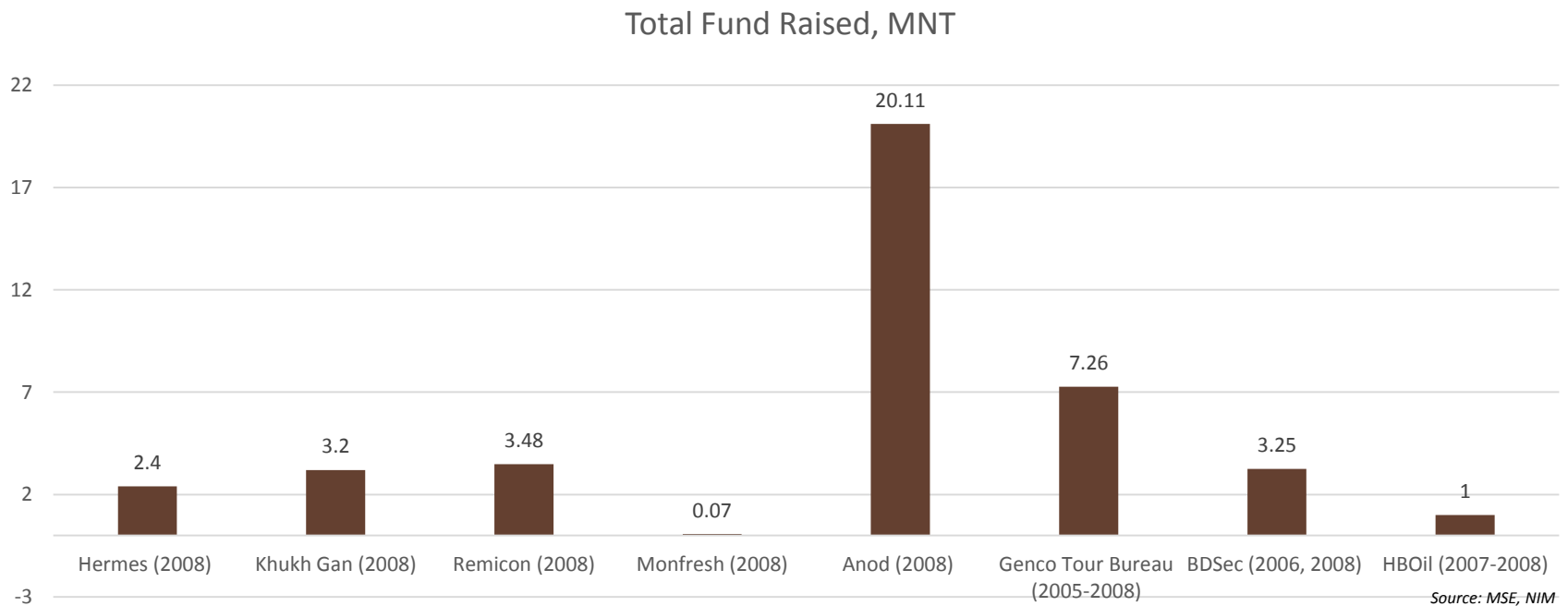


- In 2010, there were 411 companies listed on the MSE
- As of June 2016 – 235 companies are listed
- Majority of listed companies are small
- 10 largest companies represent 65% of the MSE total market cap

