**Fund Profile: Russian Direct Investment Fund (RDIF) (1 of 2)  March 2011**

### Snapshot:

| Name: | Russian Direct Investment Fund |
| Country: | Russia |
| Established: | 2011 |
| Fund size: | US$10 billion¹ |
| Ownership: | Vnesheconombank (VEB)² (100%) |
| Fund type: | Development Fund |

#### History and Purpose:

The Russian Direct Investment Fund (RDIF) was established in 2011, by the Russian Government, to make equity investments in strategic sectors within the Russian economy. The idea for the fund was conceived in 2009, as Russia emerged from the global financial crisis and embarked on an aggressive plan to modernize the economy, improve the investment climate, promote the development of innovation-driven industries, and transform Moscow into an international financial center. The fund is mandated to co-invest with large international investors in an effort to attract long-term direct investment capital. Leading institutional investors were consulted throughout the development of the fund’s strategy, and investors appear excited about having a credible local partner to co-invest alongside within the emerging Russian market.

#### Mission & Objectives:

The RDIF will be managed on a commercial basis, but will have a number of potentially competing priorities:

1. **Maximize returns**

   Despite its mission to attract foreign investment and stimulate growth in key sectors, the RDIF invests on a commercial basis and maximization of returns for its co-investors and its shareholder, the Russian government, is paramount.

2. **Contribute to economic modernization**

   The fund will focus on the key sectors within Russia in need of capital investment to grow and modernize.

3. **Be a catalyst for foreign direct investment**

   Given Russia's reputation as a market that is difficult for outsiders to penetrate, the RDIF seeks to attract foreign investment by providing access to large investment opportunities and a strong local partner to invest alongside.

4. **Spur innovation and knowledge development**

   The fund will seek to maximize learning and technology transfer from co-investors related to each investment.

5. **Act transparently / be a good steward**

   Transparency and stewardship of funds is seen as the building block for trusting, long-term relationships with co-investors.

#### Investments

To date, RDIF has made 2 direct investments:

1. **MICEX-RTS Stock Exchange (~$50M / 1.25%)**

   On January 30, 2012, RDIF announced that together with the European Bank for Reconstruction & Development (EBRD), it had completed its first deal. The EBRD would invest approximately $275 million for a 6.29% stake, while RDIF would invest roughly $50 million for a 1.25% stake in the recently combined stock exchange.

2. **Enel OGK-5 Utility (undisclosed)**

   On March 1, 2012, RDIF announced that it would team up with Xenon Capital Partner’s Rusenergo Fund and Macquarie Renaissance Infrastructure Fund to co-invest in a $750 million deal to acquire InterRao’s 26.4% stake in the Enel-controlled power utility.

#### Investment Criteria:

- Time horizon of 5 to 7 years
- Investment companies must have a Russian operator
- Quality management team / good governance structure
- Investment size of $50 – 500 million (total of $100 million to $1 billion with co-investment)

#### Sector Focus:

The RDIF will not limit itself to specific sectors of the economy, due to the amount of capital it must deploy. Instead, it will focus its attention on the sectors outlined in the Russian President’s Modernization plan:

<table>
<thead>
<tr>
<th>Modernization Sectors</th>
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<tbody>
<tr>
<td>1. Advanced processing of natural resources</td>
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<td>2. Agriculture and food retailing</td>
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<td>3. Added-value mining</td>
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<tr>
<td>4. Housing and construction materials</td>
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<tr>
<td>5. Transport and logistics</td>
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</tbody>
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<table>
<thead>
<tr>
<th>Innovation Sectors</th>
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<tbody>
<tr>
<td>1. Aerospace</td>
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<td>2. Alternative energy</td>
</tr>
<tr>
<td>3. Nuclear power</td>
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<tr>
<td>4. Pharmaceuticals and healthcare</td>
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<tr>
<td>5. Telecommunications and information technology</td>
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</tbody>
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Note: (1) To be capitalized over 5 years, (2) Vnesheconombank is Russia’s state-owned development bank, (3) Fletcher estimate

Source: RDIF website, CNN, Reuters, press releases
Fund Profile: Russian Direct Investment Fund (RDIF) (2 of 2)  

**Targeted Co-investors:**

RDIF’s co-investment model is the product of much consultation between Russian leaders and leading international investors:

