



TURQUOISE
PARTNERS

Iran Investment

Monthly

September 2019 - Volume 13, No 152

Summary

Equity Markets

Both Tehran Stock Exchange (TSE) and junior Farabourse (IFB) market expanded 10% in IRR terms over the month. Based on the unofficial exchange rate, the month-on-month gain in dollar terms accelerate by 16% in TSE and 17% in Farabourse market. This was mainly due to 6% appreciation of IRR exchange rate over the month.

Debt Markets

For the start of the Iranian calendar year (March 2019) to end August, total issuance on the fixed income market reached 1.15 billion US\$ based on the unofficial exchange rate. Yield to maturity (YTM) remained stable at 22% at the end of August.

Economic Review

This issue reviews the latest updates on the Tehran housing market and Producer Price Index (PPI) published by Central Bank and Statistical Centre, respectively. In addition, we have included a separate report covering the latest macroeconomic data published by relevant organizations and senior macroeconomic strategists in a fact-sheet summary, as well as an economic calendar released by local and international statistics centres.



► Replica of the wall of Susa in Susa museum, Iran

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Market Update

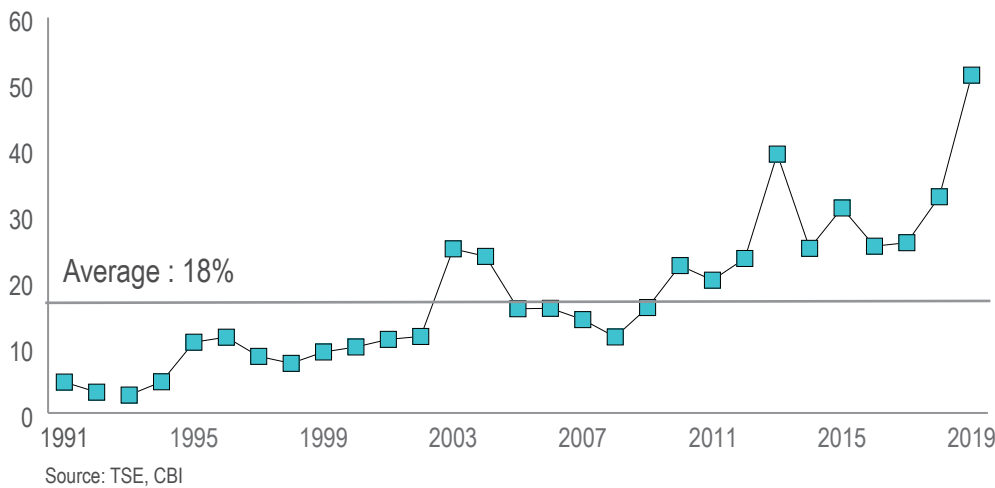
Despite the government budget deficit which is expected to reach 5 billion USD, and the prospect of issuing more bonds to service that deficit, the credit market has proved to be quite resilient over the course of the past 6 months, as the average yields for T-bills hovers around 22%. The market cap to GDP ratio increased from 33% in 2018 to 51% in Aug 2019, the average ratio over the long run has been 18% which is evident in the chart below:



Shervin Shahriari
Chief Investment Officer



Market Cap / GDP



In terms of sectors, pharmaceuticals led the way in August as the sub index of this sector surged by more than 30% to increase its YTD performance to 163%. The rally in pharma sector comes due to government policies being more flexible towards this sector by mitigating price controls.

Mining companies were the main laggards of the month and the index for these companies rose by 2%. This is due to the fact that trade war fears weighed on the commodity prices globally that has adverse impact on the earning prospects of companies.

Performance & Updates

11 - Year Average (2008-2019)¹

Market Capitalization (billion US\$) ²	103	TSE & Farabourse Junior Market
P/E	6.3x	TSE
Dividend Yield (%)	11%	TSE
Market Cap / GDP	27%	TSE & Farabourse
Dividend Growth Rate	22%	TSE
Total Turnover (billion US\$), Average Annual	16	TSE
TSE Overall Index Growth (US\$)	14%	TSE

