



AFC Iraq Fund
January 2017

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➤ Disclaimer

- This presentation is prepared on a confidential basis to a limited number of professional investors solely to provide some information about Iraq and its potential
- This presentation is based on information publically available either through web sites, publications, presentations and research reports. No representation or warranty, expressed or implied, is made as to their accuracy, completeness or correctness
- Any information contained in this presentation is not to be relied upon as authoritative or taken in substitution for the exercise of judgment. This presentation is not, and should not be construed as, an offer or solicitation to sell or buy any investment product
- The analysis is my own and reflects my own views and outlook, however, said views and outlook are subject to change and maybe superseded without notice. I have learned a great deal about Iraq's investment potential while reviewing the sources below which has both effected and guided me in my research

➤ Sources

- Iraq: Central Bank of Iraq (CBI), Iraqi Securities Commission (ISC), Iraq Stock Exchange (ISX), Iraqi Depository Centre (IDC), Iraq Statistical Organization (COSIT), Iraqi Ministry of Oil, Iraqi companies
- IMF, World Bank, IEA, EIA, BP, CIA World Fact Book, Trading Economics, Index Mundi, Iraq Body Count
- Presentations/Research reports : DB, Standard Chartered, Arqaam Capital, Rabee Securities, Akkadia Partners, Sansar Capital, HSBC, Euphrates Advisors, FMG, Pareto Securities. Iraqi companies research mostly provided by Rabee Securities
- WSJ, NYT, FT, Reuters, Bloomberg, International Business Times, CNN, BBC, ...
- Data : Latest data is mostly as of 2012, 2013 & 2014, 2015 numbers are estimates, 2016-2019 are projections based mostly on IMF & World Bank for macro data while IEA & EIA for oil data as primary sources. Capital markets data is from the CBI, ISC, ISX & IDC. Company data collected & organized by Rabee Securities who maintain a significant data base of Iraqi company data
- A special thanks to the research team at Rabee Securities who have been very generous with their time and resource. The Rabee Securities RSISX USD Index is used through-out the presentation as a measure of the market.

ABBREVIATIONS AND CONVENTIONS USED

➤ Currencies

- \$ = US Dollar, IQD = Iraqi Dinar. All figures displayed in \$ using official exchange rate of \$ = 1,166 IQD

➤ Economic terms

- Gross Domestic Product (GDP) is used through-out as Nominal or Current prices GDP while GDP growth rate is used as real GDP growth rate where 2007 is used as the base year used for real GDP
- Note: Oil is the main driver of Iraq's economy and hence its nominal GDP is highly dependent on price of oil. This explains the seemingly large movements in estimates for future years which are dependent on estimates for the price of oil

➤ Figures

- Billions and millions in main body text but abbreviated to (m) and (bn) in charts and tables

➤ Iraqi specific terms

- CBI = Central Bank of Iraq, MoF = Ministry of Finance, SOE's = State Owned Enterprises
- KRI is the semi-autonomous Kurdish Region of Iraq which is governed by the Kurdish Regional Government (KRG)

➤ Oil terms

- bbl/d = barrels per day

➤ Others

- RSISUSD Index is Rabee Securities RSISX Index in USD
- To make it for easier reading the following abbreviations are used throughout :avg. for average, est. for estimate, esp. for especially and vs. for versus
- KSA is the Kingdom of Saudi Arabia as used in tables
- ISIS refers to the so called Islamic State of Iraq & Sham or Da'esh as used in Arabic

WHY IRAQ?

➤ Background

- A country whose infrastructure was almost destroyed in over 35 years of conflict
- Savage ISIS occupation of a 1/3 of the country in 2014, displacement of over 10% of its population & a massive diversion of resources to the war effort
- Liquidity crunch caused by collapsing oil prices & the cost of war

➤ Yet in 2015 & 2016

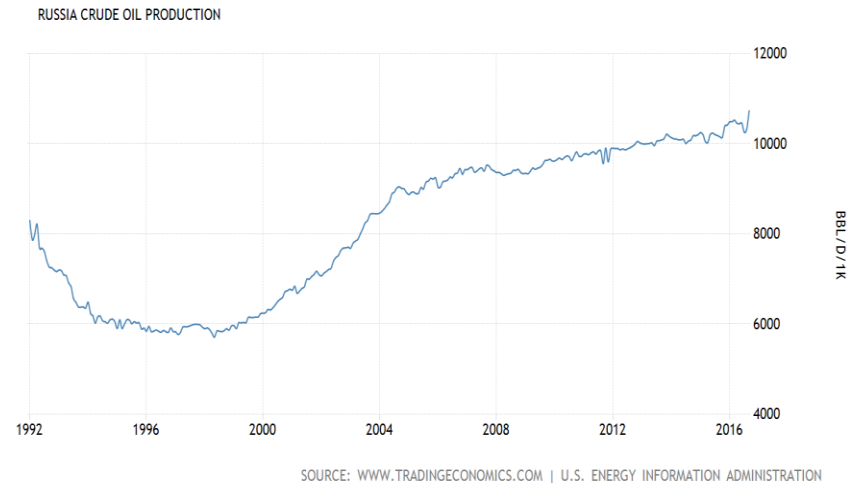
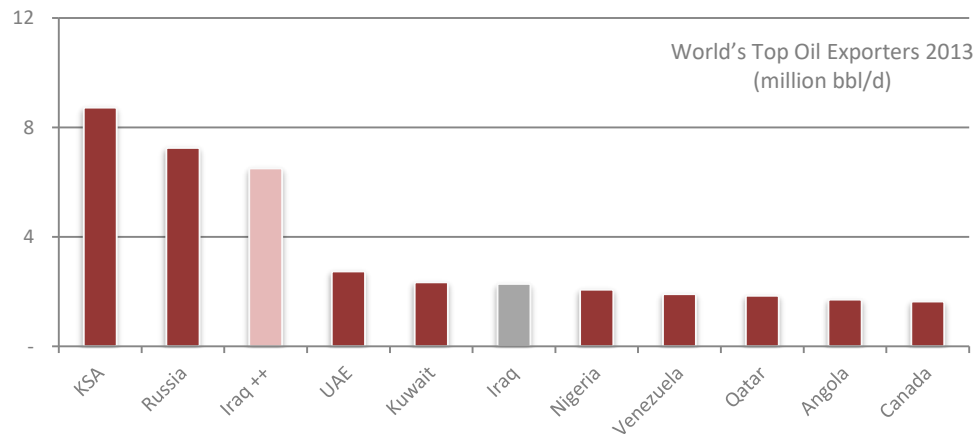
- Oil production/exports increased by 20%/30% & 21%/12% in 2015 & 2016*
- In one of its best companies, Baghdad Soft Drinks, 2015 sales & profits grew by 14% & 36% respectively; while for 9 months/2016 they grew 9% & 30% respectively
- In one of its best banks, Mansour Bank, deposits, loans and assets grew by 33%, 8% & 22% respectively; while for 9 months/2016 they grew by 20%, 5% & 20% respectively

➤ * new numbers include production in the Kurdish region, and so comparisons are different from prior presentations

- Iraq is exceptionally rich in oil, is a significant economy whose GDP is est. at \$225 billion in 2021 with a large, young & growing population
- Overlaid by a wholesale reconstruction of a country ravaged by over 35 years of conflict culminating in a 2 year ISIS occupation & war
- The end of conflict is within reach, to be followed by the capital investment cycle to rebuild

ECHOS WITH RUSSIA

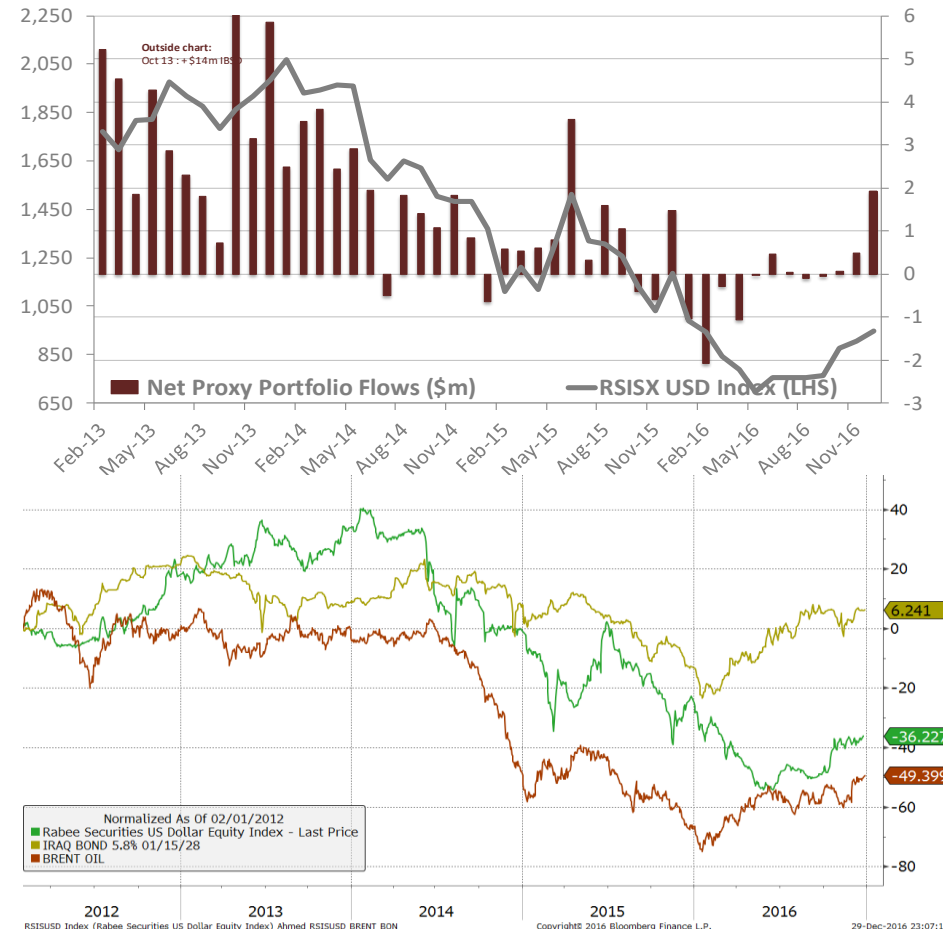
- Iraq's disastrous decade following 2003 echoes that of Russia after the collapse of communism in 1990
- After the 1999 crisis Russia started anew. Crude production growth in 1999-2009 transformed its economy & the stock market reflected this prosperity
- Iraq has the potential to join Russia in the the export super league and might see a similar transformation



- Top chart : Scale in top chart is in 1,000 bbl/d
- Bottom right chat : Russia's Micex Composite Index 1998-2016
- Bottom left chart : Iraq ++ in pink is Iraq's potential

IS THE TIME RIGHT?