**Institutional Investors**
- Goldman Sachs
- Blackstone
- TPG
- Apollo
- China Investment Corporation

**Sovereign Wealth Funds**
- IFC
- European Bank for Reconstruction and Development
- KIC

**Development Banks**
- AfDB
- World Bank

**Global Corporations**
- Credit Suisse
- UBS
- Goldman Sachs
- Deutsche Bank

**International Advisory Board:**

The RDIF has assembled an impressive cadre of investment leaders to populate its international advisory board:

- **Bader Mohammad Al-Za’id** – MD, Kuwait Investment Authority
- **Kurt Bjorklund** – Co-Managing Partner, Permira
- **Leon Black** – Chairman & CEO, Apollo Global Management
- **David Bonderman** – Managing Partner, TPG
- **Chong-Suk Choi** – Chairman & CEO, Korea Investment Corp.
- **Dr. Martin Halusa** – CEO, Apax Partners
- **Lou Juwei** – Chairman & CEO, China Investment Corp.
- **Dr. Joseph Schull** – Head of European Ops., Warburg Pincus
- **Stephen Schwarzman** – Chairman & CEO, Blackstone Group
- **Varel Freeman** – First Vice-President, European Bank for Reconstruction and Development

**Investment Team:**

- **Kirill Dmitriev** – Chief Executive Officer
  - Former President of Icon Private Equity and Co-Managing Partner of Delta Private Equity Partners; began career in Investment Banking with Goldman Sachs and as a Consultant with McKinsey & Co.
  - BA in Economics (Stanford) and MBA (Harvard Business School).
- **Alexei Chekunkov** – Director
  - Former Managing Partner at New Nations Capital, and Managing Director at UGC, a leading metals and mining investment fund.
  - BA in Economics from Moscow State University of International Affairs.
- **Sean Glodek** – Director
  - Former Director at Darby Private Equity, Vice-President at Lehman Brothers in New York, Associate with Deutsche Bank, Associate with Clayton, Dubler & Rice, and Analyst with Goldman Sachs.
  - BA in Economics (Stanford) and MBA (Wharton · Pennsylvania).
- **Alec Maryanchik** – Director
  - Former CEO of Klever Asset Management; Director at The Sputnik Group; investment banker with Dresdner Kleinwort and UBS Warburg.
  - MA in Biochemistry (Brandeis) and MBA (Columbia Business School).
- **Richard Ogden** – Director
  - Former Chief Risk & Capital Officer for Troika Dialog and investment banker for UBS Warburg where he founded the Moscow office.
  - Educated at Eton College and Oxford University.
- **Konstantin Ryzhkov** – Director
  - Former Managing Director & Advisor at International Investment Bank.
  - BA Economics (Davidson College)
- **Tagir Sitdekov** – Director
  - Currently completing an Executive MBA (U of Chicago – Booth).
- **Mikhail Irzhevskiy** – General Counsel
  - On secondment from Freshfields Bruckhaus Deringer where he is a partner at the firm’s Moscow office.

**Recent Events:**

- **02/2012 – RDIF reviewing over 40 potential deals**
  - RDIF CEO Kirill Dmitriev made it public that the fund is reviewing more than 40 potential deals worth approximately $7 billion and will announce several transactions in the near future.

- **02/2012 – RDIF to participate in new medical network**
  - RDIF announced that it will invest in the creation of a new medical institution network based on existing public and private networks that include institutions in Moscow.

- **10/2011 – RDIF & CIC to create $4B Russia-China fund**
  - CIC and RDIF announced they would each contribute $1 billion and raise an additional $1 to 2 billion to create a fund that will invest primarily in the Russian marketplace.

**Strategic Issues:**

**Balancing commercial vs. political motivation**
- Given the fund’s mandate to contribute to development and modernization, it will be difficult to balance such priorities with the demand for returns of sophisticated co-investors. Maintaining independence from the Kremlin will be critical to attracting foreign investment and maximizing shareholder returns.

**Building trust with co-investors**
- The RDIF is off to a strong start, having consulted global investors throughout the creation of the fund. Finding strong opportunities and ensuring that investments are made commercially, transparently and that all investors are treated fairly will be critical to building trust with RDIF’s co-investors.

**Finding the appropriate co-investor**
- Each investment opportunity will benefit from a different individual or group of co-investors. Matching capital, technical expertise, and access to global markets to each investment opportunity will be a challenge for the RDIF.

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