¹August 2019

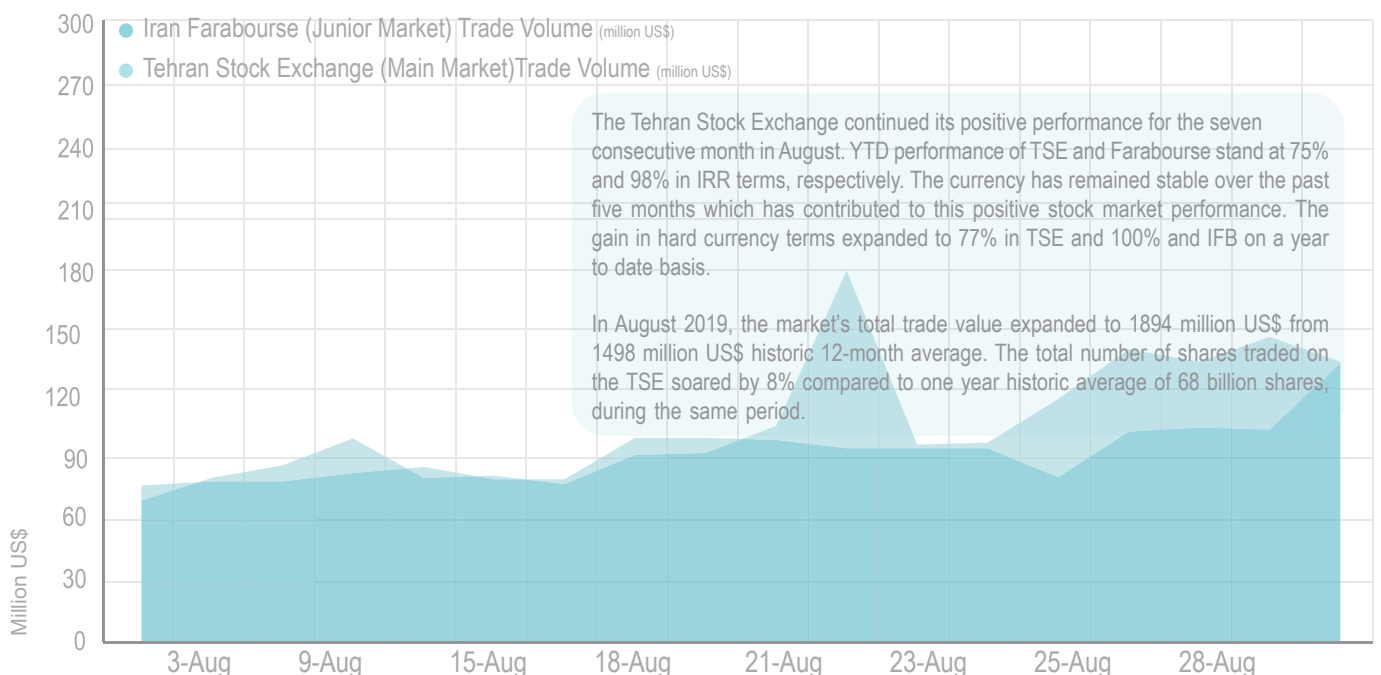
²Calculated based on unofficial IRR per US\$ exchange rates.

Summary - August 2019

Market Capitalization (billion US\$)	122	TSE & Farabourse Junior Market
Free Float	22%	TSE & Farabourse Junior Market
Number of Listed Companies ¹	611	TSE & Farabourse Junior Market
TSE Index Performance (US\$) ^{2,4}	16.4%	76.9%(YTD) TSE
Total Turnover (million US\$) ²	3,535	TSE & Farabourse Junior Market
Dividend Yield (%) ³	12.8%	TSE
P/E	6.3x	

¹168 companies are listed in Over-The-Counter (OTC) or off-exchange market named as "Base Market" in Farabourse junior market which trading of these companies are done directly between two parties. ² Calculated based on unofficial IRR per US\$ exchange rates. ³ Calculated based on the latest market data ⁴ TEDPIX Tehran Exchange Dividend Price Index (Dividend & Price Index)

