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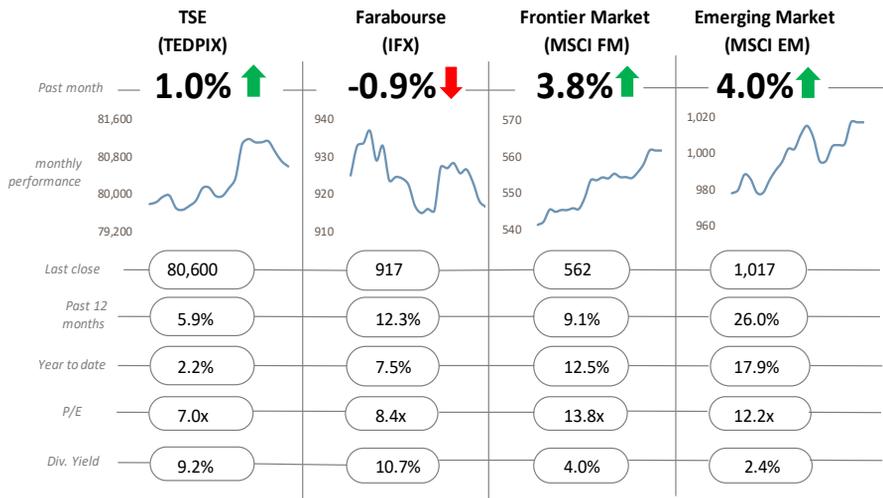
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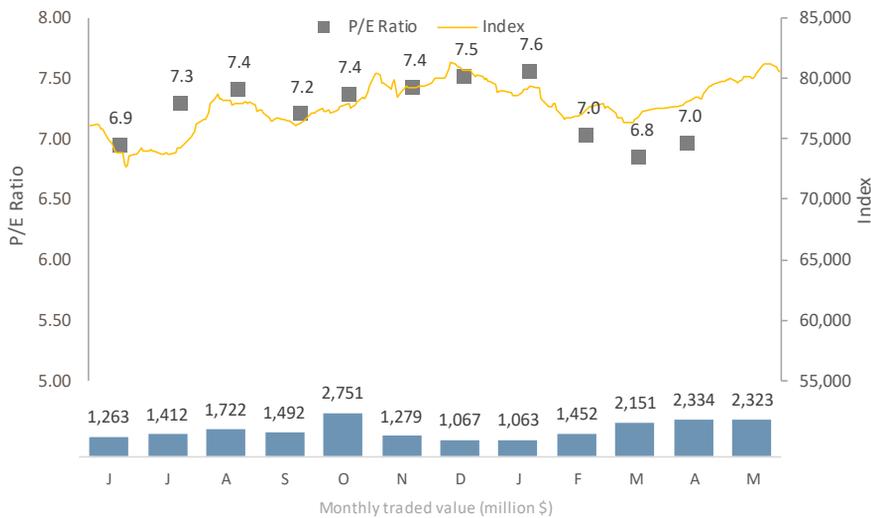
MONTHLY NEWSLETTER

MAY 2017

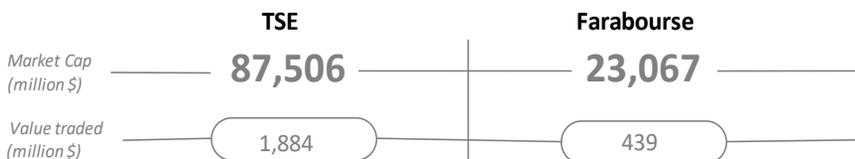
Indices



TEDPIX Index & P/E Ratio



Market Capitalisation



\$1 : 37,521 IRR is the monthly average free market exchange rate used for this report.

All market data represents the period May 1-29, 2017.

