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AFC Uzbekistan Fund July 2026 Update

Dear Investors and Friends,

The AFC Uzbekistan Fund achieved a new all-time high NAV in July, benefitting from continued inflows to the market, which helped accelerate the price discovery we have long discussed as part of our broader Uzbek thesis. The fund's Net Asset Value (NAV) increased to an estimated USD 2,220.9 in July 2026, reflecting an estimated 7% rise for the F-shares during the month. The total return for the fund since its inception on 29th March 2019 now stands at an estimated 120%.

AFC Uzbekistan Fund valuations as of 31st July 2026:

Estimated weighted harmonic average trailing P/E (only profitable companies):	6.98x
Estimated weighted harmonic average P/B:	1.01x
Estimated weighted portfolio dividend yield:	2.24%

The AFC Uzbekistan Fund achieved a new all-time high this month off the back of strong performance in financial services and materials holdings. Over the past eighteen months or so, we have increasingly seen fresh capital coming into the market, and it appears that, due to the already tight free floats, this marginal capital is driving price discovery across the fund's holdings. Previously, we would consistently see stranded sellers willing to part with their shares at a discount to market, which prevented the share price appreciation we've seen so far this year. Not that distressed block trades are entirely gone, but the market has certainly tightened up on the back of another strong earnings season in the financial services sector, and a turnaround in the materials sector; we are seeing this show up in share prices.

What was interesting is that while we saw broad accumulation in the market, the Uzbekistan National Investment Fund (TSE: UZNF) closed down 4% in Tashkent for the month, ending July at UZS 5.42. This compares to its NAV of USZ 6.26, as well as it trading at an 11.6% discount to the GDR-shares listed in London. There appears to be an aggressive number of retail sellers in the market who are happy with their short-term gains of 22% since the IPO and are looking to exit. We've been taking advantage of the cheap shares as we see a variety of catalysts for UZNF over the coming months and hope to write about them in future newsletters as they materialise.

Solving the iron bottleneck

On 13th July 2026, one of the AFC Uzbekistan Fund's holdings, O'zmetkombinat (TSE: UZMK) formally announced the launch of its new USD 900 million metallurgical operation. This includes a doubling of raw steel capacity to 2.1 million tons, as well as a downstream 1.04 million tons per year hot-rolled coil (HRC) line. Having toured the facility when it was still a construction site in 2023, the new production line is sure to be an impressive growth driver for the country's steel market, as a fully modern plant with Italian equipment from the Danieli Group and only three employees needed to manage the entire line. With 70% domestic market share, UZMK has been one of our preferred ways to gain exposure to the materials sector, and by default the construction boom occurring across Uzbekistan, something we don't see ending for years due to the country's rapid industrialisation and infrastructure transformation.

However, not all is roses in UZMK's history, and luckily, we saw the potential challenges of this capacity expansion early on, mainly from the enormous debt burden the company took on, and decided to sell 50% of our position in 2022 at UZS 8,700 per share versus UZS 6,099 today.

The project hit a perfect storm of sorts. Post-COVID, the global steel market saw prices retrench, down 50-plus per cent, and with UZMK's finished product pricing benchmarked off of global steel prices, profits fell. From a macro perspective, it was a less-than-ideal time to invest USD 900 million to double capacity, specifically if the company was not a state-owned enterprise (though the country does need the new capacity), but the government is focused on import substitution, so the project advanced. However, the once double-digit dividend yield payout was subsequently slashed to zero in order to conserve cash, further decreasing the attractiveness of the stock.

Amid falling steel prices, during COVID Kazakhstan banned scrap steel exports, a key source of feedstock for UZMK's electric-arc furnaces, including domestic scrap of course. Unable to secure enough scrap for its furnaces, UZMK signed contracts with Russian and Kazakh companies for the supply of direct-reduced iron (DRI), a semi-refined steel product. However, due to the conflict in Ukraine, one of its key suppliers was sanctioned by the U.S. government, leading to production restraints that led UZMK to ultimately breach its debt covenants with foreign lenders in 2025 and early 2026. Luckily, waivers were obtained regarding the breach and no doubt the Uzbek government's improving credit rating and backing of the company (with 93% ownership) helped soften the negative impact.