Tehran Stock Exchange & Junior Market Trade by Value¹ - August 2019



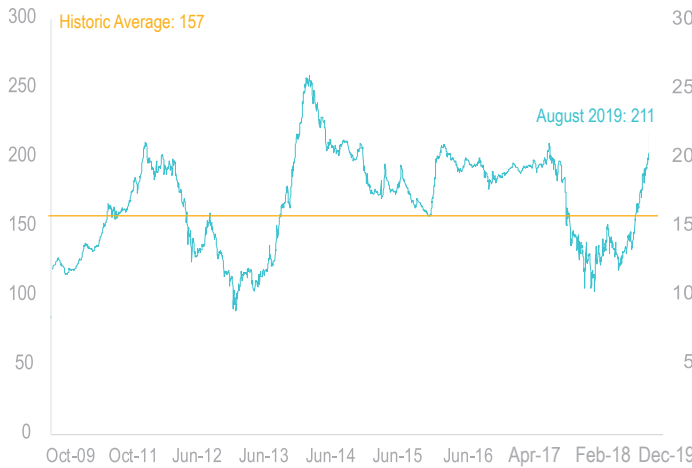
Source: Tehran Stock Exchange
Iran Farabourse Company

All figures in US\$ are converted from IRR at the free market rate

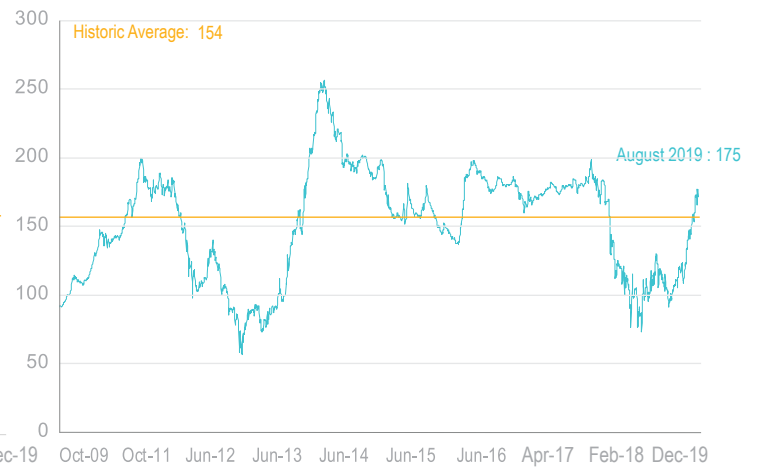
¹Trading volume month on month in US\$ term - TSE includes mainly equity while Farabourse has more fixed income instruments and smaller equities.

■ Historic Trends & Sector Insight

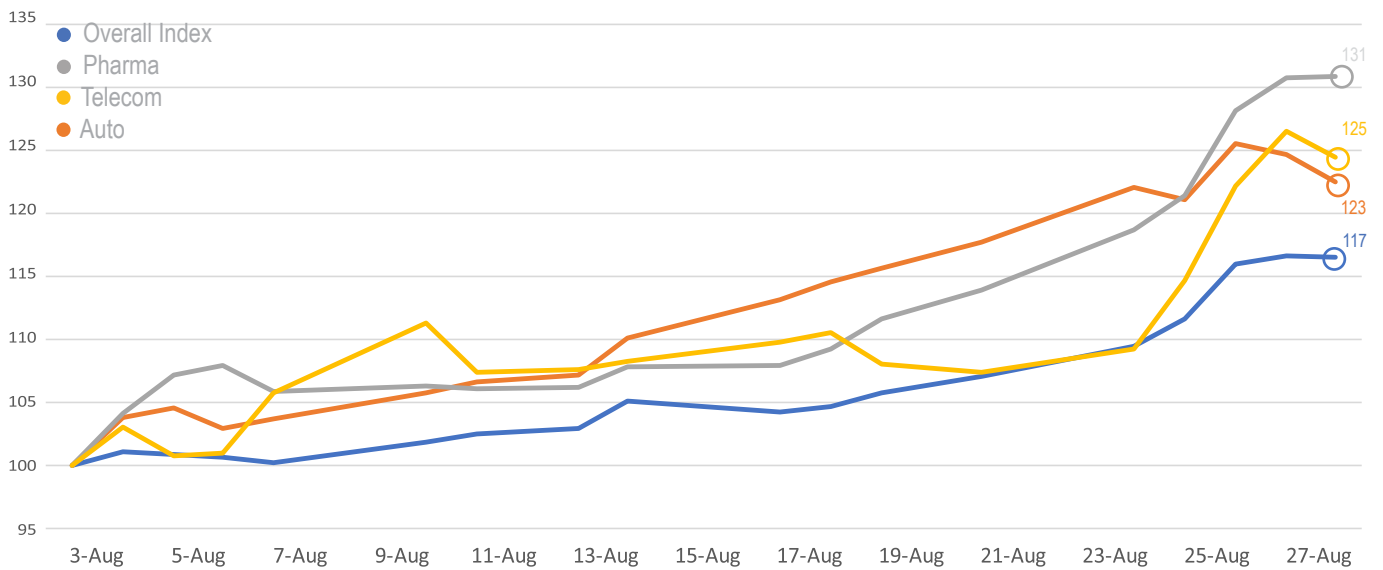
Long-Term Overall Index (Normalized in USD)