- The deep bear market of -68% from the 2014 peak to the 2016 multi-year low is coming to an end
- Market started to discount the end of conflict with the battle to liberate Mosul in October 2016
- Market's historic correlation with Oil prices and Iraq's Euro Bond has, after a lag, reasserted itself and potentially has an opportunity to catch up. In 2016:-
 - The bond's price up +23.3%
 - Brent crude's price up +63.1%
 - The market down -17.3%
- The RSUSISD Index as a measure for the market. Brent crude is used when referring to oil prices. All prices are in USD



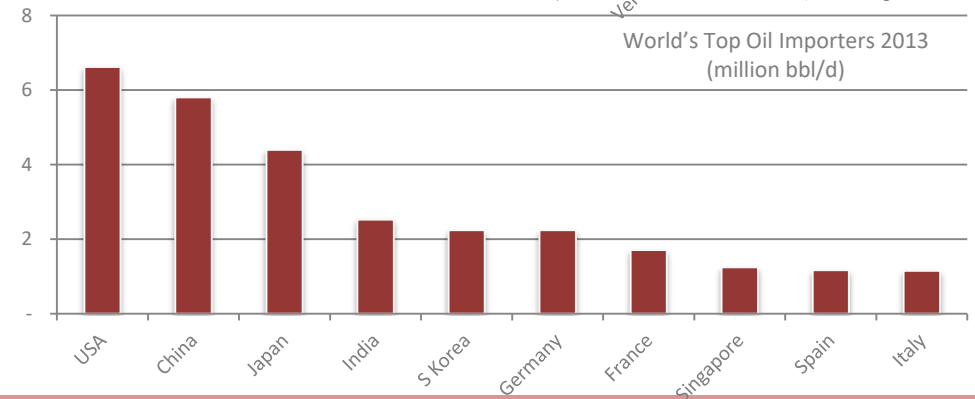
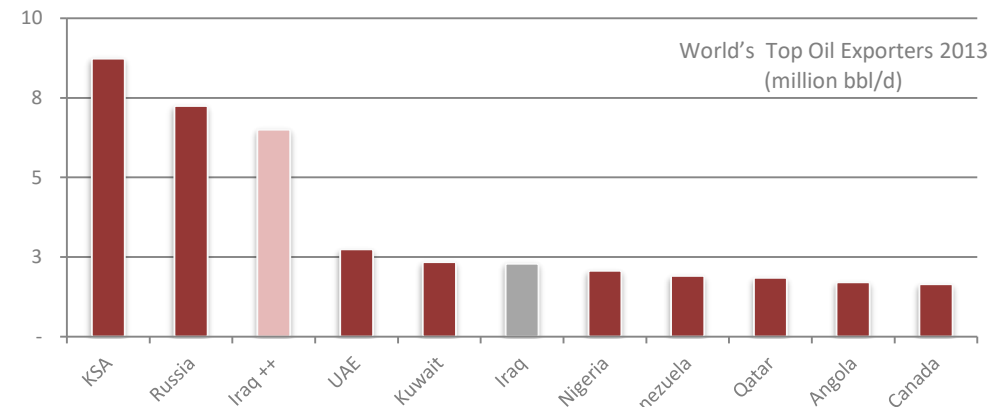
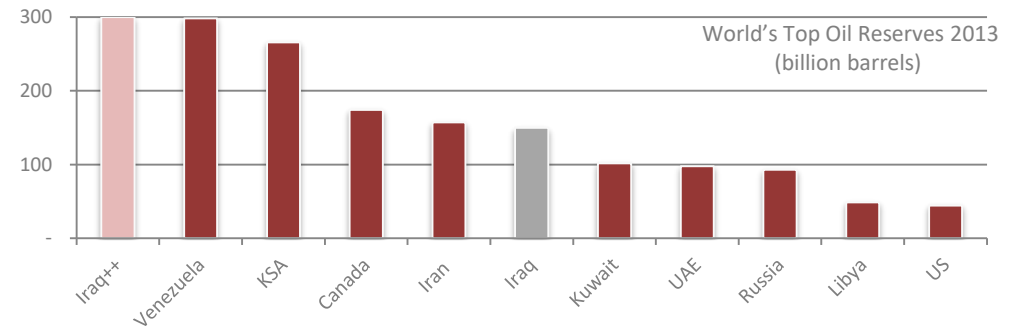
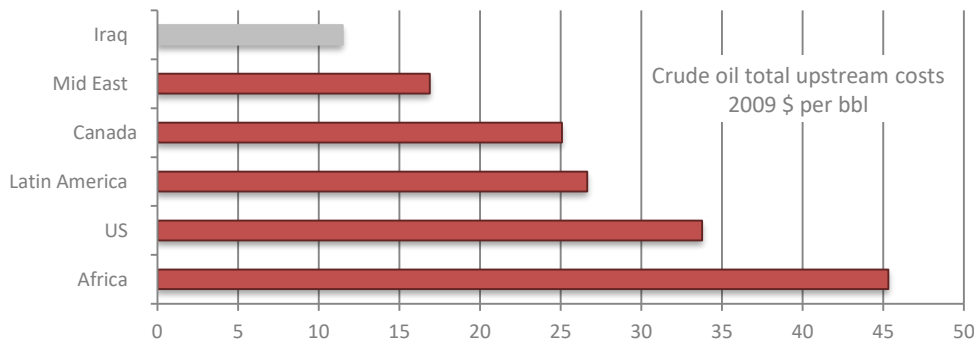
- Top chart : RSISUSD Index for the Iraq Stock Exchange in USD vs. a proxy for net portfolio flows
- Bottom chart : RSISUSD Index (green), Iraq's Bond (gold) , Brent crude (in red)
- Sources: ISX, Bloomberg, Rabee Securities, AFC

THE GOOD, THE BAD & THE UGLY

THE GOOD: VAST OIL WEALTH

- Holds the 5th largest proved oil reserves in the world accounting for 9% of world total & potentially 15%
- Likely to be among the world top 3 exporters by 2025 with demand driven by Asia
- Production levels are low compared to reserves and very cheap to extract

Iraq ++ in pink is Iraq's potential



THE GOOD: A NACENT ECONOMY

➤ Banking

- Less than 20% of the population have bank accounts
- Credit to the private sector at 6.8% of GDP vs. avg. 55% for the region
- Public sector banks account for about 90% of total assets and deposits

➤ Telecommunication

- Fixed line network penetration at about 7%
- Around 15% (*) of the population have internet access
- Mobile penetration around 90%+ . 3G launched in 2015

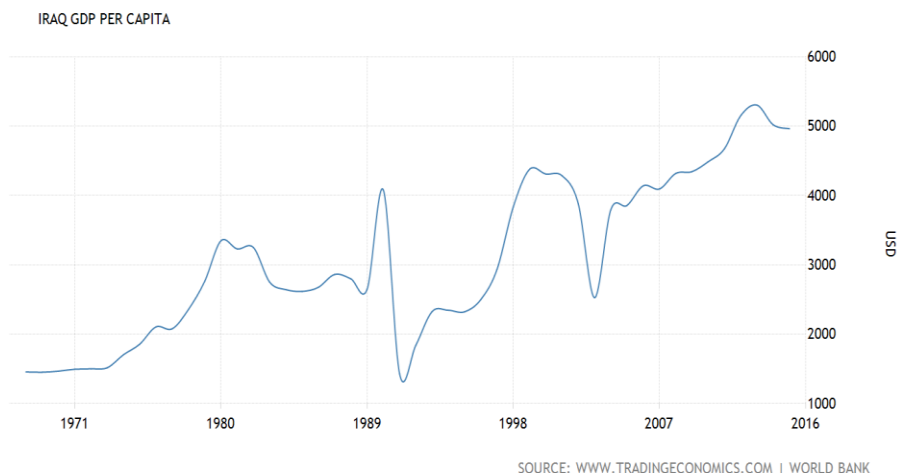
➤ Minerals, Industrials & Agriculture

- Iraq had a competitive advantage in Oil & Gas related industries and similarly in minerals & materials
- Iraq was a self sufficient & exporting agricultural country
- But Infrastructure across all sectors, after 35 years of conflict, has deteriorated significantly

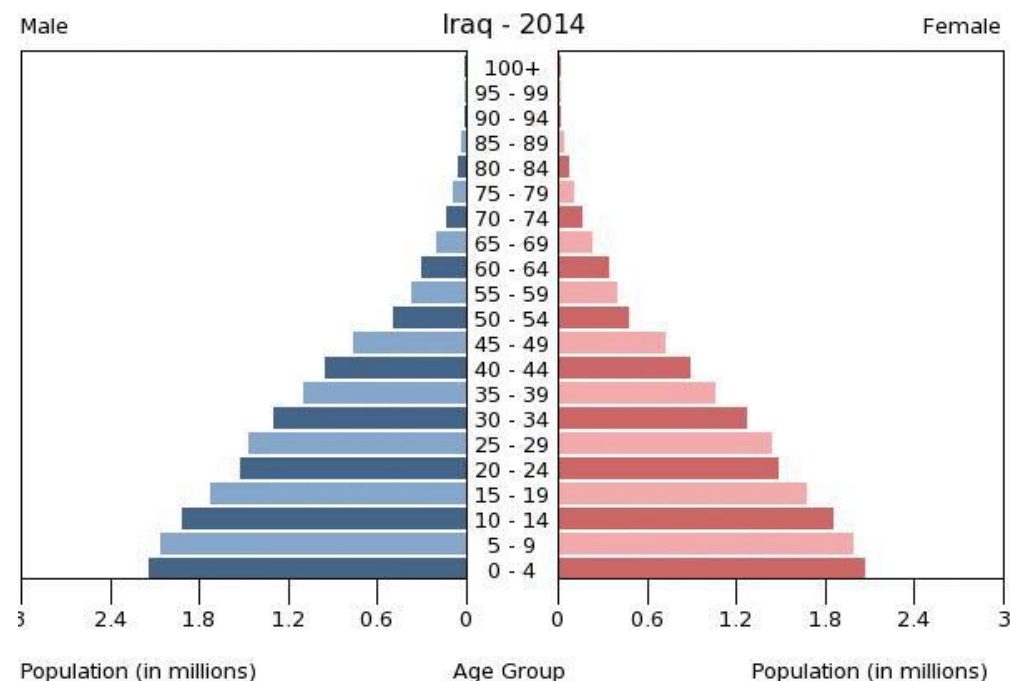
() Figures, released December 14, based on a phone survey of 2,000 phone users suggest that 50% of households have internet access but that 50% of the population have never used the internet. Iraq's Ministry of Communication estimated that 15% of the population uses the internet (March 2014)*

THE GOOD: A YOUNG AND GROWING POPULATION

- Young population of 35.2 million (2015e) growing at 2.5% with 56% under 25 years of age
- Income levels recovered but a long way to go relative potential & to peers in the region
- This young population as it grows will be a massive driver of future economic growth



Note : GDP per Capital in above chart is based on real GDP (ie adjusted for inflation) and so should not be confused with figures in later slides.



Age structure		(2014 est.)
0-14 years	: 36.7%	(male 6,093,069/female 5,878,590)
15-24 years	: 19.6%	(male 3,237,212/female 3,142,202)
25-54 years	: 36.3%	(male 6,032,379/female 5,785,967)
55-64 years	: 4.2%	(male 652,973/female 713,662)
65 + years	: 3.2%	(male 487,841/female 561,797)

THE BAD: INFRASTRUCTURE WEAKNESS

➤ Oil & State dependence

- Oil accounts for over 90% of government revenues. Government & SOE's account for bulk of economic activity
- Government & SOE's employ over 50% of workforce & are the main vehicle for transfer of oil wealth
- Budget very sensitive to high oil prices

➤ Workforce challenges

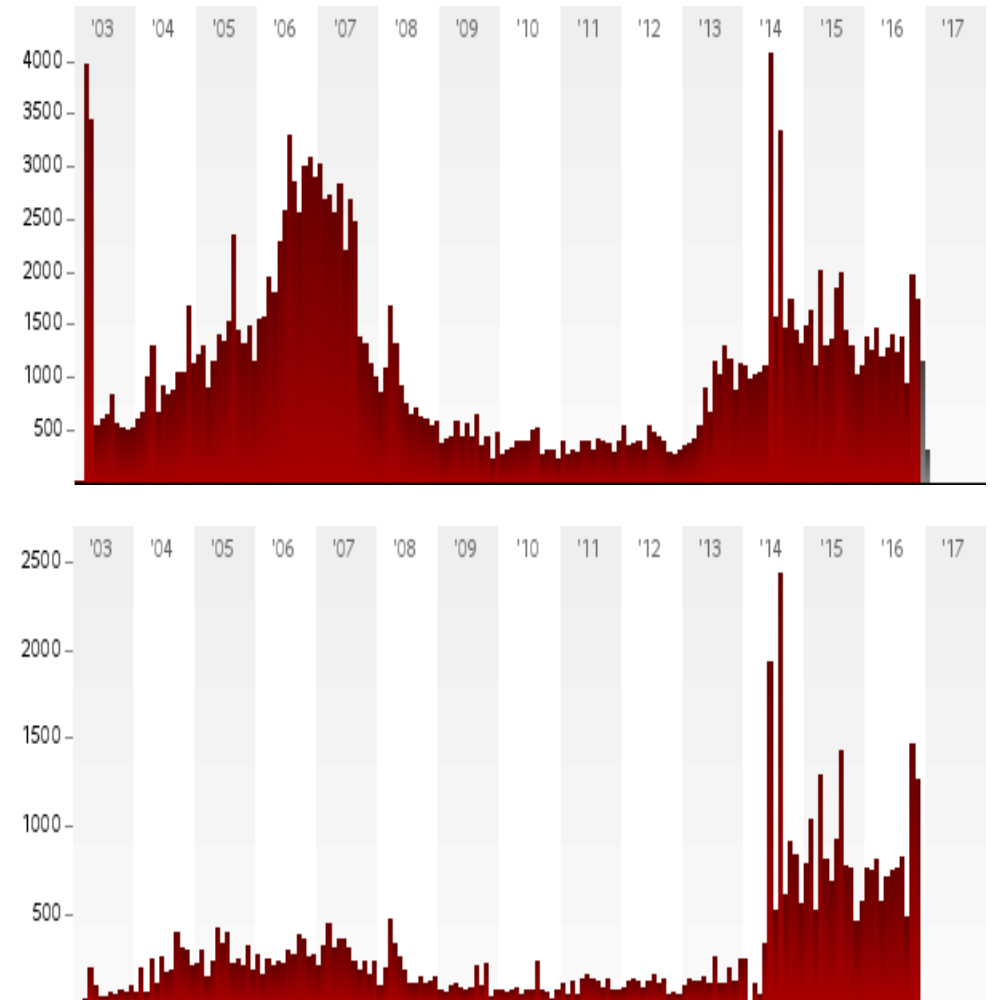
- 35 years of conflict had a profound effect on quality of workforce (education and skills suffered)
- Aggregate unemployment at 11% with high disparities by region, sex and age
- Extreme demographic pressures given its very young population