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

MARKETS AT A GLANCE

The run-up to the presidential elections and Mr. Rouhani's victory (confirmed May 20th) had a moderately positive effect on the markets. The TEDPIX closed 1.0% higher at 80,600. The TEDPIX is now within touching distance (<1.1%) of its previous year high posted on March 30, 2016. The IFX was 0.9% lower however, as it was weighed down by the drop of a few companies (such as Shiraz and Lavan refiners) that have relatively large weights in the junior index. Q4 corporate earnings and AGMs are also under way, with approx. 60 companies already reporting their full-year results. May's average daily traded value (ADTV) was \$116m, a 15% decline versus April's ADTV of \$136m. Institutional activity (68.7%) outpaced retail activity (31.3%), and was a reversal from April's retail-dominated activity. The most actively traded sectors were chemicals (12.6%), auto (12.1%), base metals (8.0%), utilities (6.8%) and refineries (5.1%), which together made up 44.6% of total trades. The average YTM on the Islamic Treasury Bills remained unchanged versus April at ~23.0-23.5%. Post election, the rial rose against both the dollar and euro. For May as a whole, the rial tracked the euro/dollar move, gaining 1.0% and losing 1.1% versus the dollar and euro, respectively.

II Sector Performance

Best Performing sectors

Publishing & media	↑	25.1%
IT & computers	↑	13.6%
Paper & paper products	↑	13.4%
Sugar & by-products	↑	10.6%
Transportation & storage	↑	6.4%

Worst Performing sectors

Coal & lignite mining	↓	-12.8%
Wood	↓	-10.7%
Other mining	↓	-7.5%
Oil & gas extraction	↓	-7.4%
Metal products	↓	-5.8%

II Top Gainers and Losers

Shahdiran Food stuff excl. sugar	↑	67.2%
Shirin Khorasan Agro. Ind. Sugar & by-products	↑	58.2%
Iran Carton Paper & paper products	↑	40.8%
Saman Insurance Insurance companies	↑	38.5%
Rouz Darou Pharmaceutical Pharmaceuticals	↑	36.8%

Takceram Tile Manuf. Ceramics & tiles	↓	-25.4%
Vehicle Axle Manuf. Motor vehicles	↓	-23.4%
Pardis Housing Inv. Construction & real estate	↓	-23.1%
Petro. Transportation Transportation & storage	↓	-21.3%
Iran Auto-Parts Motor vehicles	↓	-21.1%

SECTOR NEWS

Auto

The auto industry saw a 20% y/y production increase in the first month of this new fiscal year (March – April 2017). Peugeot, which is part of Group PSA, began mass-producing its latest flagship crossover in Iran; although originally priced at around 700 million rials (~\$19,000), high demand for the 2008 model means it is expected to sell for more than 900 million rials (~\$24,000). Another Group PSA manufacturer, Citroen, took ownership of SAIPA Kashan. It was recently reported that the company had officially renamed itself SAIPA Citroen, with the first model, the Citroen C4, to be manufactured in the next few months.

Steel & Mining

Mobarakeh Steel Company (MSC), the largest steel producer in Iran, increased its ownership in the Mines and Metals Development Investment Company (MMDIC) with the purchase of a 16.1% block. MMDIC is Iran's largest mining Investment Company and a major shareholder in several large domestic miners and steel producers. With this acquisition, MSC's stake in MMDIC increases to 35.4%, making it the largest shareholder. MSC's vertical integration will likely mean it can exert greater influence

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Sources: SEO, Financial Tribune, Chemorbis, Mine News, Griffon Asset Management.

Top 10 Companies by Market Capitalisation

	Market Cap (million \$)	Price values in IRR					52 w/h	52 w/l
		Last price	1-month	Year to date				
Khalij Fars Petrochem <i>Chemicals</i>	6,218 5.6%	4,499	↑	1.1%	-0.5%	5,000	4,120	
MCI <i>Telecoms</i>	3,425 3.1%	31,901	↑	7.1%	17.3%	32,300	23,078	
Maroon Petrochemical <i>Chemicals</i>	3,405 3.0%	32,100	↓	-0.6%	-5.6%	34,300	28,000	
TCI <i>Telecoms</i>	3,107 2.8%	1,950	↑	1.5%	6.4%	2,049	1,735	
Mobarakeh Steel <i>Base metals</i>	2,816 2.5%	1,392	↑	3.1%	2.5%	1,455	1,086	
NICICO <i>Base metals</i>	2,499 2.2%	1,851	↓	-4.0%	-2.1%	2,180	1,291	
Jam Petrochemical <i>Chemicals</i>	2,472 2.2%	9,430	↑	1.6%	-2.3%	9,800	7,713	
TAPICO <i>Chemicals</i>	2,178 1.9%	1,846	↓	-6.9%	-3.4%	2,020	1,733	
Ghadir Investment <i>Conglomerates</i>	2,176 1.9%	1,111	↑	2.4%	-8.4%	1,286	1,081	
Bandar Abbas Oil Refining <i>Petroleum products</i>	2,069 1.9%	5,511	↑	4.9%	15.5%	5,748	4,131	