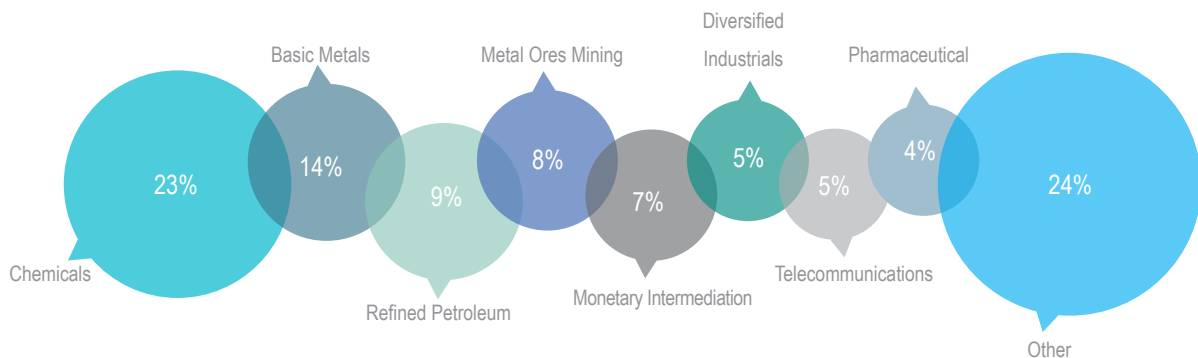
Long-Term Iranian Market Cap (Normalized in USD)



Top 3 TSE Sector & Overall Index (Normalized in USD)



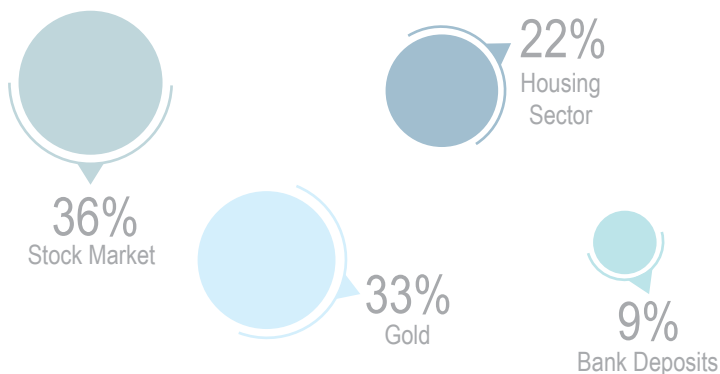
Top TSE Sector Market Capitalization (%)



Source: TSE, Bonbast
*As of Aug 2019

Market Snapshot - August 2019

Iran: A 10 Year Snapshot, Asset Class Annualized Return in US\$ (%)



All figures in US\$ are converted from IRR at the free market rate

Iran & Regional Markets

P/E Multiple Comparison

MSCI Morocco	19.9
Kuwait	16.6
Qatar	13.9
MSCI Arabian Markets	14.5
MSCI GCC Countries	14.8
MSCI Egypt	9.4
Saudi Arabia	17.9
UAE	10.7
Iran	6.3
Turquoise Iran Fund*	5.9

* Sub Fund B/C, as of ending Aug 2019

Iran & International Markets

Tehran Stock Exchange

Average P/E

6.3

1-Year Performance in \$ ¹

99.8%

Annualized 10 Year in \$ ²

5.9%



Sector	Breakdown (%)
Chemicals	23.4
Basic Metals	13.9
Refined Petroleum	9.3
Metal Ores Mining	8.3
Monetary intermediation	7.0
Others	38.1

MSCI Emerging Markets ³

Average P/E

13.2

1-Year Performance in \$

-3.9%

Annualized 10 Year in \$

4.4%



Sector	Breakdown (%)
Financials	24.6
Information Technology	14.4
Consumer Discretionary	13.9
Communication Services	11.6
Energy	7.4
Others	28.0