➤ Weak infrastructure

- Weak administrative capacity in government across all levels
- Weak infrastructure (electricity, roads and services)
- Weak business environment (poor governance, inefficient judiciary and weak security)

THE UGLY: VIOLENCE

- Violence & death toll
 - Top chart shows the total death toll
 - Bottom chart shows death toll by anti-government forces
 - The ISIS occupation of a 1/3 of the country and the two year war from 2014 shows clearly on both charts
- Following the liberation of Mosul, the challenge is to contain the sectarian, ethnic & regional conflicts
- The displacement of over 3.6 million Iraqis, or 10% of the population, adds a new layer of social tension and a huge financial stress



➤ Charts source : Iraq Body Count

IRAQ IN NUMBERS

Macro Data	2010A	2011A	2012A	2013A	2014A	2015E	2016P	2017P	2018P	2019 p
Nominal GDP (\$bn)	138.5	185.8	218.0	234.6	228.7	180.3	173.8	192.4	206.2	218.3
Real GDP change %	6.4%	7.5%	13.9%	7.6%	0.1%	2.9%	10.2%	1.1%	0.7%	1.1%
Real Non-oil GDP change %	9.1%	8.6%	15.0%	12.4%	-5.1%	-13.9%	-5.0%	3.0%	2.0%	3.0%
Population (m)	31.0	31.8	32.6	33.4	34.3	35.2	36.1	37.0	37.9	38.9
Nominal GDP Per Capita (\$)	4,374	5,687	6,693	7,021	6,672	5,127	4,818	5,200	5,434	5,068
CPI YoY % (avg)	2.4%	5.6%	6.1%	1.9%	2.2%	1.4%	2.0%	2.0%	2.0%	2.0%
M2 Growth (YoY)	32.6%	20.7%	3.4%	15.9%	3.6%	-9.0%	5.1%	9.2%	7.4%	7.6%
CBI Policy Rate	6.3%	6.0%	6.0%	6.0%	6.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Gross foreign reserves (\$bn)	50.6	61.1	69.3	77.8	66.7	53.7	43.0	39.3	38.1	37.3
in months of imports	10.6	9.5	9.8	10.4	10.9	9.6	6.7	6.7	5.8	5.6
Current account as % of GDP	3.0%	12.0%	6.7%	1.3%	2.7%	-6.1%	-6.8%	-6.8%	-6.2%	-2.9%
Official exchange rate \$/IQD	1,170	1,170	1,166	1,166	1,166	1,166	1,166	1,166	1,166	1,166
Banking : Assets	310.7	122.9	164.1	177.1	194.5					
Banking : Deposits	41.0	48.0	53.2	59.1	63.5					
Banking : Private sector deposits	11.69	15.55	18.11	20.97	21.19					
Banking : private sector deposits as % of GDP	8.4%	8.4%	8.3%	8.9%	9.3%					
Banking : Loans to the private sector	7.3	9.7	12.6	14.5	15.2					
Banking : Loans to the private sector as % of GDP	5.3%	5.2%	5.8%	6.2%	6.7%					
Government revenue as % of GDP	45.4%	48.1%	47.0%	42.2%	39.1%	30.2%	32.2%	34.8%	35.1%	34.3%
Government oil revenues as % of total revenues	86.1%	89.2%	91.5%	91.7%	94.4%	90.7%	87.9%	86.8%	87.2%	86.6%
Government expenditure as % of GDP	49.6%	43.4%	42.9%	48.0%	44.5%	42.5%	40.4%	41.8%	40.4%	36.0%
Budget balance as % of GDP	-4.2%	4.7%	4.1%	-5.8%	-5.4%	-12.3%	-8.2%	-7.0%	-5.3%	-1.7%
Government gross debt as % of GDP	51.0%	39.1%	33.6%	31.2%	32.6%	54.9%	61.3%	61.9%	63.1%	61.3%
Government external debt as % of GDP	43.9%	32.8%	27.7%	25.3%	25.2%	36.7%	37.8%	38.2%	40.3%	38.7%
Oil Production (million bbl/d)	2.4	2.7	3.0	3.0	3.1	3.7	4.5	4.5	4.5	4.5
Production growth (%)	2.0%	11.4%	13.1%	0.0%	3.3%	19.4%	21.6%	0.0%	0.0%	0.0%
Oil Exports (million bbl/d)	1.8	2.0	2.4	2.4	2.6	3.4	3.8	3.8	3.8	3.8
Export growth(%)	-1.3%	10.7%	17.4%	0.0%	8.3%	30.8%	11.8%	0.0%	0.0%	0.0%

Figures from IMF Dec 16 Iraq update report, latest REO & WEO's

- Despite the bad and the ugly Iraq has managed to grow strongly until 2013
- The ISIS occupation, population dislocation and war hurt 2014, but growth resumed in 2015 & 2016 followed by gradual recovery beyond
- Oil exports and accumulating oil wealth will provide the where-with-all for resumption of strong growth after 2015
 - Oil production/export figures now include KRG production/exports and so differ from prior presentations
- IMF estimates for GDP growth are based on assumption about future oil prices with which have been extremely volatile. In Jan 16 IMF REO est. 2015 at 1.5%, 2016 at 10.6% and 2017-2019 at 7.2% have been revised to in WEO Apr 16 to 2015 at 2.4%, 2016 at 7.2% and 2017-2019 at 3.9%. Expect similar sharp revisions in future.
- IMF is assuming zero growth in oil production/exports in 2017 and beyond but this is subject to upward revisions
- Oil & Non-Oil GDP growth figures are from IMF REO Jan 16 and has not been updated for lower oil price assumptions as other data in WEO October 2016

CAPITAL MARKETS

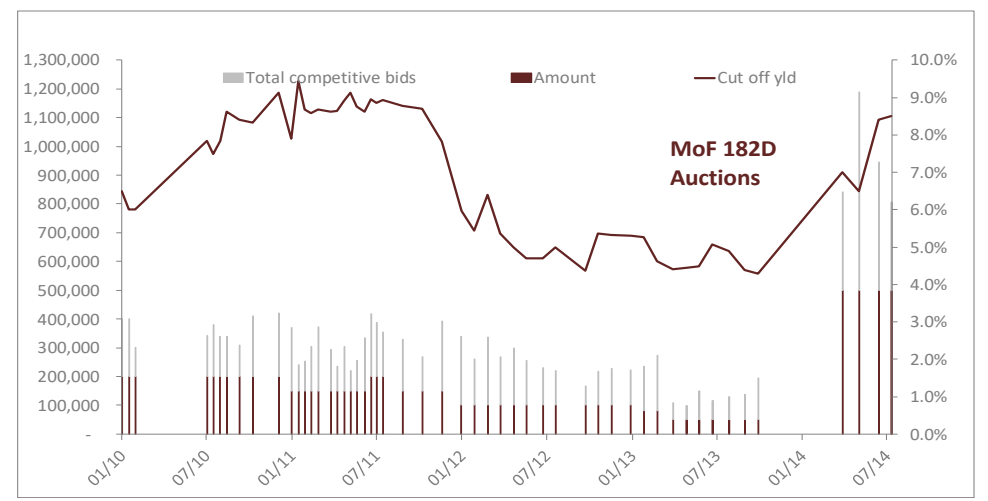
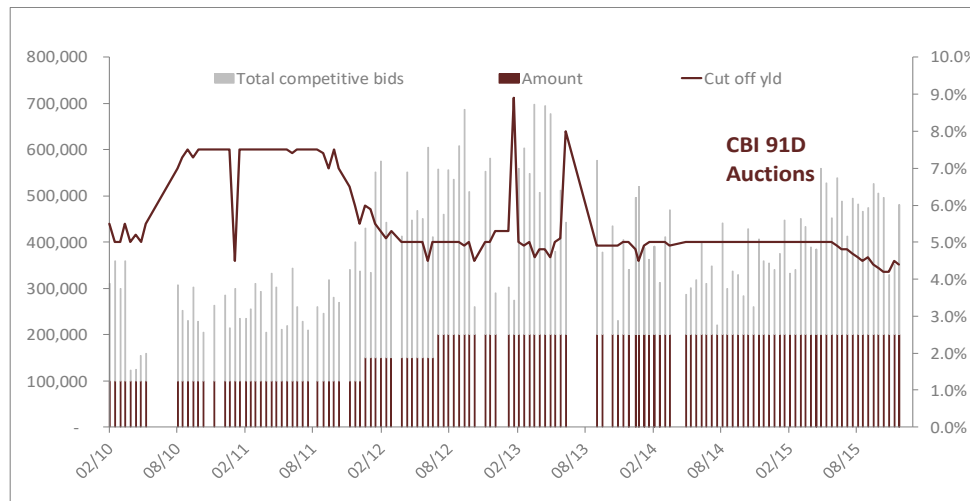
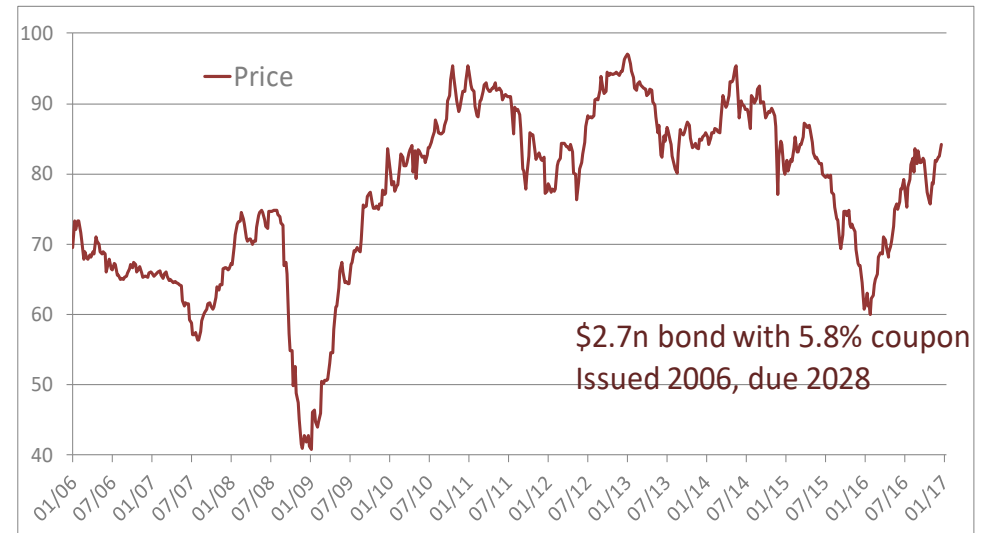
CAPITAL MARKETS: DEBT

➤ Bonds

- International : \$2.7 billion bond issued in 2006 & due in 2028. Current yield about % 8% (Early Jan. 2017)
- Internal : T-Bills, 91, 182 & 365 days paper issued in IQD by Central Bank of Iraq (CBI) & Ministry of Finance (MoF)

