

IN THIS ISSUE:

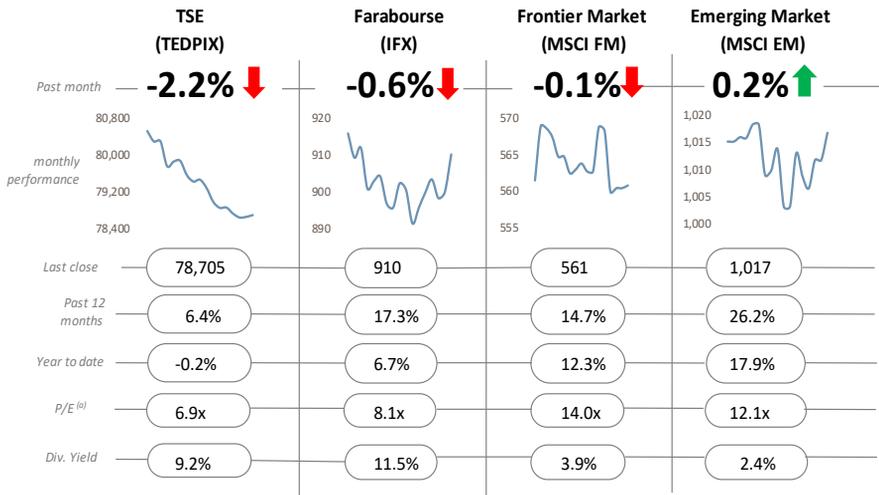
- High real interest rates weigh on liquidity and markets
- Q4 corporate earnings and AGMs nearly complete
- CBI-led banking sector reforms continue
- An overview of Hamadan Glass Company



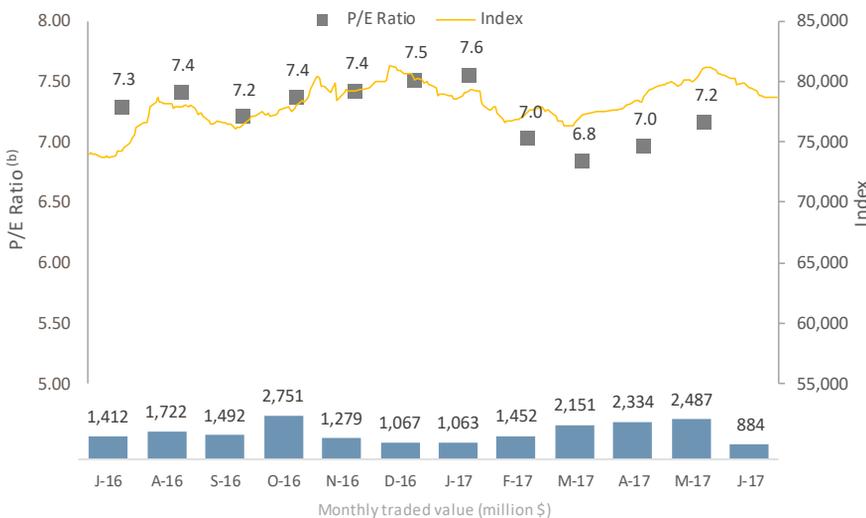
MONTHLY NEWSLETTER

June 2017

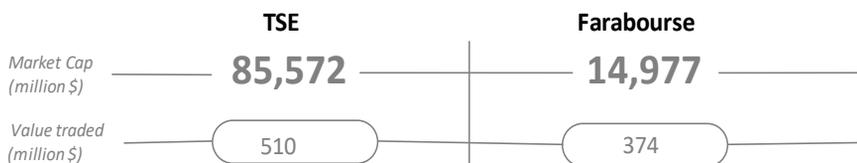
Indices



TEDPIX Index & P/E Ratio



Market Capitalisation



\$1 : 37,322 IRR is the monthly average free market exchange rate used for this report.

All market data represents the period June 1-28, 2017.