MSCI Frontier Markets ⁴

Average P/E

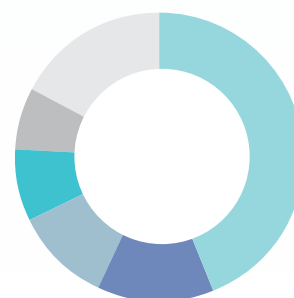
12.4

1-Year Performance in \$

8.2%

Annualized 10 Year in \$

4.5%



Sector	Breakdown (%)
Financials	48.4
Communication Services	14.0
Real Estate	11.2
Consumer Staples	8.6
Materials	5.5
Others	12.4

¹.TEDPIX Tehran Exchange Dividend Price Index (Dividend & Price Index) performance calculated in US\$ for the Period of Aug 2018 to Aug 2019

².TEDPIX Tehran Exchange Dividend Price Index (Dividend & Price Index)10 year annualized performance calculated in US\$

³.MSCI Emerging Markets Index (US\$) - Aug 2019

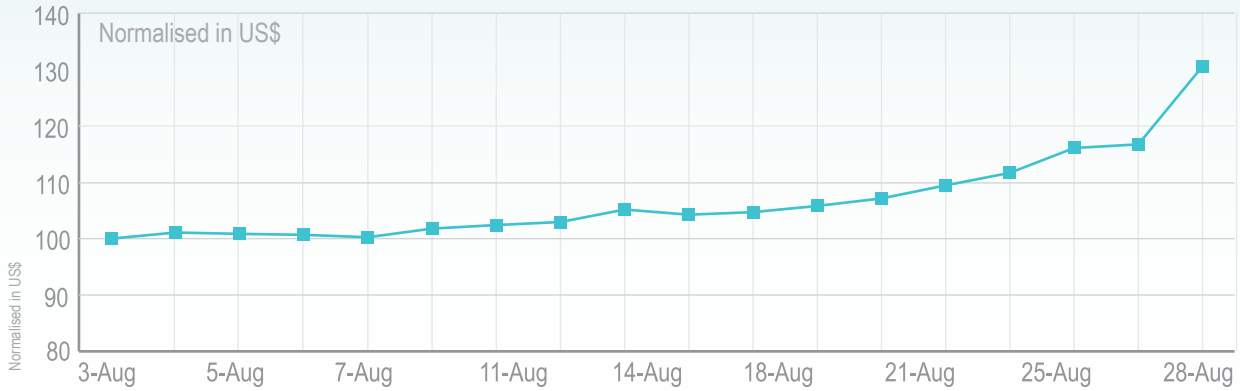
⁴.MSCI Frontier Markets Index (US\$) - Aug 2019

Source: Tehran Stock Exchange - Central Bank of Iran - MSCI Inc., Kamcoonline.

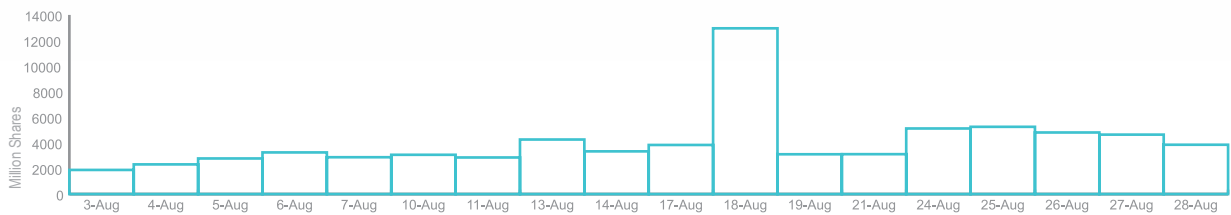
All figures in US\$ are converted from IRR at the free market rate, unless otherwise indicated.