on the mining supply chain in such matters as long-term pricing, contracts and export policies.

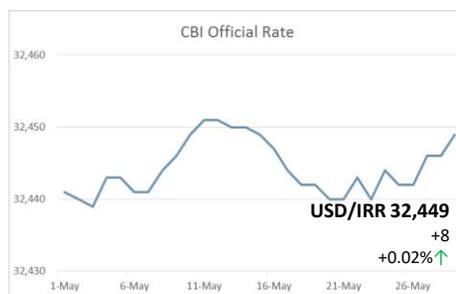
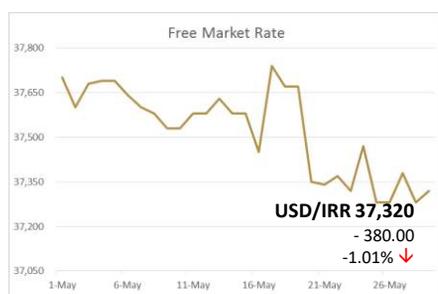
IT & Telecoms

MTN, the South African telecommunication company, reached an agreement for a 49% stake in Iranian Net. MTN plans to invest ~\$300m in the fixed-line broadband network company and lend it a further \$450m. Separately the Telecommunication Company of Iran (TCI), the incumbent fixed-line telco, is developing the country's fibre optic network with three foreign firms — China's Huawei and FibreHome and Finland's Nokia — enabling the launch of fibre-to-the-home (FTTH) services in Iran. FTTH significantly increases the connection speeds available to computer users.

Banking

The Central Bank of Iran (CBI) has ordered banks and credit institutions to terminate their involvement in investment funds and to refrain from buying bonds and other securities deemed by the CBI as "non-banking activity". In addition, FAM, the company handling the liquidation of banks' excess non-core assets (as part of the CBI's banking reform), announced new auctions for ~250 properties belonging to Tejarat Bank, Industrial & Mining Bank and Export Development Bank.

USD/IRR Exchange Rate



All market data represents the period May 1-29, 2017.

a) Trading in the stock has been suspended.

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

Pasargad Insurance Co. (BIPZ)

Symbol: BIPZ

Exchange: IFB

Listed since: 2006

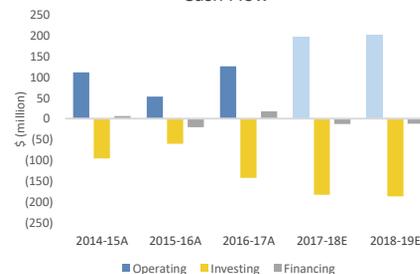
Last close: IRR 2,499

 90-day change: ↓-0.2%

Market cap.: \$181.8m	P/E (17-18E) ^(b) : 9.2x	12-month return: 0.7%
Total assets: \$601.0m	5-yr (avg.) dividend payout ratio: 65.2%	MC/premium ^(c) (16-17A) ^(a) : 0.6x
% of market (TSE): 0.2%	Dividend yield (17-18E) ^(b) : 7.1%	P/BVPS (16-17A) ^(a) : 1.8x
Free float: 27%	Avg. daily trade value: \$20,108	Return/net earned premium ^(c) (16-17A) ^(a) : 12.9%
Shares outstanding: 2.5bn	52-wk high/low (IRR): 2,847/2,159	ROTE ^(c) : 21.2%

BIPZ and TEDPIX — Last 2 years

Net Earned Premium & Combined Ratio

Cash Flow


Financial Statements (\$ millions)