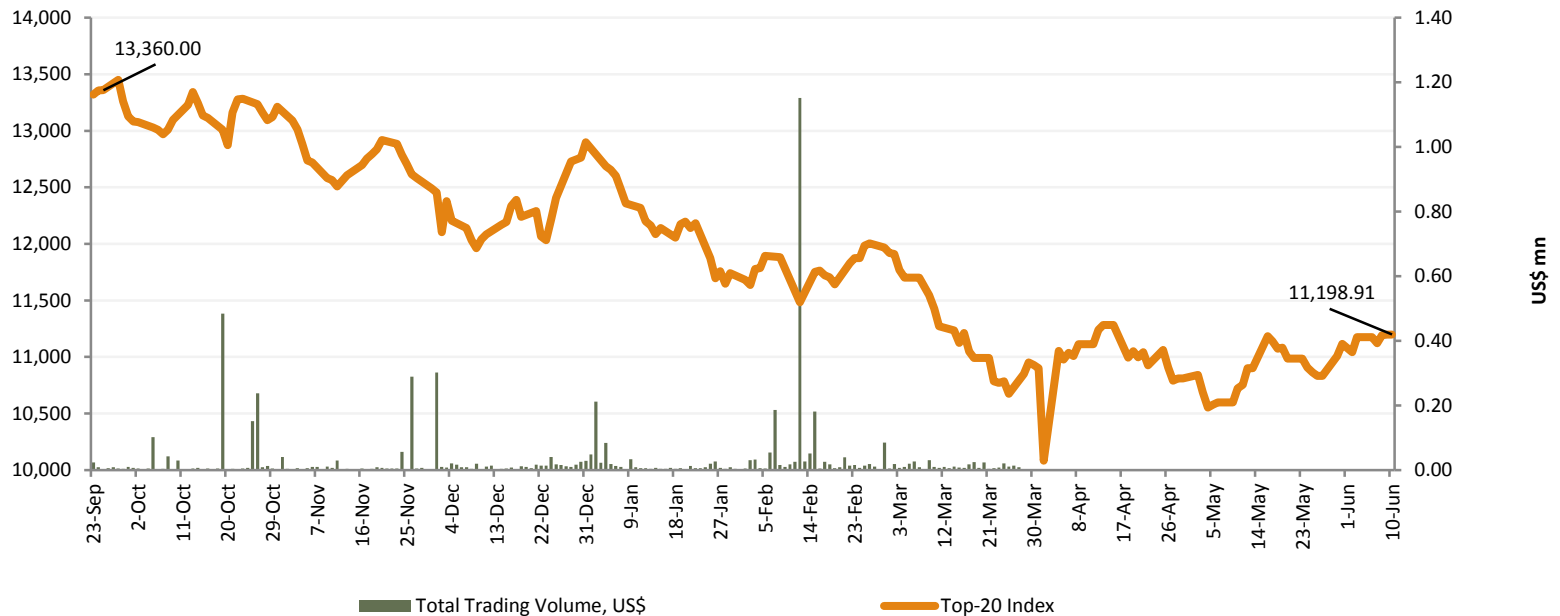
MSE - IPO: OVER US\$21 MLN IN 4 YEARS

3 IPOs in 2012-2016 – US\$21 mln raised, of which:

- 2012: E-Trans Logistics – raised MNT924 mln
- 2014: Merex – raised MNT2,600 mln
- 2015: MIK Holding MNT32.3 bln



MSE TOP-20 INDEX



Source: MSE

- MSE Top-20 index, the main indicator of the Mongolian stock market
- The MSE Top-20 index is renewed every six months
- The Index is calculated based on the market capitalization and average daily average trading value of the top 20 securities listed on the MSE

MSE TOP-20 INDEX

Name	Close	Peak	Performance from the peak	Market Cap		Performance		52 week high	52 week low
	as of June 10, 2016	Jan 2015-June 2016		MNT mln	USD mln	wow	ytd		
APU	3,970	4,129	-3.9%	294,922	149.4	-3.85%	1.9%	4,129	3,252
Tavan Tolgoi	1,400	4,476	-68.7%	73,731	37.2	-3.45%	-52.5%	4,306	861
Gobi	8,000	11,830	-32.4%	62,409	31.4	4.64%	-5.7%	11,830	7,100
Baganuur	2,400	3,301	-27.3%	50,338	25.4	-5.88%	-2.8%	3,301	1,365
Sharyn Gol	3,500	8,600	-59.3%	35,810	18.0	0.00%	-9.1%	8,600	2,047
Shivee Ovoo	2,310	6,200	-62.7%	30,998	15.6	-9.45%	-34.4%	5,870	2,190
UB BUK	25,700	43,000	-40.2%	28,997	14.7	0.00%	-35.1%	40,200	25,000
Talkh Chikher	19,000	21,000	-9.5%	19,450	9.9	5.67%	9.3%	21,000	15,100
State Department Store	504	883	-42.9%	18,551	9.3	-3.97%	-4.9%	883	465
Darkhan Nekhii	15,720	24,040	-34.6%	17,378	8.8	2.75%	-13.9%	24,040	15,100
BDSec	1,550	2,280	-32.0%	17,050	8.6	0.00%	-20.1%	1,951	1,300
Bayangol Hotel	36,000	58,000	-37.9%	15,230	7.7	0.00%	-25.0%	50,100	36,000
Hermes	120	170	-29.4%	9,431	4.8	0.06%	-2.1%	149	105
Makh Impex	2,288	3,792	-39.7%	8,696	4.4	0.00%	-19.4%	3,650	2,202
Arig Gal	1,900	2,800	-32.1%	6,611	3.3	0.00%	-19.1%	2,560	1,900
Genco Tour Bureau	60	35,551	-99.8%	6,000	3.0	-7.66%	-20.0%	35,551	60
Khukh Gan	55	143	-61.4%	5,572	2.8	0.00%	-26.2%	143	55
E-Trans-Logistics	105	128	-18.0%	4,851	2.4	0.00%	-12.5%	128	86
Merex	70	100	-30.0%	4,550	2.3	0.00%	-5.4%	92	68
HBOil	330	594	-44.4%	3,047	1.5	0.00%	-21.4%	500	330