TSE & Junior Market Performance

Tehran Stock Exchange: TEDPIX*, August 2019

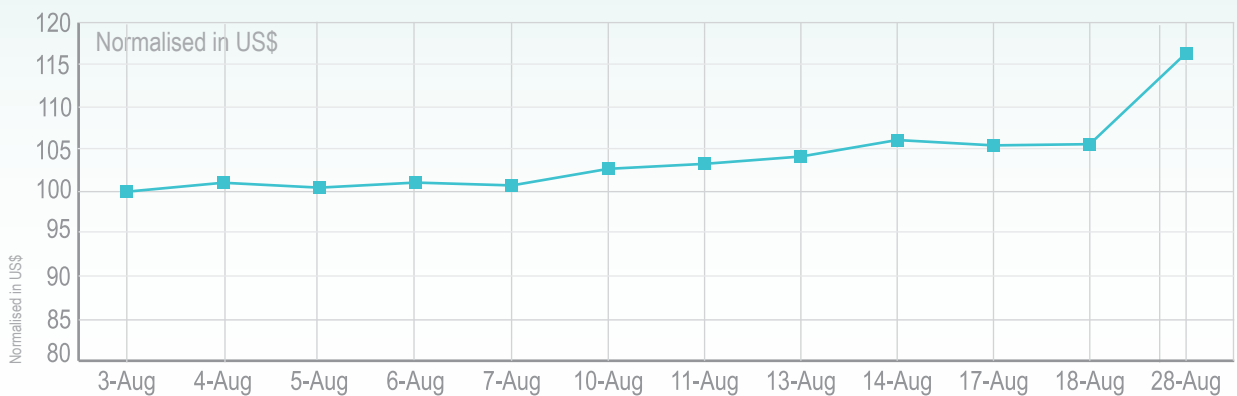


Volume million shares

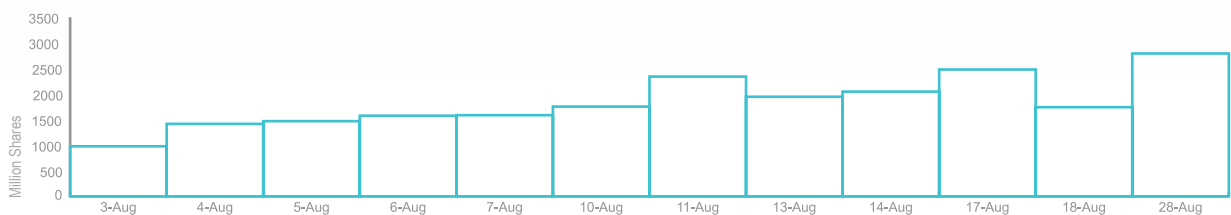


Source: Tehran Stock Exchange
 *TEDPIX Tehran Exchange Dividend Price Index (Dividend & Price Index)
 All figures in US\$ are converted from IRR at the free market rate, unless otherwise indicated.

Iran Farabourse (Junior Market): IFX*, August 2019



Volume million shares



Source: Iran Farabourse Company
 *Iran Farabourse (Junior Market) Overall Index (Total Return)
 All figures in US\$ are converted from IRR at the free market rate, unless otherwise indicated.

Top Ranked Companies - August 2019

Top 5 Traded by Value

Bank Pasargad, also known as BPI, is a major Iranian banking establishment offering retail, commercial and investment banking services. The company was established in 2005 as parts of the government privatization of the banking system.

Pasargad Bank

Turnover Value
(million US\$)

3.5

% Total Turnover

0.2%

Tamin Pharmaceutical Investment Company (TPICO) is the largest pharmaceutical company and a leading producer of antibiotics in the country. The company established in 2003, as an investment holding company investing in pharmaceutical companies owned by Social Security Investment Company (Shasta) of Iran. TPICO has 30 subsidiaries active in pharmaceutical production, distribution and trading.

TPICO

3.1

0.1%

PGPIC was established in the first phase of the privatization of Iran's petrochemical sector when the National Petrochemical Company (NPC) transferred its shares in a number of petrochemical companies to PGPIC, paving the way for the formation of Iran's first private petrochemical holding company. NPC has continued in its role as a policy making body.

Persian Gulf
Petrochemical
Industry

3.1

0.1%

Ghadir Investment Co. was established in 1992 as a public joint stock company. This holding investment company commenced its operation in a wide variety of business fields and by managing over 120 subsidiary companies.

Ghadir Investment

2.5

0.1%

Esfahan Mobarakeh Steel Company, one of the largest industrial complexes in the country, started its operation in 1991 with a nominal capacity of 2.4 million tons per annum. The company produces more than 50% of Iran's steel and operates in seven industrial complexes.

Mobarakeh Steel
Manufacturing

2.1

0.1%

Market Cap
(million US\$)

% Total Market Cap.

Top 5 by Market Capitalization

PGPIC was established in the first phase of the privatization of Iran's petrochemical sector when the National Petrochemical Company (NPC) transferred its shares in a number of petrochemical companies to PGPIC, paving the way for the formation of Iran's first private petrochemical holding company. NPC has continued in its role as a policy making body.