Sources : Tehran Stock Exchange, Bloomberg, MSCI, Royal Exchange, Griffon Asset Management.

a) Historical P/E

b) Forward P/E

MARKETS AT A GLANCE

In June, market volumes dropped and the indices fell: the TEDPIX and IFX closed 2.2% and 0.6% lower, respectively. One technical reason for the lower volumes is that close to 75% of the companies hold their AGMs in June and July, and each company's ticker is normally halted for a period of 1-2 weeks around its meeting. Despite the ongoing and generally positive corporate results – most companies have now announced their results for Iranian fiscal year 1395 (21 March 2016 to 20 March 2017) – domestic challenges remain with regard to the banking sector and the ongoing domestic liquidity squeeze. Islamic Treasury Bills continue to trade with average yields-to-maturity (YTM) of 23-23.5%, unchanged from the previous month's levels. June's average daily trading value (ADTV) was \$55m versus \$108m and \$130m for May and April, respectively. Institutional activity (54.8%) outpaced the retailers (45.2%) again this month, albeit by a lower margin (it was 68.7% vs. 31.3% back in May). The most actively traded sectors were base metals (11.2%), chemicals (9.1%), telecoms (6.6%), real estate (6.0%) and autos (5.0%) which together made up 37.9% of total trades. This month, the rial fell 2.0% versus the euro, a move driven by the broader move higher of the euro versus the U.S. dollar.

II Sector Performance

Best Performing sectors

Paper & paper products	↑	5.5%
Electric machines	↑	5.3%
Other mining	↑	5.2%
Utilities	↑	0.6%
Telecommunications	↑	0.4%

Worst Performing sectors

Publishing & media	↓	-14.0%
Leasing	↓	-8.5%
Refineries	↓	-8.3%
Transportation & storage	↓	-8.1%
Oil & gas extraction	↓	-7.7%

II Top Gainers and Losers

Sarcheshme Copper Invst. Co.	↑	77.9%
Other Financial intermediaries		
Abadgaran Iran	↑	43.3%
Construction & real estate		
Marjan Kar	↑	38.0%
Ceramics & tiles		
Shirin Khorasan Agro. Ind.	↑	32.6%
Sugar & by-products		
Damavand Mineral	↑	32.5%
Metallic ore		

Sabet Khorasan Sugar	↓	-29.1%
Sugar & by-products		
Agricultural Ind. & Service	↓	-27.3%
Machinery		
Pars Tile	↓	-24.3%
Ceramics & tiles		
Fars Chemical Ind. Co.	↓	-17.9%
Chemicals		
Saipa Diesel	↓	-16.6%
Motor vehicles		

SECTOR NEWS

Petrochemicals

The construction of two new petrochemical companies (Kaveh and Marjan) and the addition of one new plant at Pardis Petrochemical Co. are all close to completion. All the additional output is expected to be launched within six months. Kaveh's and Marjan's petrochemical plants produce methanol and have an expected production capacity of 2.6m and 1.1 million tonnes per year, respectively; combined, this equates to about 5% of global methanol demand. The third phase of the Pardis Petrochemical Co., which is 97% completed, will annually produce 1.1 million tonnes of urea; currently Pardis produces 2.2 million tonnes per year, most of which is exported to Asia.

Banks

In June 2017, at its conference in Valencia, the Financial Action Task Force (FATF) decided to continue its suspension of counter-measures against Iran for another year – citing Iran's commitment to improving AML/CFT processes, its willingness to accept technical assistance in implementing the associated Action Plan, and its progress made thus far with regard to the Action Plan. The FATF will continue to monitor progress and consider next steps, whilst Iran's goal is to be

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Top 10 Companies by Market Capitalisation

