



Asia Frontier Capital: Press Release
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Asia Frontier Capital Ltd. to Launch New Fund – AFC Uzbekistan Fund

Hong Kong – Asia Frontier Capital Ltd. (“AFC”) is pleased to announce the launch of the “AFC Uzbekistan Fund”. We are now accepting subscriptions from investors and the first subscription deadline will be on 29th March 2019. The AFC Uzbekistan Fund is managed under the executive leadership team of Thomas Hugger (CEO & Fund Manager) and Scott Osheroff (CIO of AFC Uzbekistan Fund) who between them have more than 40 years of investment experience as well as an extensive experience working in Asia, having held senior positions in Cambodia, Hong Kong, Mongolia and Myanmar. As a result of President Shavkat Mirziyoyev’s economic reforms, AFC expects a strong equity market appreciation thanks to the recent abolishment of capital controls, Uzbekistan’s pursuit of privatizations and the introduction of a free float of the local currency.

About the AFC Uzbekistan Fund

The open-ended AFC Uzbekistan Fund is designed to offer investors high returns from growth in the equity market of Uzbekistan whilst offering a portfolio that has a low correlation with global equity markets. The fund aims to achieve long-term capital appreciation for investors by capturing value in listed growth companies over the next 5-7 years, predominantly targeting the private company segment and government privatizations. The fund’s investment universe consists of local companies that have their principal business activities in Uzbekistan, as well as foreign-listed companies that have the majority of their business in Uzbekistan and countries bordering Uzbekistan (Afghanistan, Kazakhstan, Kyrgyzstan, Tajikistan and Turkmenistan).

AFC is the first non-strategic foreign investor in Uzbekistan’s capital markets to successfully repatriate principal and capital gains from the sale of listed equities on the Tashkent Stock Exchange, in March 2019, since the most recent introduction of capital restrictions in 2008. With capital controls in Uzbekistan officially eliminated since 2nd March 2019, the AFC Uzbekistan Fund will issue new shares on a monthly basis and offer monthly liquidity with a three-month notice period for investors seeking redemptions.

The Uzbekistan government’s pursuit of privatization of all non-core assets and companies, including shares in listed companies, is expected to see the Uzbekistan equity market re-emerge from a decade of dormancy as liquidity and investor interest returns. AFC expects that many

private companies will consider a listing on the Tashkent Stock Exchange as market depth improves and foreign investors return.

About the Uzbekistan Investment Opportunity

Uzbekistan offers a very compelling growth story as a young and extraordinarily inexpensive market with significant room for growth. The country remained largely isolated from the regional and global economy since it gained independence from the Former Soviet Union on 31st August 1991 until 2nd September 2016 when the first and only ruling President of the country, Islam Karimov, passed away. Prime Minister Shavkat Mirziyoyev was elected as his successor and rather than maintaining the status quo, he has pursued radical social and economic reforms, liberalized all sectors of the economy, released political prisoners and enabled freedom of the press, all in an aggressive push to transform Uzbekistan into a free-market economy which is anticipated to greatly improve the incomes and livelihoods of the country's 33 million citizens.

The government is following through with its announced economic reforms which has led to the floating of the currency, the Uzbek Som ("UZS"), on 5th September 2017, the introduction of E-Visas since 15th July 2018 and **full elimination of restrictions on currency convertibility and repatriation for foreign investors from 2nd March 2019**, among others. Further, the government is preparing new tax and land ownership legislation which are both due out in the second half of 2019.

With a GDP of approximately USD 49 billion and a GDP per capita of approximately USD 1,460, Uzbekistan has previously, and is expected to continue growing at greater than 5% per year over the coming several years, according to the IMF. Uzbekistan has low levels of external debt and robust foreign exchange reserves of USD 28 billion (56% of GDP). Inflation has been high in recent years, due to the economic policies of former President Karimov, finishing 2018 at 14.3%. Though, under the current President, the Central Bank of Uzbekistan is in the process of shifting to an inflation targeted regime with the goal of bringing inflation down, into the single digits, while the Ministry of Finance simultaneously pursues market reforms through the gradual lifting of price subsidies across the economy, including electricity, gas, vegetable oil and bread flour. Further, the Ministry of Finance launched the country's first ever sovereign bond in February of 2019 when it sold a total USD 1 billion through the issuance of a 5-year and 10-year bond at respective yields of 4.75% and 5.37%. The offering was 8 times oversubscribed. The purpose of the sovereign bond issuance was to establish a benchmark with the aim of attracting foreign capital to help lower the cost of capital within the country as domestic borrowers regularly pay interest rates on loans of over 20% per annum in local currency terms.