➤ Direct government Debt

- External : About \$60 billion at end 2012
- Internal : Bank loans to state and SOE's \$14 billion (end 2014)



Note : Left hand scale in the two above charts is in IQD 1,000, Amount is amount offered for sale and total competitive bids submitted to the auction

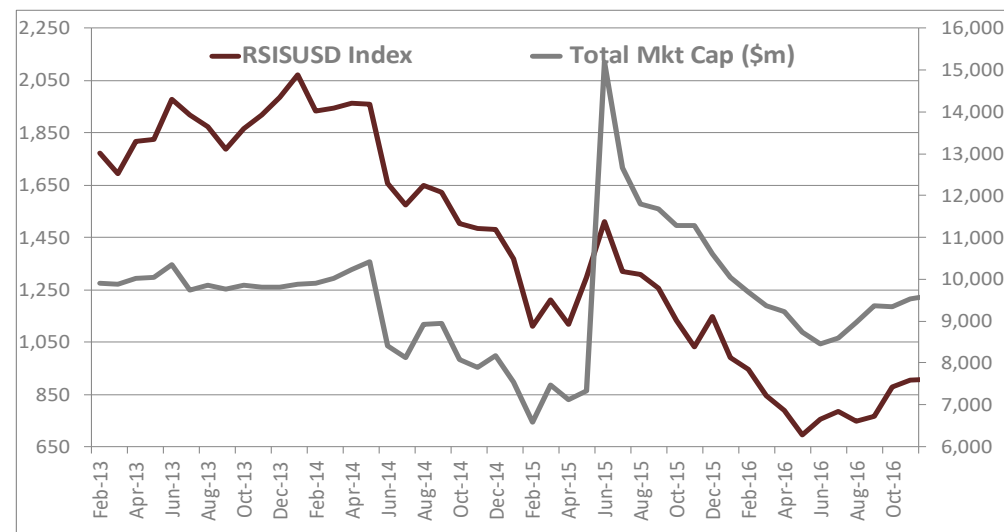
CAPITAL MARKETS: EQUITIES

➤ The Iraq Stock Exchange (ISX) is at its infancy and yet to play its part in the economy

- The ISX is an SRO and governed by The Iraqi Securities Commission (ISC)
- The ISX operates an electronic trading platform provided by NASDAQ-OMX
- Share ownership is fully decartelized & held electronically with the Iraqi Depository Centre (IDC)

➤ The ISX is made up of over 80 companies

- Banks account for 26% of market cap. & over 70% of trading
 - Accounted for 56% of market Cap prior to listing of ZAIN Iraq
- Telecoms account for 65% of market cap. significantly boosted by the listing of ZAIN Iraq
 - ZAIN Iraq listed, in June 2015, so far under 100 million shares from a total of 457 billion shares offered
 - An initial USD 9 billion market cap based on an 0.005% float, down to USD 5 billion by end of 2106 & will likely contract significantly as more shares are sold
- 12 month average trading is under \$1 million

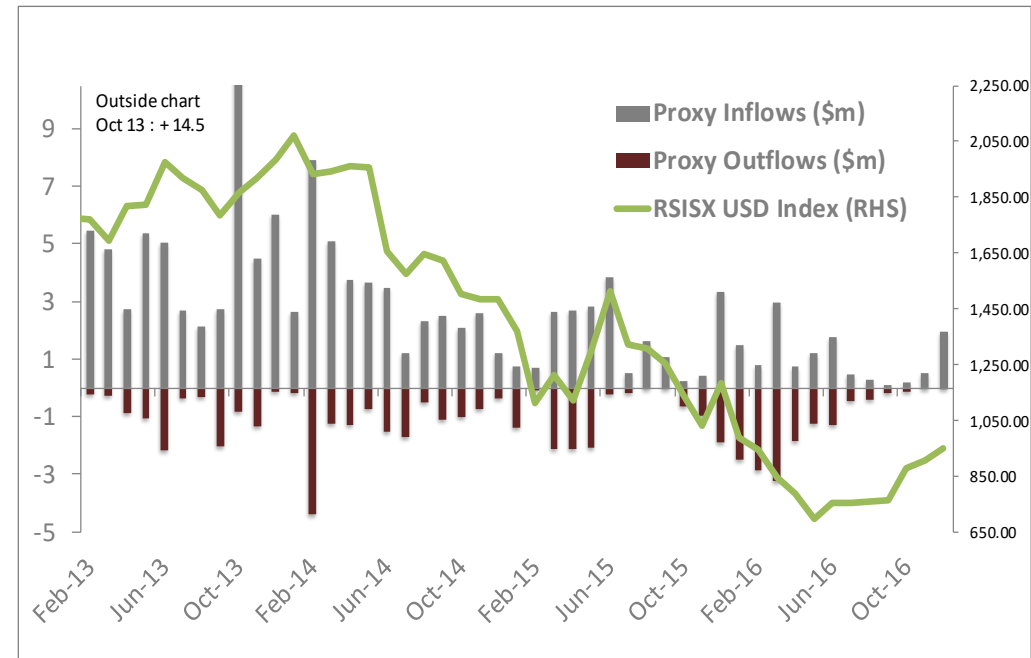


31/12/2017	Market Cap \$m	% of Market cap
Banking Sector	2,747	26.32%
Telecommunication Sector	6,804	65.20%
Industrial Sector	420	4.02%
Hotel Sector	315	3.02%
Services Sector	76	0.73%
Agricultural Sector	60	0.58%
Insurance Sector	8	0.07%
Investment Sector	6	0.06%
Total market	10,435	
L12M avg daily turnover \$m <	1.0	

- Top chart : RSISUSD Index for the Iraq Stock Exchange in USD vs. total market capitalization. Spike in market cap. Is to due to a significant new listing

CAPITAL MARKETS: EQUITIES

- Trading is dominated by local retail investors, however,
 - the total number of investors is tiny with active traders probably < 5,000 and overall investors probably < 35,000
 - Hardly any local institutional investors
- Foreigners: The market opened to foreigners in 2007
 - Handful of funds with AuM's about \$100 million account for the bulk of institutional funds
 - Top chart shows proxy portfolio inflows (in grey) and proxy portfolio outflows (red line) vs the RSISX USD Index (green line)
- In a regional context & as a percentage of GDP
 - The ISX is tiny in both absolute and relative terms
 - In the medium term the ISX should be line with Iran and ultimately with Saudi Arabia



Country	capitalization n December 2016 in \$bn	GDP 2015e in \$bn	capitalizati on as % of GDP
KSA	431	653	66.0%
UAE	216	345	62.5%
Qatar	137	185	73.6%
Kuwait	89	121	73.4%
Egypt	34	331	10.3%
Jordan	24	38	63.8%
Iraq	10	169	5.9%
Iran	100	388	25.8%
Total	1,040	2,230	46.6%

CAPITAL MARKETS: EQUITIES

as of : 31/12/2017

Sector/Company	Tkr	Mkt Cap (\$m)	% of Sector cap	% of Mkt cap	% Foreigners	Earnings (\$m)						Book value (\$m)						Ratios						Performance			
						Y1	Y2	Y3	LT8Q	LT4Q	3 Yr CAGR	Y1	Y2	Y3	LT8Q	LT4Q	3 yr CAGR	P/E	P/BV	P/Rev	Pot'l Yld	ROE	ROA	2017	2016	2015	
Banking Sector		1,447	52.7%	13.9%		216.8	155.8	90.2	#	136.6	71.6	-31%	2196	2583	2587	2639	2663	7%	20.2	0.5	21.8						
Bank of Baghdad	BBOB	195	7.1%	1.9%	70%	27.5	23.8	4.2	30.7	-5.8	-160%	250	251	230	261	247	0%	N/A	0.8	2.9	0.0%	-2.3%	-0.4%	0%	-22%	-22%	
Credit Bank of Iraq	BROI	161	5.9%	1.5%	91%	9.9	9.6	10.0	10.3	4.3	-24%	169	251	259	260	264	16%	37.6	0.6	10.6	0.0%	1.6%	0.8%	0%	27%	-44%	
Al-Mansour Bank	BMNS	212	7.7%	2.0%	57%	21.7	14.5	16.9	17.2	14.7	-12%	240	242	248	245	234	-1%	14.4	0.9	8.3	6.1%	6.1%	1.5%	0%	14%	2%	
National Bank of Iraq	BNOI	88	3.2%	0.8%	81%	11.9	6.0	2.0	-2.9	15.8	10%	145	226	223	224	235	18%	5.6	0.4	2.0	0.0%	6.9%	3.4%	0%	-25%	-40%	
Commercial Bank of Iraq	BCOI	103	3.7%	1.0%	69%	7.6	7.9	6.2	6.9	5.9	-8%	169	244	235	241	240	12%	17.5	0.4	6.2	6.9%	2.4%	1.6%	0%	17%	-38%	
Gulf Commercial Bank	BGUC	116	4.2%	1.1%	2%	40.8	31.0	8.5	14.8	1.9	-64%	261	297	276	282	284	3%	60.9	0.4	2.7	2.2%	0.7%	0.3%	0%	-12%	-36%	
Iraq Middle East Investment Bank	BIME	92	3.4%	0.9%	10%	17.9	3.1	4.6	8.4	7.7	-24%	174	263	238	243	249	13%	12.0	0.4	2.6	2.2%	3.1%	1.5%	0%	-16%	-15%	
Dar Es Salam Investment Bank	BDSI	17	0.6%	0.2%	1%	14.1	10.7	6.2	10.2	2.8	-42%	145	155	162	165	159	3%	6.0	0.1	1.0	0.0%	1.7%	0.6%	0%	-52%	-70%	
Kurdistan International Bank	BKUI	432	15.7%	4.1%	0%	31.2	33.0	36.3	34.9	36.7	6%	366	398	434	422	464	8%	11.8	0.9	5.9	0.0%	8.3%	4.1%	0%	-13%	-25%	
North Bank	BNOR	31	1.1%	0.3%	10%	34.2	16.0	-4.7	6.3	-12.4	-171%	278	257	282	295	287	1%	N/A	0.1	1.0	0.0%	-3.6%	-1.8%	0%	-54%	-75%	
Telecommunication Sector		6,804	100.0%	65.2%		167.7 # 350.0 146.8																					
Al Khatem Telecom	TZNI	5,116	75.2%	49.0%	76%	N/M	257.0	121.8	257.0	121.8	N/M	N/M	2,060	1,948	2,060	1,948	N/M	42.0	2.6	4.8	3.6%	2.7%	1.5%	0%	5%	-22%	
AsiaCell Telecom	TASC	1,688	24.8%	16.2%	67%	497.9	295.6	45.9	93.0	25.0	-63%	1,661	1,609	1,655	1,653	1,679	0%	67.5	1.0	1.3	0.0%	1.5%	0.0%	0%	-11%	-30%	
Industrial Sector		339	80.7%	3.2%														on LT4Q									
Baghdad Soft Drinks	IBSD	285	67.9%	2.7%	54%	18.5	16.9	23.2	24.3	29.5	17%	151	162	186	182	216	13%	9.7	1.3	1.4	4.0%	14.8%	13.9%	0%	-15%	30%	
Iraqi Date Processing & Marketing	IIDP	24.4	5.8%	0.2%	1%	-0.3	0.1	-0.8	0.1	0.5	N/M	16.0	17.2	16.4	17.2	16.4	1%	50.1	1.5	4.4	0.0%	2.9%	0.0%	0%	28%	2%	
National Chemical & Plastic Industries	INCP	8.1	1.9%	0.1%	2%	-2.2	-0.9	-2.0	-1.1	-2.0	-3%	7.2	6.9	5.6	6.8	4.5	-15%	N/A	1.8	0.9	0.0%	-35.7%	-24.5%	0%	15%	-36%	
Metallic Industries & Bicycles Industri	IMIB	2.1	0.5%	0.0%	1%	-0.6	-1.6	-1.6	-1.6	-1.2	N/M	3.6	2.5	1.9	2.1	1.1	-33%	N/A	2.0	0.8	0.0%	-77.4%	-30.0%	0%	-28%	10%	
Modern Sewing	IMOS	3.2	0.8%	0.0%	1%	0.0	0.1	0.1	0.1	0.1	230%	0.7	0.8	0.9	0.8	0.9	9%	43.3	3.6	8.1	0.0%	8.8%	7.4%	0%	48%	-20%	
Iraqi for Tufted Carpets	IITC	2.2	0.5%	0.0%	0%	0.2	0.2	0.2	0.2	0.2	1%	1.7	1.7	1.8	1.7	1.8	2%	12.8	1.3	3.7	4.9%	9.9%	6.2%	0%	20%	1%	
Al-Mansour Pharmaceuticals Indus	IMAP	3.7	0.9%	0.0%	9%	0.2	0.3	0.4	0.6	0.0	-145%	6.3	6.2	6.5	6.5	6.5	1%	N/A	0.6	1.9	7.0%	-0.3%	-0.3%	0%	-12%	-10%	
Services Sector		38	181.4%	0.4%																							
Mamoura Real Estate Investment	SMRI	38	50.2%	0.4%	60%	0.2	0.8	0.3	0.8	0.4	29%	13.7	15.9	17.2	15.9	17.2	8%	93.2	2.2	7.3	0.0%	2.5%	2.1%	0%	-40%	-9%	
Agricultural Sector		39	65.6%	0.4%																							
Iraqi for Seed Production	AISP	39	65.6%	0.4%	0%	2.8	2.0	8.0	-0.1	5.7	26%	5.5	7.6	13.0	6.6	11.5	28%	7.0	3.4	4.3	6.7%	4.7%	8.0%	0%	7%	-15%	
Focus List		8,667		82.7%																							

Y1, Y2, Y3 are the full last 3 years (for most this includes 2015 but not all co's reported 2015.)