Nonetheless, this perfect storm led to the company's shares falling from a high of UZS 17,490 on 27th January 2022 to a low of UZS 2,800 on 19th December 2025. As most of these issues look to be behind the company, the shares ended July 2026 at UZS 6,099.

With supply now sourced from local scrap collection and Kazakh DRI suppliers, as the company looks to diversify supply further; a Tajik group is currently building a DRI facility that will process Tajik iron ore into DRI just across the border from UZMK's operation (for those who have been to UZMK's plant, recall that the mountain, immediately adjacent to the steel plant is already located in Tajikistan) with plans to sell 700,000 tons per year from 2027 to UZMK. This will both provide a new, large source of stable supply and also dramatically cut logistics costs relative to Kazakh imports. Further, with the Uzbek government realising the critical situation of security of raw material supply, the Uzbek Fund for Reconstruction and Development also plans to build a DRI plant with an additional 600,000 tons/year of capacity. So, UZMK is turning the corner after its CapEx blowout for the new production line, and the supply constraints are being resolved once and for all. If UZMK can ramp production and begin aggressively deleveraging, from EBITDA gross leverage of 6.9x, in time, this may become another opportunity to scale up our position in the company, which only a few investors appear to be paying attention to at present.

AFC Uzbekistan Tour 2026

AFC is hosting its 5th AFC Uzbekistan Tour on Sunday 20th September and Monday 21st September 2026, bringing existing and prospective investors to experience the reality of Uzbekistan from the ground. This will be a 1.5-day tour starting with a half-day tour of Tashkent on Sunday, followed by a day of meetings with the fund's portfolio companies on Monday, and concluding with dinner. If you are interested in joining, please write to us at uzbekistan@asiafrontiercapital.com to express your interest, and we will follow up with you.

For further viewing, here are some interesting, relevant news links related to Uzbekistan:

Uzbekistan raises 2026 growth forecast to 8.1%

Pakistan aims to boost connectivity with Uzbekistan via 5-year economic plan

G20 and Uzbekistan: Investment, industry, and trade in new economic reality

AFC Uzbekistan Fund Marketing Information as of the end of June 2026

Factsheet AFC Uzbekistan Fund

Factsheet AFC Uzbekistan Fund (non-US)

Presentation AFC Uzbekistan Fund

Share:

Subscriptions

The next cutoff date for Subscriptions will be 25th August 2026. If you would like any assistance with the subscription process, please get in touch with us at uzbekistan@asiafrontiercapital.com

Best regards,

AFC Uzbekistan Fund

NAV as of 31st July 2026

	F Class	G Class
NAV	2,220.9%*	1,514.1*
Since Inception	120.0%*	51.4%*
Inception Date	29/03/2019	3/2/2025

Monthly Performances AFC Uzbekistan Fund (F Class)

		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2019	**USD**	-	-	-	4.50%	-0.10%	1.87%	1.15%	-1.85%	0.06%	0.72%	1.13%	1.61%	**9.33%**
2020	**USD**	-2.99%	0.78%	-7.43%	-3.06%	3.32%	1.49%	3.25%	6.68%	0.34%	5.69%	10.35%	3.44%	**22.69%**
2021	**USD**	2.50%	11.81%	7.04%	11.23%	8.16%	0.59%	-1.97%	2.16%	0.83%	4.55%	-1.66%	-2.80%	**49.82%**
2022	**USD**	-2.50%	1.31%	n/a	1.97%	-7.42%	-4.35%	0.02%	2.17%	-5.48%	-1.42%	1.92%	-0.12%	**-13.58%**
2023	**USD**	1.88%	-0.02%	-1.03%	1.42%	1.62%	2.30%	-0.78%	-5.64%	2.27%	1.00%	-1.11%	-1.37%	**0.11%**
2024	**USD**	-3.35%	-2.87%	-2.64%	-0.99%	0.15%	-4.59%	-7.61%	0.39%	-3.19%	-1.88%	-3.95%	-1.50%	**-27.75%**
2025	**USD**	1.95%	-3.48%	-0.88%	0.82%	0.67%	1.71%	1.31%	-0.18%	3.04%	5.59%	1.13%	7.42%	**20.34%**
2026	**USD**	18.82%	3.99%	3.55%	1.20%	5.20%	0.81%	7.0%*						**46.9%***

* estimates

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