Due to its previous pariah status and having been largely alienated by the foreign investment community since the Global Financial Crisis in 2008, the listed equity market in Uzbekistan offers, in Asia Frontier Capital's view, unparalleled value. Many of the 110 equities listed on the Tashkent Stock Exchange have some degree of state ownership which the government is in the process of privatizing its interests in. Privatization across all non-core industries will see the government remove itself from companies operating in the consumer goods, financial services, construction

materials and manufacturing industries, among others, which will result in higher free floats and liquidity.

Thomas Hugger, CEO of Asia Frontier Capital and Fund Manager of AFC Uzbekistan Fund commented:

“Until recently, Uzbekistan was largely closed off from foreign investment since the 2008 Global Financial Crisis due to a repressive government and a currency peg coupled with restrictions on capital repatriation. However, having spent time on the ground recently, it is readily apparent that the Uzbek government is pursuing a rapid liberalization of the economy and society, transforming the country into a free market economy, free of capital controls and thus providing a great first mover advantage for Asia Frontier Capital. Unlike closed countries such as Cuba and North Korea, Uzbekistan already has a functioning stock market with 110 listed companies, with a total market capitalization of USD 2.1 billion and companies that trade at extreme discounts to comparable frontier markets valuations. The timing of the AFC Uzbekistan Fund provides an attractive entry point for long term investors as we anticipate this opportunity in the listed equities market will be recognized by other international investors in the near future, resulting in share price increases as valuations normalize with their regional peers and other Asian frontier markets.”

Scott Osheroff, CIO of AFC Uzbekistan Fund, commented:

“Asia Frontier Capital and its focus on countries where the “baby boom generation” is moving into the middle class, driving increases in productivity and consumption, makes Uzbekistan an ideal market to pursue as it has the potential to evolve into a mini Vietnam of sorts in the Central Asian region. It boasts a population of 33 million, an established and growing manufacturing base and a diverse array of natural resources and agricultural commodities which make it unique among its Central Asian counterparts. As Uzbekistan continues its rapid reforms, it would not be unrealistic for the country to become the dominant economy in Central Asia as it emerging as a supplier of manufactured goods and premium agricultural products to Central Asian, Eastern European and East Asian markets, while simultaneously offering significant tourism potential at home, hosting the ancient Silk Road cities of Samarkand, Bukhara and Khiva.”

About Asia Frontier Capital Ltd., AFC Asia Frontier Fund and Asia Frontier Investments Limited:

Asia Frontier Capital Ltd. is the Cayman Islands-based fund manager of “AFC Asia Frontier Fund”, one of the world’s few investment funds focusing solely on the growing frontier economies in Asia, and now also the “AFC Uzbekistan Fund”, which will be included under the existing AFC Umbrella Fund and AFC Umbrella Fund (non-US) structures. Its subsidiary “Asia Frontier Investments Limited” is incorporated in Hong Kong and licensed by the Hong Kong Securities and Futures Commission “SFC” for type 4 (Advising on Securities) and type 9 (Asset Management). The AFC Asia Frontier Fund aims to achieve long-term capital appreciation by investing in listed equities of companies that have their principal business activities in high-growth Asian frontier

markets, including in Uzbekistan. The fund focuses primarily on investments in consumer, financial and infrastructure related stocks.

Asia Frontier Capital has been an industry leader for launching innovative frontier markets funds like the AFC Asia Frontier Fund, AFC Vietnam Fund and AFC Iraq Fund.

For a list of Asia Frontier Capital's Award success please see here: <https://www.asiafrontiercapital.com/about-afc/awards.html>.

Information on Asia Frontier Capital's funds and markets is available via the following link: <http://www.asiafrontiercapital.com/>

About the AFC Uzbekistan Fund:

Asia Frontier Capital Ltd. is the Cayman Islands based investment manager of the "AFC Uzbekistan Fund", the only equity fund currently offering direct exposure to listed equities in Uzbekistan.

For media and interview enquiries please contact:

Thomas Hugger, CEO & Founder
Asia Frontier Investments Limited
905, 9th Floor, Loon Kee Building
267-275 Des Voeux Road Central
Hong Kong
Tel: +852 3904 1015
Fax: +852 3904 1017
th@asiafrontiercapital.com

Peter de Vries, Marketing Director
Asia Frontier Investments Limited
905, 9th Floor, Loon Kee Building
267-275 Des Voeux Road Central
Hong Kong
Tel: +852 3904 1079
Fax: +852 3904 1017
pdv@asiafrontiercapital.com