LT8Q & LT4Q are trailing 8Q's & 4Q's respectively in order to compare the last 4 Q's to the preceding ones

Most companies report Q1-Q3 & FY numbers and so Q4 is derived from these numbers

Pot'l yield assumes that the company would pay same dividend it paid in prior year

Companies in *Italics* earnings are in the process of being updated

OPERATING LEVERAGE

OPERATING LEVERAGE : BANKS

- The operating leverage can be significant even under conservative assumptions (see next page)
- The tables shows returns in 5 & 10 years time assuming the same current depressed multiples & a 25% premium to these multiples
- The model does not assume a meaningful expansion in banking or credit usage and neither does it assume a meaningful increase in market share of commercial banks at expense of state banks
 - Past experience in post conflict or adoption of banking culture has been of much higher growth in banking assets and subsequently book values

31/12/2017	Mkt Cap (\$m)	Earnings (\$m)	Book value (\$m)	P/E	P/BV
2015 (*)		(***)			
Bank of Baghdad	195	17	230	11.3	0.8
Gulf Commercial Bank	116	8	276	13.7	0.4
Kurdistan International Bank	432	36	434	11.9	1.0

At depressed current multiples (**)

2020	% return				
Bank of Baghdad	443	127%	53	337	8.4
Gulf Commercial Bank	167	44%	14	329	11.7
Kurdistan International Bank	962	123%	103	697	9.3
2025	% return				
Bank of Baghdad	1,152	490%	154	664	7.5
Gulf Commercial Bank	506	337%	57	538	8.8
Kurdistan International Bank	2,468	471%	293	1,464	8.4

Premium to current multiples (*) = 25%

2020	% return				
Bank of Baghdad	554	184%	53	337	10.5
Gulf Commercial Bank	209	81%	14	329	14.6
Kurdistan International Bank	1203	178%	103	697	11.6
2025	% return				
Bank of Baghdad	1,440	638%	154	664	9.4
Gulf Commercial Bank	633	446%	57	538	11.0
Kurdistan International Bank	3,085	614%	293	1,464	10.5

* Market cap as of now, earnings and book value are for 2015

** Multiples applied to future years are avg of P/BV and P/E to get to future market cap

Figures are rounded for ease of reading

Commercial banks have huge operating leverage as banking usage and credit expansion takes hold

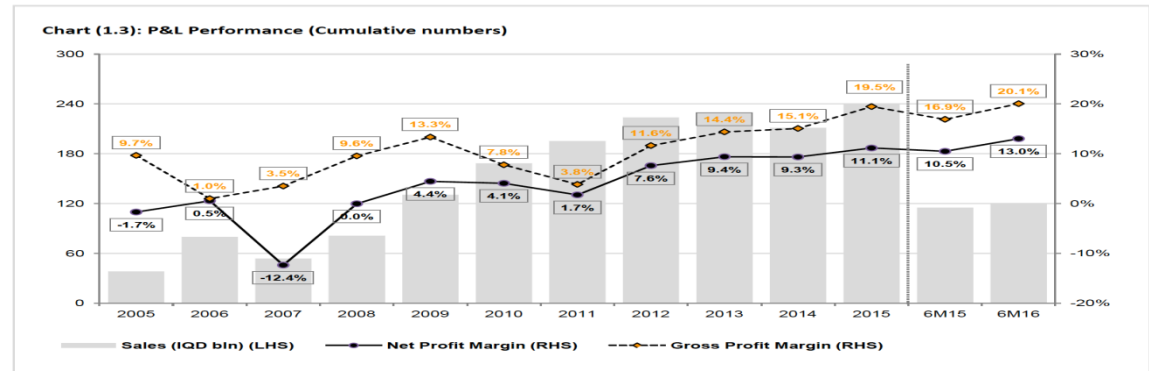
- The scale of the opportunity can be seen by noting that (figures from 2014)
 - Less than 20% of the population have bank accounts and state banks dominate the landscape
 - Private sector deposits at 9.5% of GDP (39% with commercial banks) vs 75% for MENA (GCC at 70% & non-GCC at 80%)
 - Private sector credit at 6.8% of GDP (41% with commercial banks) vs 55% for MENA (GCC at 70% & non-GCC at 40%)
- Focusing on three banks, at different points of the commercial banking spectrum
 - Bank of Baghdad (BBOB) is majority owned (52%) by Burgan Bank of Kuwait, part of Kuwaiti conglomerate KIPCO Group
 - BBOB has grown deposits at 4 year CAGR of 10% while loan to deposit ratio stands at 15%
 - Gulf Commercial Bank (BGUC) with a major holding by prominent Iraqi merchant family
 - BGUC has grown deposits at 4 year CAGR of 10% while loan to deposit ratio stands at 61%
 - Kurdistan In'l Bank (BKUI) is a Kurdistan based Islamic Bank with a major holding by prominent Kurdish businesswomen/men
 - BKUI has grown deposits at 4 year CAGR of 7% while loan to deposit ratio stands at 24%
- A conservative “what if scenario “ demonstrates the potential operating leverage
 - For BBOB an increase in deposit growth CAGR from 10% to 17% for next 10 years and loan deposit ratio at 30%/50% in 5/10 years time
 - For BGUC an increase in deposit growth CAGR from 11% to 17% for next 10 years and loan deposit ratio at 75%/90% in 5/10 years time
 - For BKUI an increase in deposit growth CAGR from 7% to 10% for next 10 years and loan deposit ratio at 40%/60% in 5/10 years time
 - For all 3 banks a narrowing of lending margins, higher interest expense and modest growth in expenses

OPERATING LEVERAGE : SOFT DRINKS

➤ Bagdad Soft Drinks demonstrates operating leverage in the making

- A Pepsi bottler
- Logistical challenges & costs of operating in conflict
- Significant competition from cheap imports

Source : Rabee Securities research report



➤ Sales & margins expanded in 2008-2010 after being crushed by the terrible civil war years of 2005-2007. Relative stability of 2011-2013 enabled margin expansion. Growth in revenues and margins hit a wall in 2014

➤ The return to semblance of normality in 2015 & 2016 enabled the company to execute expansion plans through the addition of a new product lines & increased total capacity, which resulted in:

- 14% increase in revenues & 36% in profits in 2015
- 9 % increase in revenues & 31% in profits for 9 months 2016
- Net & gross margins expanded

31/12/2017	Mkt Cap (\$m)	% of Mkt cap	% Foreigners	Earnings (\$m)				Book value (\$m)				Ratios				
				2013	2014	2015	LT4Q	2013	2014	2015	LT4Q	P/E	P/BV	P/Rev	ROE	ROA
Baghdad Soft Drinks	285	2.7%	54%	18.5	16.9	23.2	29.5	151	162	186	216.1	9.7	1.3	1.4	14.8%	13.9%

Note : LT4Q is trailing 12 months

➤ Post-conflict recovery could add significant new legs to operating leverage

- Per capita consumption of cola is at its infancy
- Significant opportunity for increasing sales & distribution and lowering of operating costs
- Championing local industry will likely take some form of tariffs on imports which will enable the company to increase sales and prices

ABOUT ASIA FRONTIER CAPITAL

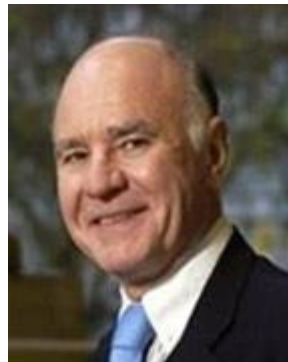
SHAREHOLDERS OF ASIA FRONTIER CAPITAL LIMITED



Thomas Hugger, CEO and Fund Manager, has spent 27 years in private banking and has been investing in Asian and African Frontier Markets since 1993. He is the former Managing Partner, CFO & COO of Leopard Capital; and was previously a Managing Director and Head of Portfolio Management at LGT Bank in Hong Kong. Mr. Hugger was the founding shareholder of one of the largest brokerage companies in Bangladesh. He is also a Certified Financial Investment Analyst (CFIA) and Investment Adviser (Switzerland) and a Certified European Federation of Financial Analysts Societies (EFFAS) Financial Analyst.



Lord Fraser of Corriegarth, Director, is a graduate of St John's College, Oxford after which he held numerous posts in the financial sector both in the City of London and elsewhere. He has previously held positions as; CEO of Baring Securities in the UK, Chairman of Equity Partners Ltd., a Bangladesh investment bank, as well as Chairman of Bridge Securities, a quoted Korean company, amongst other posts. At present he is a global investor based in London.



Dr. Marc Faber, is CEO, investment advisor and fund manager of Marc Faber Limited. He is the publisher of a widely read monthly investment newsletter The Gloom, Boom and Doom report which highlights global investment opportunities. Dr. Faber is respected around the world for his market forecasts over the past three decades.

DIRECTORS OF ASIA FRONTIER CAPITAL (IRAQ) LIMITED



Ahmed Tabaqchali, CIO of AFC Iraq Fund, is an experienced Capital Markets professional with over 22 years experiences in US and MENA markets. Currently a board member of the Credit Bank of Iraq. He is a former Executive Director of NBK Capital, the investment banking arm of the National Bank of Kuwait as head of Brokerage.

Prior to that a Managing Director and Head of International Institutional Sales at WR Hambrecht + Co. based in London, New York and San Francisco. This followed on from roles as a Managing Director at KeyBanc in London charged with international sales, and before that Director & Head of Capital Markets & Institutional Sales at Jefferies Int'l in London. He started his career at Dean Witter Int'l in London.

Ahmed has an M. Sc. in Mathematics from Oxford University in the UK, a B.Sc. (Hons, 1st class) in Mathematics from Victoria University in New Zealand and a B.Sc. in Mathematics from Canterbury University in New Zealand. Ahmed is an Iraqi & a British national.



Thomas Hugger, Fund Manager and Founder of Asia Frontier Capital, has spent 27 years in private banking where he specialized in managing portfolios of listed and unlisted equities.

He has been investing in Asian and African Frontier Markets since 1993. He is the former Managing Partner, CFO & COO of Leopard Capital; and was previously a Managing Director and Head of Portfolio Management at LGT Bank in Hong Kong. He also held senior investment positions at Bank Julius Baer in Zurich and Hong Kong.

Mr. Hugger was the founding shareholder of one of the largest brokerage companies in Bangladesh. He is also a Certified Financial Investment Analyst (CFIA) and Investment Adviser (Switzerland) and a Certified European Federation of Financial Analysts Societies (EFFAS) Financial Analyst.