	2014-15A	2015-16A	2016-17A ^(a)	2017-18E ^(b)	2018-19E ^(b)
Underwritten Premium	271.0	269.2	312.7	362.1	416.9
<i>Growth %</i>	32.0%	-0.6%	16.1%	15.8%	15.1%
Net Earned Premium	137.9	147.0	151.3	169.8	189.0
Losses incurred	(85.8)	(111.5)	(107.2)	(119.8)	(134.1)
<i>Growth %</i>	-5.7%	29.9%	-3.9%	11.8%	12.0%
<i>Loss Ratio</i>	62.2%	75.9%	70.8%	70.6%	71.0%
Commission Fee & SG&A	(61.8)	(66.7)	(75.1)	(86.9)	(100.3)
<i>Growth %</i>	9.5%	8.0%	12.5%	15.7%	15.5%
<i>Combined Ratio</i>	107.0%	121.3%	120.4%	121.7%	124.0%
Investment Income	32.6	35.2	44.9	56.7	72.4
<i>Growth %</i>	11.3%	8.1%	27.3%	26.5%	27.6%
Non operational Income (expense)	0.3	12.2	5.7	0.0	0.0
Net Income	22.8	15.4	19.6	19.8	27.0
<i>Growth %</i>	10.1%	-32.2%	26.9%	1.4%	35.9%
Reserves	291.9	345.2	438.1	561.5	710.6
Dividend	15.0	8.9	11.7	12.9	17.5

Company overview

Pasargad Insurance is a subsidiary of Pasargad Bank, the seventh largest listed bank in Iran by assets. Established and listed on the IFB in 2006, the company uses its parent's large network to distribute its insurance products. Although offering a diverse product portfolio, it is a market leader in the life sector: life insurance comprised 42.7% of premiums earned in the previous fiscal year, while motor and health insurance constituted 23.8% and 12.3% of premiums received, respectively. Pasargad's life insurance products have a loss ratio of 30.9%, which is lower than that of the motor (98.9%) and health (69.3%) businesses. Pasargad Insurance was one of few insurance companies in Iran to benefit from the growth of the country's life sector (71.8% y/y versus 29.6% y/y for the total portfolio of products), which was a major driver of its operating income growth last year. In the last fiscal year, life insurance in Iran grew 37.9% y/y, faster than the industry average (all insurance products increased 22.6% y/y). In 2015, Iran's insurance penetration was 2.0%, with life insurance penetration at 0.2%. This compares with an average for emerging markets of 2.9% and 1.5% for total insurance and life insurance penetration, respectively. The expected high and sustainable economic growth in the next few years, coupled with growing demand for insurance, will likely act as strong tailwinds for the life insurance sector in Iran; one consequence of the expected growth in this niche will be the need for adaptation of the investment mandate, framework and process of insurance companies. In Pasargad Insurance's latest financial report, bank term deposits were 46.4% of total investments. The abnormally high real interest rates of the last couple of years, whilst very attractive, are unlikely to persist in the medium-to-longer term.

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.

a) 2016-17 numbers are based on unaudited annual financial statements.

b) 2018 and 2019 numbers are based on Griffon Asset Management's expectations.

c) Loss Ratio: Loss paid/Premium Earned, Combined Ratio = (Loss paid + commissions paid + SG&A + other operating expenses)/Premiums Earned,

MC/Premium = Market Cap/Underwritten Premium, Return/Earned Premium = NI/Earned Premium, ROTE: Net Income/(Equity - Preferred Stock - Intangibles - Goodwill).

Sources: Annual company accounts (Codal), TSE, Griffon Asset Management, Central Insurance of Iran, Sigma Insurance Research, McKinsey & Company.

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.

It is the responsibility of the recipient of this newsletter to satisfy itself as to its compliance with the legislation of any relevant jurisdiction or territory, including in particular regarding international sanctions and restrictive measures, and to assess the risk of the imposition of additional sanctions (including under the JCPOA 'snapback' mechanism) that might affect any investment in the Fund or its valuation or liquidity. It is the responsibility of the reader to satisfy themselves that any business activities will not expose them to liability under the laws of any state to which they are subject.