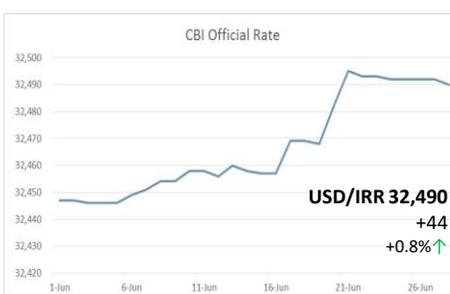
	Market Cap (million \$)	Price values in IRR				
		Last price	1-month	Year to date	52 w/h	52 w/l
Khalij Fars Petrochem <i>Chemicals</i>	6,202 5.6%	4,513	↓ -1.2%	-0.2%	5,000	4,120
Maroon Petrochemical <i>Chemicals</i>	3,526 3.2%	32,900	↑ 2.5%	-3.2%	34,300	28,000
MCI <i>Telecommunications</i>	3,513 3.2%	32,750	↑ 1.7%	20.5%	32,750	23,355
TCI <i>Telecommunications</i>	3,103 2.8%	1,929	↓ -0.2%	5.2%	1,932	1,768
Mobarakeh Steel <i>Base metals</i>	2,888 2.6%	1,432	↑ 3.1%	5.4%	1,432	1,185
NICICO <i>Base metals</i>	2,468 2.2%	1,832	↓ -0.5%	-3.1%	1,891	1,341
Jam Petrochemical <i>Chemicals</i>	2,431 2.2%	9,485	↑ 1.3%	-1.7%	9,650	7,816
TAPICO <i>Chemicals</i>	2,159 2.0%	1,837	↓ -1.8%	-3.8%	1,910	1,800
Ghadir Investment <i>Conglomerates</i>	2,103 1.9%	1,071	↓ -3.1%	-11.7%	1,213	1,071
Informatics Services <i>IT & computers</i>	1,975 1.8%	26,897	↑ 0.7%	49.4%	26,897	16,488

permanently removed from the countermeasures list. The Central Bank of Iran (CBI) has continued its assertive measures against unauthorised saving credit institutions that have been circumventing the banking sector by offering very high rates to depositors. Recently, the CBI formally announced the names of three institutions that are unauthorised and asked the public to avoid making deposits at these institutions whilst ordering the seizure of their branches. The CBI also announced the list of officially authorised and regulated saving credit institutions. Given the highly fragmented banking industry, expectations of industry consolidation by way of mergers has increased, with the hope that it could also alleviate some of the sector's structural problems regarding operational costs and the build up of non-performing loans.

Insurance

The Central Insurance of Iran (Iran's insurance industry regulator, operating under the Ministry of Economic Affairs and Finance) announced that insurance penetration in the country rose to 2.2% in the Iranian fiscal year 1395 (21 March 2016 to 20 March 2017) from 2.08% the previous year. This compares with an average penetration rate of 2.9% in other emerging markets.

USD/IRR Exchange Rate



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Sources: SEO, CBI, IFB, Financial Tribune, Tehran Stock Exchange, Royal Exchange, and Griffon Asset Management.

Hamadan Glass Co.

Symbol: SHMD

Exchange: TSE

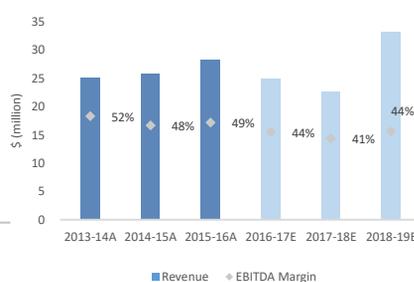
Listed since: 1990

Last close: IRR 7,651

90-day change: ↓-7.7%

Market cap.: \$58.9m	P/E (16-17E) ^(a) : 6.1x	12-month return: %-5.4↓
Enterprise value ^(b) : \$51.4m	5-year (avg.) dividend payout ratio: 46.4%	EV/Revenue (16-17E) ^(a) : 2.1x
% of market (TSE): 0.1%	Dividend yield (16-17E) ^(a) : 7.7%	EV/EBITDA (16-17E) ^(a) : 4.7x
Free float: 42.0%	Average daily trade value: \$59.8K	ROCE (hist.): 38.0%
Shares outstanding: 288m	52-week high/low (IRR): 9,698/7,555	ROE (hist.): 39.1%

Hamadan and TEDPIX — Last Two Years

Revenue and EBITDA Margin

Cash Flow

Financial Statements (USD millions)

	2014-15A	2015-16A	2016-17E ^(a)	2017-18E ^(a)	2018-19E ^(a)
Production (KT)	69.0	71.9	62.0	62.1	88.3
Revenue	25.8	28.2	24.9	22.6	33.1
<i>Growth (%)</i>	2.8%	9.5%	-11.9%	-9.0%	46.3%
EBITDA	12.3	13.8	11.0	9.3	14.7
<i>Growth (%)</i>	-6.3%	12.6%	-20.3%	-15.7%	58.8%
<i>EBITDA margin</i>	47.6%	49.0%	44.2%	41.0%	44.5%
Net Income	12.6	14.5	9.8	7.4	9.3
<i>growth (%)</i>	14.9%	15.1%	-32.6%	-23.7%	25.0%
<i>NI margin</i>	48.9%	51.4%	39.3%	32.9%	28.1%
Net Debt	(8.6)	(11.5)	0.8	32.7	45.0
Capex	4.3	4.4	16.6	35.9	18.4
Dividend	5.7	6.5	4.5	3.5	4.3