FUND INFORMATION

AFC IRAQ FUND DETAILS

Legal Structure	Open Ended Umbrella Funds (Master-Feeder Structure) Cayman Islands
Initial Investment Minimum	US: USD 25,000 / Non-US: USD 10,000
Subsequent Investment Minimum	US: USD 10,000 / Non-US: USD 1,000
Launch Date	26 th June 2015
Subscription Frequency	Monthly, 5 business days before month end
Redemption	Monthly: Class D - 3 month notification, Class E - 6 month notification
Management Fee	Class D: 1.8% / Class E: 1.5% p.a. of NAV
Performance Fee	Class D: 18% / Class E: 15% (with high watermark)
Auditor	Ernst & Young, Hong Kong
Legal Advisor	Ogier, Hong Kong US: Morgan, Lewis & Bockius LLP, Boston
Custodian	Iraq Depository Centre (IDC)
Fund Administrator	Custom House, Singapore
Investment Manager	Asia Frontier Capital (Iraq) Ltd, Cayman Islands

FUND PERFORMANCE – AFC IRAQ FUND

NAV as of 31st December 2016

	Class D	Class E
NAV	613.28	616.05
Since Inception	-38.67%	-38.39%
Inception Date	26/06/2015	26/06/2015

Monthly Performances AFC Iraq Fund Class D

		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2015	USD						+0.00%	-7.92%	-5.20%	-2.20%	-7.00%	-3.39%	+0.56%	-22.86%
2016	USD	-9.71%	-4.31%	-5.85%	-2.73%	-8.59%	+7.29%	-1.92%	-3.28%	+0.55%	+1.91%	+0.53%	+4.83%	-20.50%

Monthly Performances AFC Iraq Fund Class E

		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2015	USD						+0.00%	-7.89%	-5.17%	-2.18%	-6.98%	-3.37%	+0.59%	-22.74%
2016	USD	-9.69%	-4.29%	-5.83%	-2.71%	-8.57%	+7.32%	-1.89%	-3.25%	+0.57%	+1.94%	+0.56%	+4.86%	-20.26%

FUND PERFORMANCE – AFC IRAQ FUND (NON-US)

NAV as of 31st December 2016

	Class D	Class E
NAV	613.28	616.05
Since Inception	-38.67%	-38.39%
Inception Date	26/06/2015	26/06/2015

Monthly Performances AFC Iraq Fund Class D

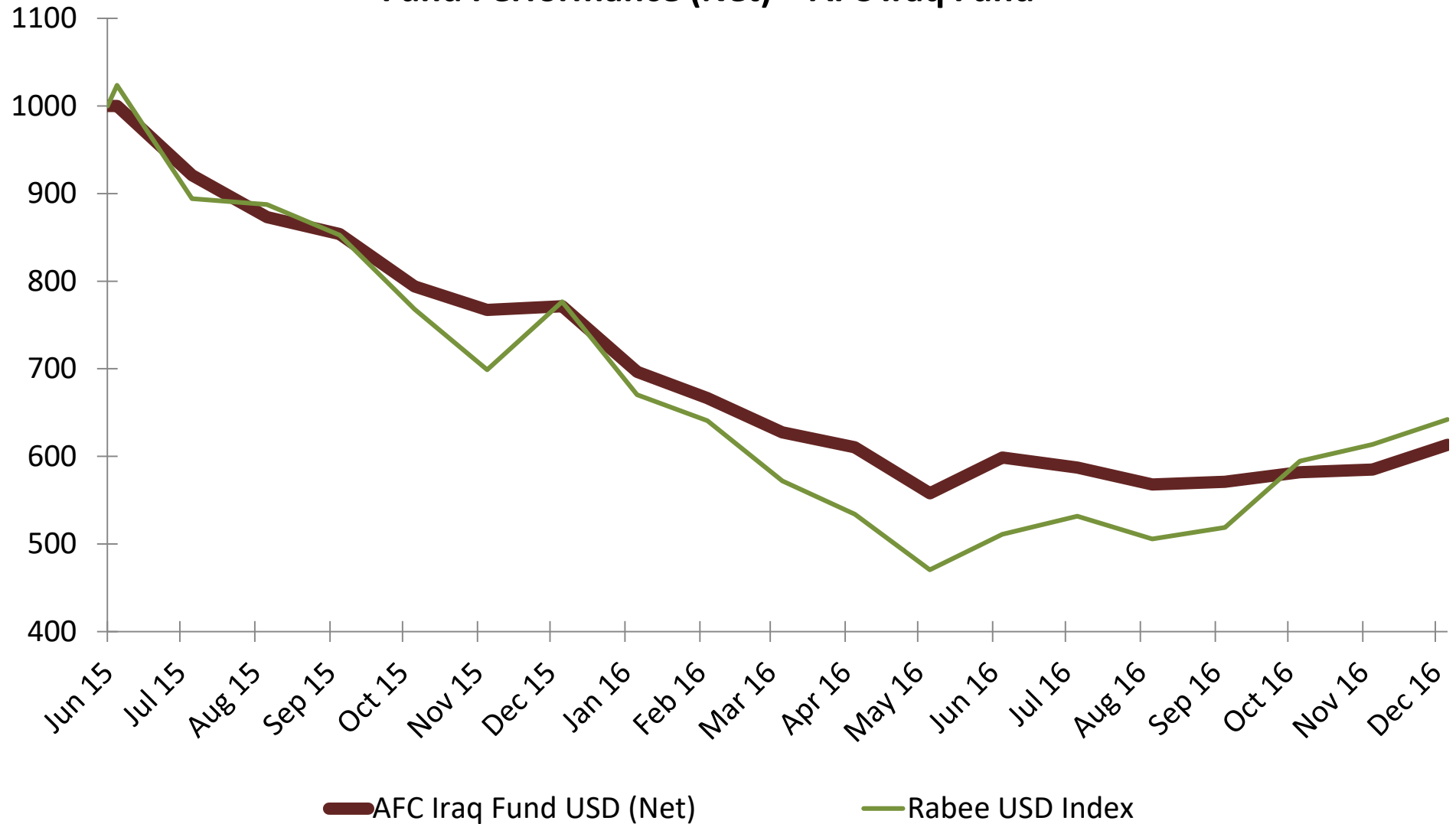
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2015	USD						+0.00%	-7.92%	-5.20%	-2.20%	-7.00%	-3.39%	+0.56%	-22.86%
2016	USD	-9.71%	-4.31%	-5.85%	-2.73%	-8.59%	+7.29%	-1.92%	-3.28%	+0.55%	+1.91%	+0.53%	+4.83%	-20.50%

Monthly Performances AFC Iraq Fund Class E

		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2015	USD						+0.00%	-7.89%	-5.17%	-2.18%	-6.98%	-3.37%	+0.59%	-22.74%
2016	USD	-9.69%	-4.29%	-5.83%	-2.71%	-8.57%	+7.32%	-1.89%	-3.25%	+0.57%	+1.94%	+0.56%	+4.86%	-20.26%

