

Fund Favors Dividends of TNK-BP, Bashneft

By [The Moscow Times](#)

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Pacific Investment Management, the money manager best known for bond funds, recommends buying Russian stocks with "formidable" dividend yields such as oil producers TNK-BP and Bashneft.

"In Russia we tend to like companies that return cash flows along the way," Masha Gordon, who oversees about \$1.2 billion in emerging market equities at Newport Beach, California-based Pimco, said in an interview in Moscow.

"Overweight" Russian shares account for about 13 percent of Pimco's emerging-market stock holdings, Gordon said. Another 15 percent are developed-nation stocks with "EM DNA," such as Carlsberg, the parent company of St. Petersburg-based Baltika Breweries, Russia's largest beer producer, Gordon said.

Investors focused on cash income are looking to high-yielding dividend stocks after the U.S.

Federal Reserve earlier this month pledged to keep interest rates close to zero until at least 2014. Policymakers are trying to shelter the economy from a possible downturn in Europe. Russia's Central Bank reduced the benchmark refinancing rate by a quarter point to 8 percent in December as inflation fell to a two-decade low, and held that rate on Friday.

"When the Fed tells you rates will remain close to zero for an extended period of time, when you have yields in excess of 10 percent, this is very, very attractive," Gordon said.

TNK-BP, BP's Russian oil venture, has a dividend yield of about 8.9 percent while Bashneft, controlled by AFK Sistema, billionaire Vladimir Yevtushenkov's holding company, has a yield of about 9.1 percent, based on data compiled by Bloomberg.

"We tend not to like companies that invest with pretty uncertain prospects," Gordon said. While cheap by most measures, Gazprom, the country's largest company by market value, is a problematic investment because of uncertainties over gas prices and contract renegotiations in Europe, she said.

"It clearly has a very significant capital expenditure program," Gordon said. "I'm not a believer in a sustainable, high-dividend payout at that company."

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