Company overview

Hamadan Glass Co. was established in 1975 and listed on the TSE in 1990. The company produces various types of jars and bottles for the food and beverage sector. It has a market share of about 20%, competing with five main producers across the country, and generates 5% of its revenues from exports.

After several years with no capacity expansion in this industry, the high returns and margins have attracted new players and additional production capacity. The increased rivalry has resulted in price discounts. As a result, margins have come under pressure. The new competitors are high-quality producers focused on the food, beverage and pharmaceutical packaging industries.

The entrance into the market place of **new competitors** has prompted Hamadan Glass Co. management to expand capacity in order to defend its market position. It currently has two thermal furnaces with a production capacity of 75,000 tonnes per year. One of the furnaces is undergoing an overhaul (expected to finish by H2 2017), which has meant lower production volumes in 2016 and 2017. The company plans to increase production capacity to 165,000 tonnes in next two years; this will require about \$64m of capex and is expected to increase net income by about 45% in 2019-20E.

The growth in Iran's glass packaging industry stems from several factors: population growth, increasing GDP per capita, greater consumer awareness of hygiene and desire for better packaging, and higher-end/luxury products being better suited to glass packaging. Despite a competitive and capital-intensive landscape (growth & maintenance capex requirements), this sector benefits from rich and low-cost (calcium carbonate) mines and low energy (gas) prices.

This is not a stock recommendation. The above is an introductory information overview. The reference currency rates are based on the yearly average of the free market exchange rates.

All share prices are adjusted for corporate actions.

a) Griffon Asset Management forecasts.

b) Q3 financial statements are used in the calculation of EV.

Sources: Company financial statements, Codal.ir, Griffon Asset Management.

About Griffon Capital

Griffon Capital is an Iran-focused asset management and private equity group established to unlock value from the country's public and private equity markets. Among Griffon's primary objectives is to allow local and international institutional investors the ability to seamlessly access and maximise opportunities in Iran through purpose-built vehicles and investment products spanning traditional and alternative assets.

The Group's strength is rooted in a robust operating platform developed by leading international advisors and are supported by internationally recognised administrators and auditors. Our platform consists of a high calibre team with deep local market expertise and international financial pedigree blended at the board, management and execution levels. This includes a management team steeped in investment banking, wealth and asset management and corporate finance experience. Griffon is also distinguished by on the ground local research and primary thinking and a governance culture defined by global best practices in risk management, compliance and reporting.

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Please read this disclaimer carefully as it contains important information about the Griffon Iran Flagship Fund SP ("Fund"), a segregated portfolio of GIF SPC, its proposed investments in Iran and the current international sanctions and restrictive measures in relation to Iran.

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Disclaimer (Continued)

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On July 14, 2015, the P5+1, the European Union, and Iran reached a Joint Comprehensive Plan of Action ("JCPOA"). Subsequently, following confirmation that relevant JCPOA commitments had been delivered, certain of the international sanctions and restrictive measures relating to Iran were eased or lifted on 'Implementation Day', 16 January 2016, including the majority of previous EU and UN sanctions on Iran. While this represented a significant relaxation of the sanctions in place against Iran, a number of important restrictions remain in force (including certain sanctions which may affect financial and investment activity).

In particular, notwithstanding the relaxation of sanctions on 'Implementation Day', certain categories of persons may be prohibited from investing in the Fund. The Fund and Investment Manager's policy is to comply with all applicable sanctions, and not to engage in activity that would be sanctionable under the sanctions applicable to non-US persons. Before making or managing any investments in Iranian securities, the Fund and the Investment Manager will put in place a robust compliance framework based on professional advice with a view to ensuring that its activities and investments are compliant with EU and applicable US sanctions and restrictive measures in force from time to time regarding Iran.

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