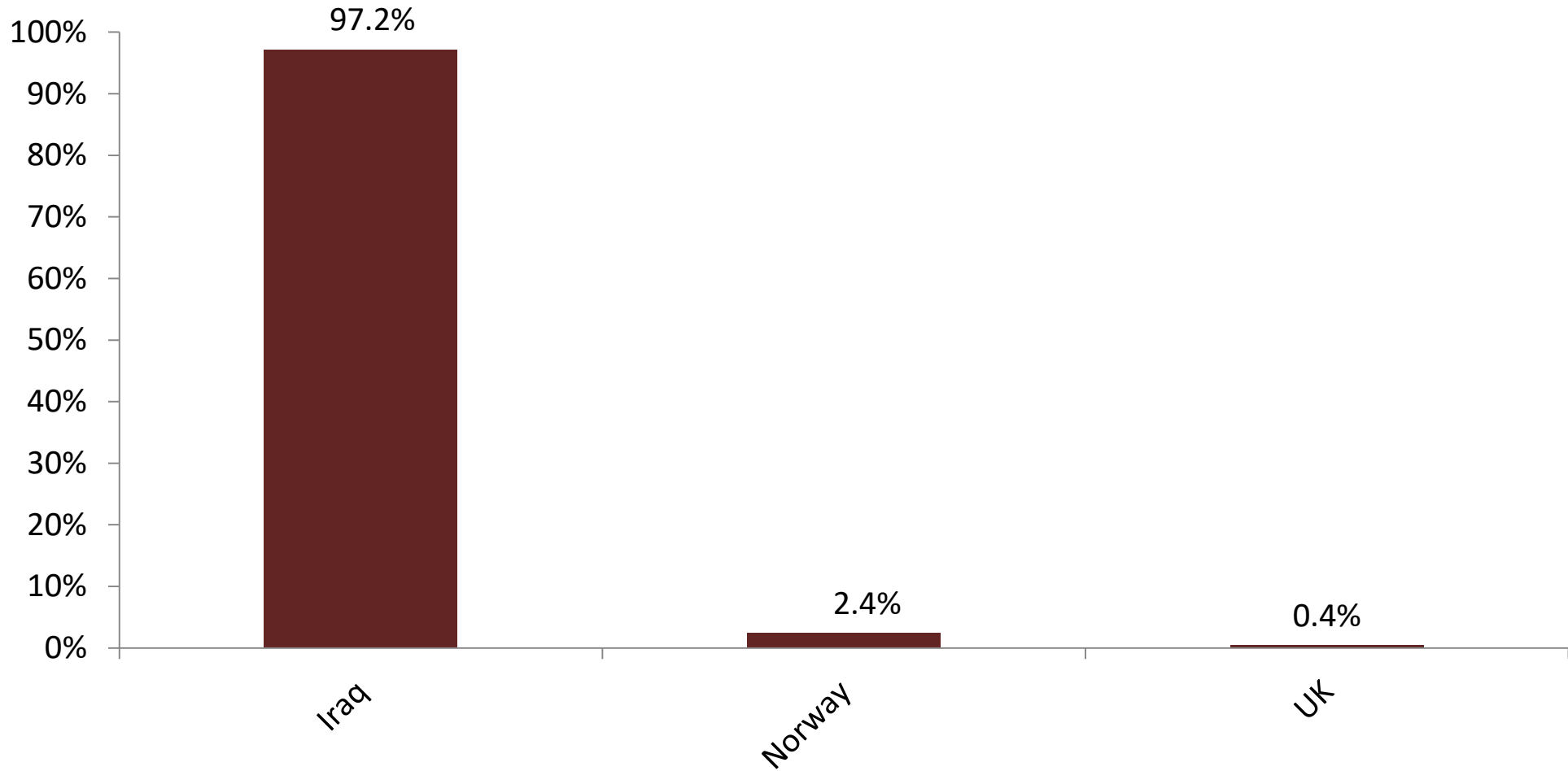
FUND PERFORMANCE

Fund Performance (Net) – AFC Iraq Fund

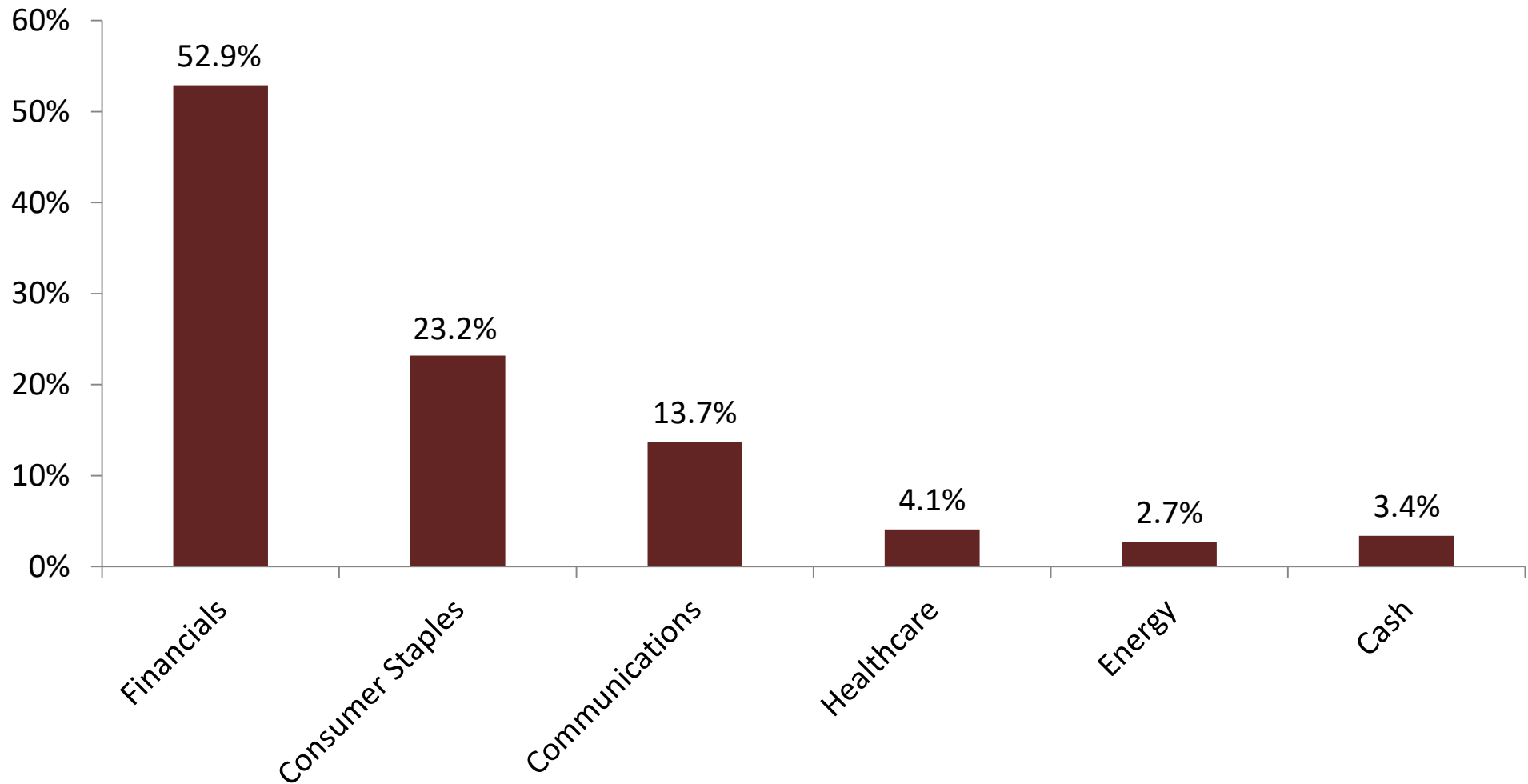


COUNTRY ALLOCATION

Exchange Country – 31st December 2016



Sector Allocation – 31st December 2016



AFC Umbrella Fund – AFC Iraq Fund

	Class D	Class E
ISIN No.	KYG0132A1682	KYG0132A1765
CUSIP No.	G0132A168	G0132A176
Bloomberg	AFCIRAQ KY	AFCIRAE KY
Valoren No.	28883562	28883205

AFC Umbrella Fund (non US) – AFC Iraq Fund (non US)

	Class D	Class E
ISIN No.	KYG0133A1756	KYG0133A1830
CUSIP No.	G0133A175	G0133A183
Bloomberg	AFCIRNUD KY	AFIRNUE KY
Valoren No.	28570227	28881954

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APPENDICES

TWO IRAQS: UNTENABLE PRIOR STRUCTURE

➤ KRI held back

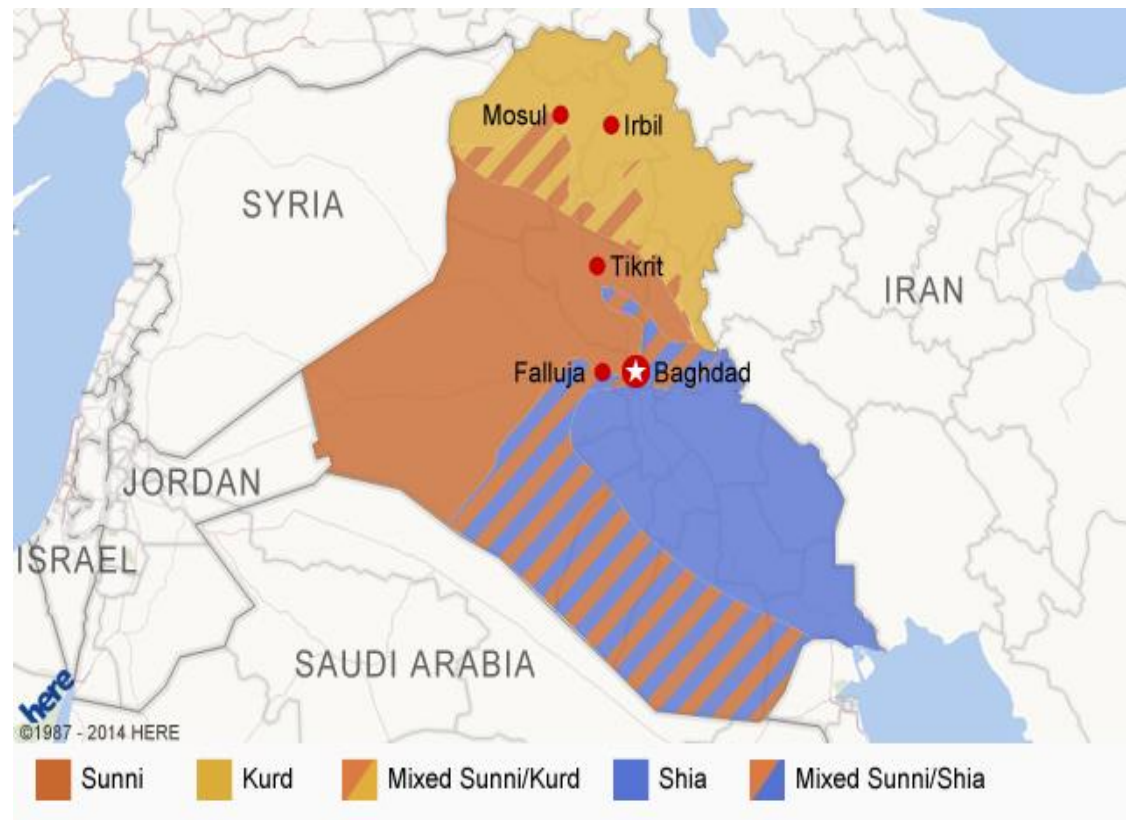
- Legal structure held back revenues for KRG and ultimately IOC's operating in KRI
- which held back full investments by IOC's to fully explore & develop KRI oil

➤ Political deadlock

- No progress on hydrocarbon law since first draft in 2007
- Chronic under spending in capital investments esp. on refineries, electricity & utilities

➤ Southern fields constrained

- Massive southern fields' production & exports held back by poor state of transportation, inadequate storage and need for water for field injections
- Political uncertainty regarding contracts in south



TWO IRAQS: UNTENABLE PRIOR STRUCTURE

➤ Oil in KRI

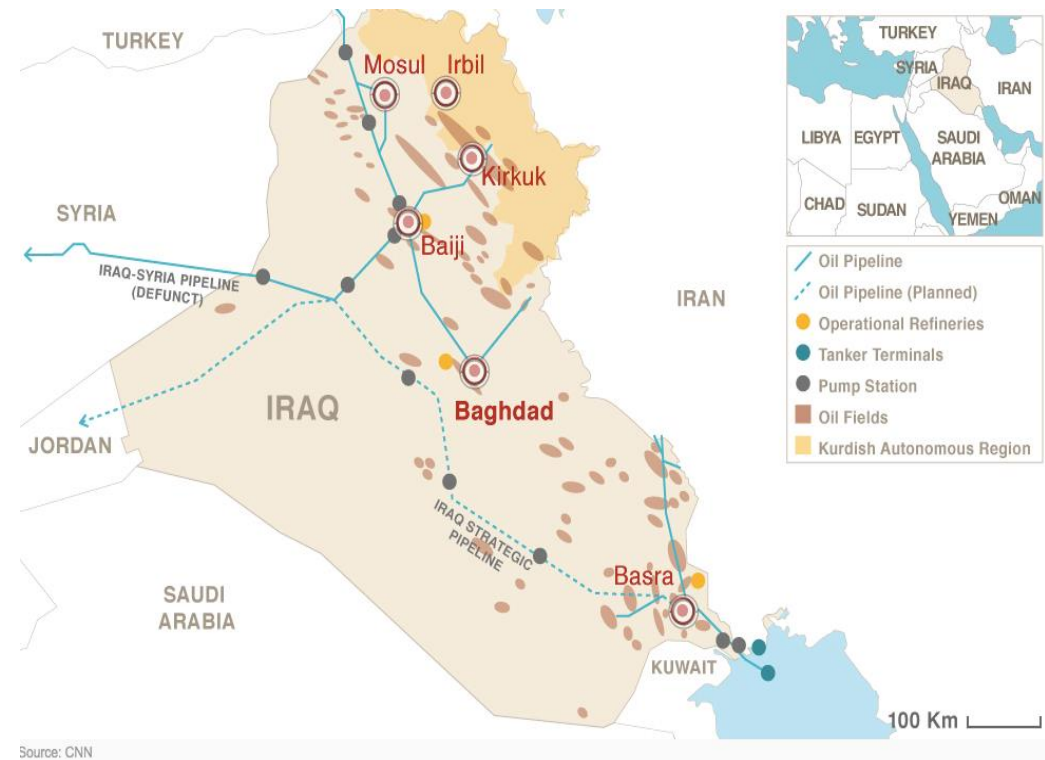
- Reserves : KRI + Kirkuk could be world's 11th largest reserves @ 40 billion vs. US 10th @ 44.5 billion barrels & Libya 9th @ 48.5 billion barrels
- Production & export
 - KRI produced an avg. of 350,000 bbl/d in H2/2014, aiming for 1 million bbl/d by end 2015 or early 2016
 - Kirkuk + related fields : On/off in 2014. Declined from peak: 250,000 bbl/d in 2013, 365,000 bbl/d in 2012, 460,000 bbl/d in 2009 & 900,000 bbl/d in 2000
 - Exports via trucks (50,000-100,000 bbl/d) & pipeline (peak 300,000 bbl/d in Nov 2014)

➤ KRI in numbers

- 17% share of Iraq's oil revenues
- 2011 GDP at \$23.6 billion or about 13% of Iraq's GDP
- Population of 5.2 million, or 16% of Iraq's with a similar demographic profile

➤ Rest of Iraq

- Shia South : Accounting for 60% of reserves, 88% of production and about 95% of exports, all controlled by central government
- Baghdad : Seat of federal government, mixed but mostly Shia and sits on central fields at 9% of reserves
- Sunni West : Mostly desert and largely unexplored at 7% of reserves



TWO IRAQS: EMERGING NEW STRUCTURE

➤ Thesis

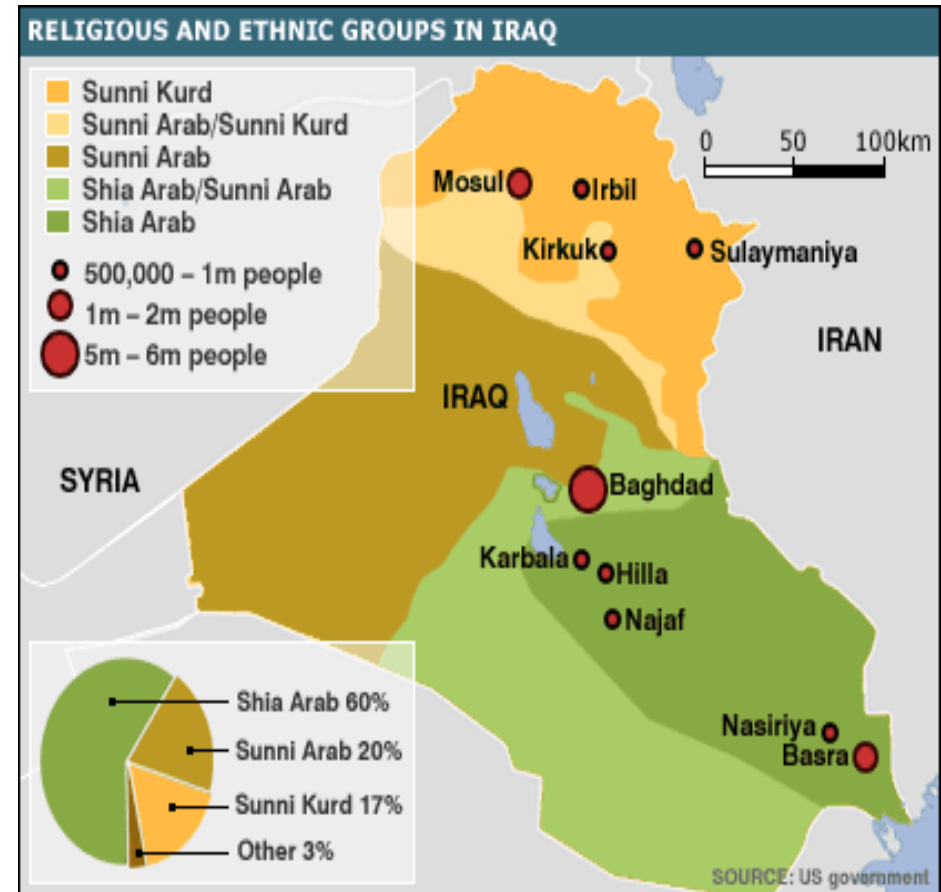
- KRI's autonomy in signing oil contracts, freedom to export within federal framework & ultimately control of finances
- Taking place within and speeding the trend of a decentralized federal Iraq as part of the post-Maliki power sharing deal
- Sunni tribes are the core of the solution for the removal of ISIS from Iraq just as in the "awakening movement" of 2007. However, unlike in 2007 the price will be greater autonomy

➤ Emerging Federal Iraq

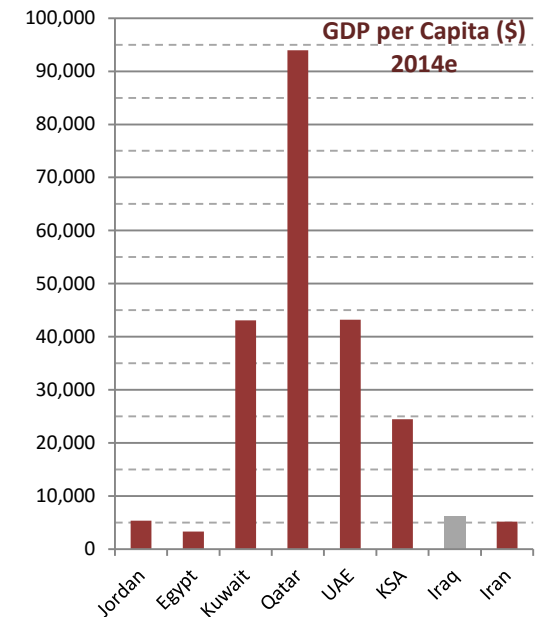
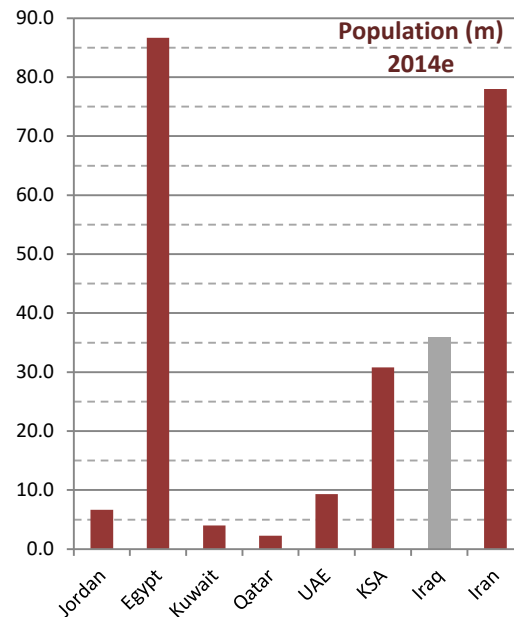
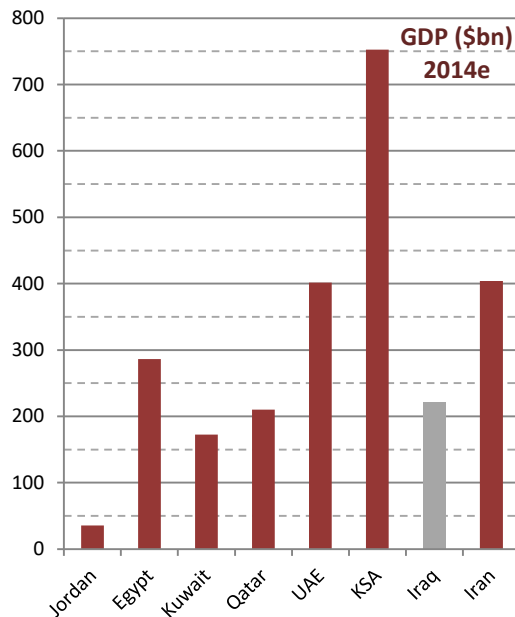
- An autonomous KRI
- Federal government in Baghdad
- Semi-autonomous/highly devolved regions : Sunni in the west, Shia in the south, + likely mixed Sunni/Shia in south-west

➤ Major investment implications

- Full investment in the KRI by IOC's and accelerating investments across the economy
- Fast and expedited spending in the devastated & ignored Sunni and Sunni/Shia areas esp. areas liberated from ISIS
- Continued growth in southern fields and accelerated cap. ex. spending to develop supporting infrastructure



IRAQ IN A REGIONAL CONTEXT



- Regional comparisons underscore the potential opportunity
 - Is a significant regional economy with a major population
 - But lags peers, esp. KSA, in GDP per capita
 - However, growth in oil production & exports down the road should alter the picture significantly
- The multiplier effect is yet to play out
 - The economy operates significantly below capacity and is mostly driven by the state
 - Infant banking system with less than 20% banking penetration
 - Under-funded private sector with credit access at 6.3% of GDP, SME's and households rely mostly on self finance

➤ Strategic oil supply to Asia esp. China

- China (22% of total), India (19%), South Korea (9%) and other Asian countries accounted for 58% of Iraq's average 2.6 million barrels/day of crude exports in 2014
- For China this represented over 10% of its net oil imports. Its oil companies are active in the South + KRI & invest about \$2 billion a year

➤ Regional & International Companies

- Banks : Regional Banks in Kuwait, Qatar, Bahrain and Jordan as direct equity investments. Other regionals and some internationals as branches
- Telecoms : ZAIN, Ooredoo & France Telecom

➤ World Bank and its investment arm the IFC

- World Bank : As of Feb 2014: 12 projects in infrastructure & private sector developments worth about \$870 million. *In Apr 15 said would seek to finance reconstruction of liberated areas*
- IFC : As of Feb 2014: about \$700 million, have taken forms of direct equity investments and/or loans. \$112 million in 2013 in cement manufacturing, warehousing and logistics. *In Apr 2015 said would step up investments to \$100-130 million a year*

- Financial sector depth severely lags MENA in aggregate and components of MENA, i.e. GCC & non-GCC, on multiple fronts
 - Banking
 - Stock market
 - Other financial services

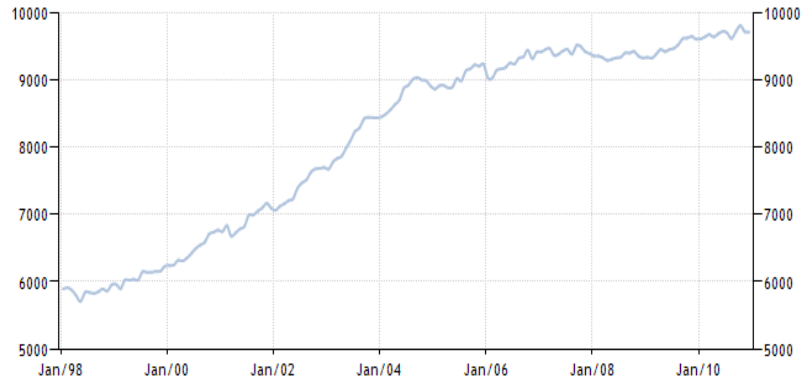
- Banking penetration for private sector as percentage of GDP:-
 - Deposits at 9.5% of GDP vs. 75% for MENA (GCC at 70% & non-GCC at 80%)
 - Credit at 6.8% of GDP vs. 55% for MENA (GCC at 70% & non-GCC at 40%)
 - Credit to deposit ratio at 60% vs. 65% for MENA (GCC at 100% & non-GCC at 50%)
 - But this is misleading due to special cases, select banks at 24% ratio

- Stock market role in the economy(*)
 - Market capitalization as percent of GDP < 3% vs. 57% for MENA (GCC at 67% and non-GCC at 33%)
 - Stock market turnover as percent of GDP < 1% vs. 45% for MENA (GCC at 50% & non-GCC at 35%)
 - However, like MENA and especially the GCC the stock market is not representative of the economy

() MENA markets are mostly driven by retail investors and experience significant rallies and declines with associated changes in turnover, hence figures of market cap or turnover as % of GDP could differ from the monthly snapshot on page 21.*

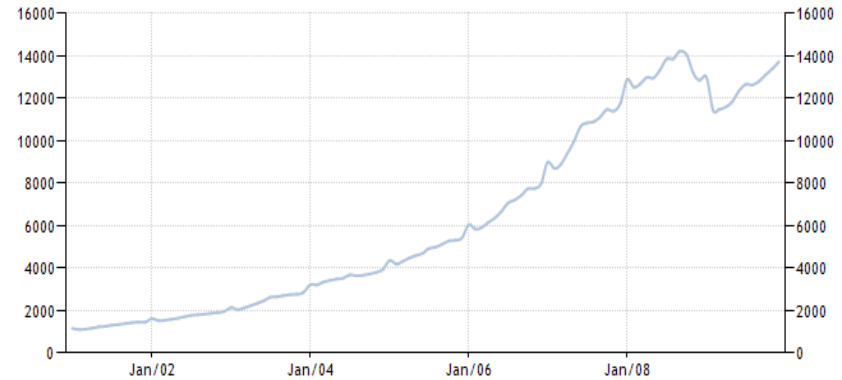
A RUSSIAN PARALLEL: 1999 – 2009

RUSSIA CRUDE OIL PRODUCTION



SOURCE: WWW.TRADINGECONOMICS.COM | U.S. ENERGY INFORMATION ADMINISTRATION

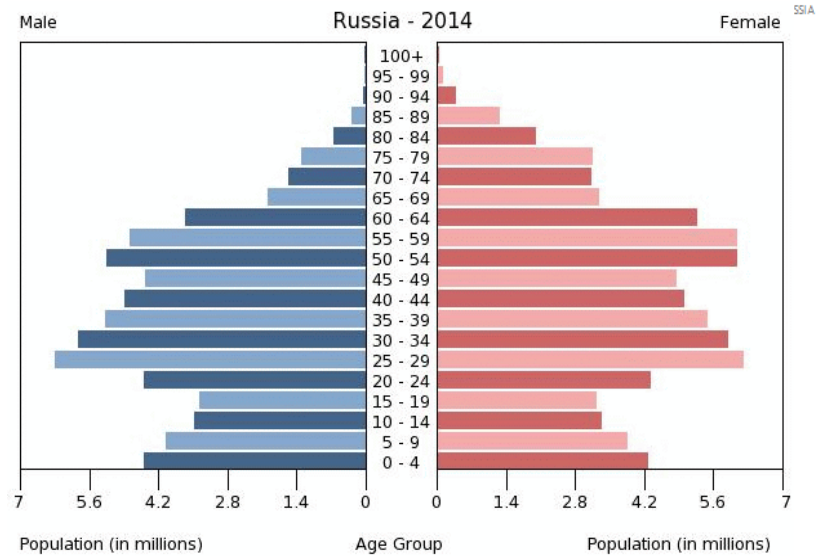
RUSSIA MONEY SUPPLY M2



RUSSIA STOCK MARKET (MICEX)



SOURCE: WWW.TRADINGECONOMICS.COM | MOSCOW STOCK EXCHANGE



DISCLAIMER

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** The AFC Iraq Fund is registered for sale to investors in Switzerland (qualified investors), Hong Kong & UK (professional investors), Singapore (accredited investors) and USA (accredited investors and qualified purchasers)

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