Persian Gulf
Petrochemical
Industry

4,888

5.4%

Esfahan Mobarakeh Steel Company, one of the largest industrial complexes in the country, started its operation in 1991 with a nominal capacity of 2.4 million tons per annum. The company produces more than 50% of Iran's steel and operates in seven industrial complexes.

Mobarakeh Steel
Manufacturing

4,587

5.1%

In 1972, Sarcheshmeh Copper Mines Joint Stock Co of Kerman was established and, later, in 1976, it was renamed to National Iranian Copper Industries Co. to cover all copper mines operations throughout the country. This company is active in extraction & utilization of copper mines, production of copper concentrates & manufacturing copper products.

National Iranian
Copper Ind. Co.

2,917

3.2%

Founded in 1991, Golgozar Mining & Industrial Company is one of the largest iron ore and iron pellet producers in Iran. The company operates in combined plants among six iron mine zones about 55 km southwest of Sirjan city near Kerman province.

Golgozar Mining
and Industrial
Company

2,896

3.2%

Pars Petrochemical Co. Manufactures and markets petroleum and petrochemical products. The company offers ethane, propane, butane, ethyl benzene, and ethylene. The company was founded in 1998 and is based in Asaluyeh, Iran and was listed in 2018. Pars Petrochemical Co. operates as a subsidiary of Persian Gulf Petrochemical Industry Co.

Pars Petrochemical
Company

2,215

2.5%

Source: Tehran Stock Exchange, Firouzeh Asia Brokerage. All figures in US\$ are converted from IRR at the unofficial rate.

Iran's Fixed Income Market

For the start of the Iranian calendar year (March 2019) to end August, total issuance on the fixed income market reached 1.15 billion US\$ based on the unofficial exchange rate. Yield to maturity (YTM) remained stable at 22% at the end of August.

Iran's Debt Securities Market - August 2019



Market Value (billion US\$)*



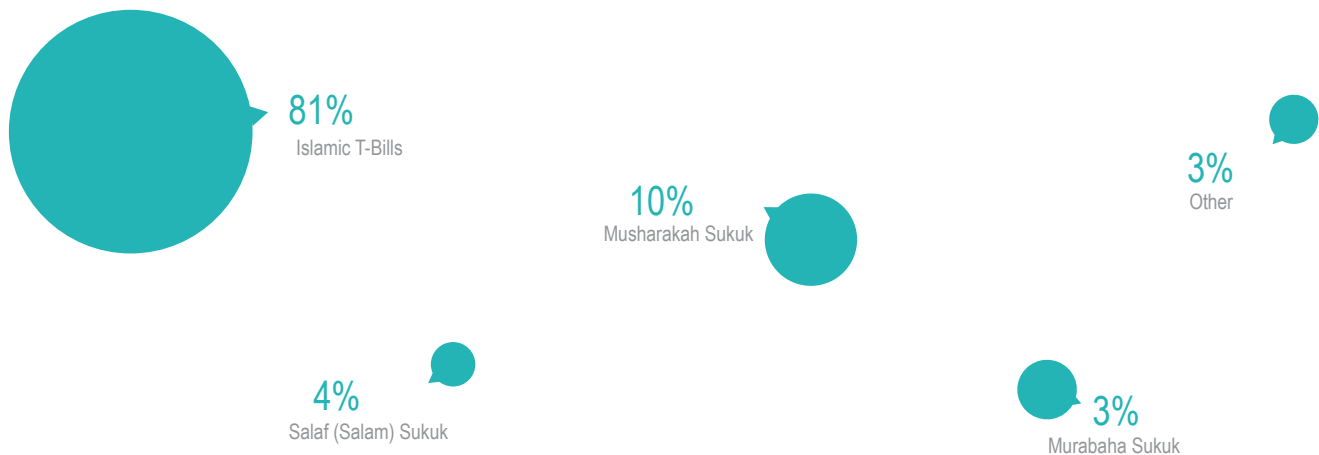
Average Daily Trading Value (million US\$)*



Average Daily Trading Volume (bonds)

* As of 31 August 2019

Value & Breakdown of Sukuk Issuance in Iran's Capital Markets, 2019 (1398)** - (billion US\$)



Source: Iran Farabourse

**Calculated by the unofficial exchange rate in the period of issuance, percentages have been rounded and may not total to 100.

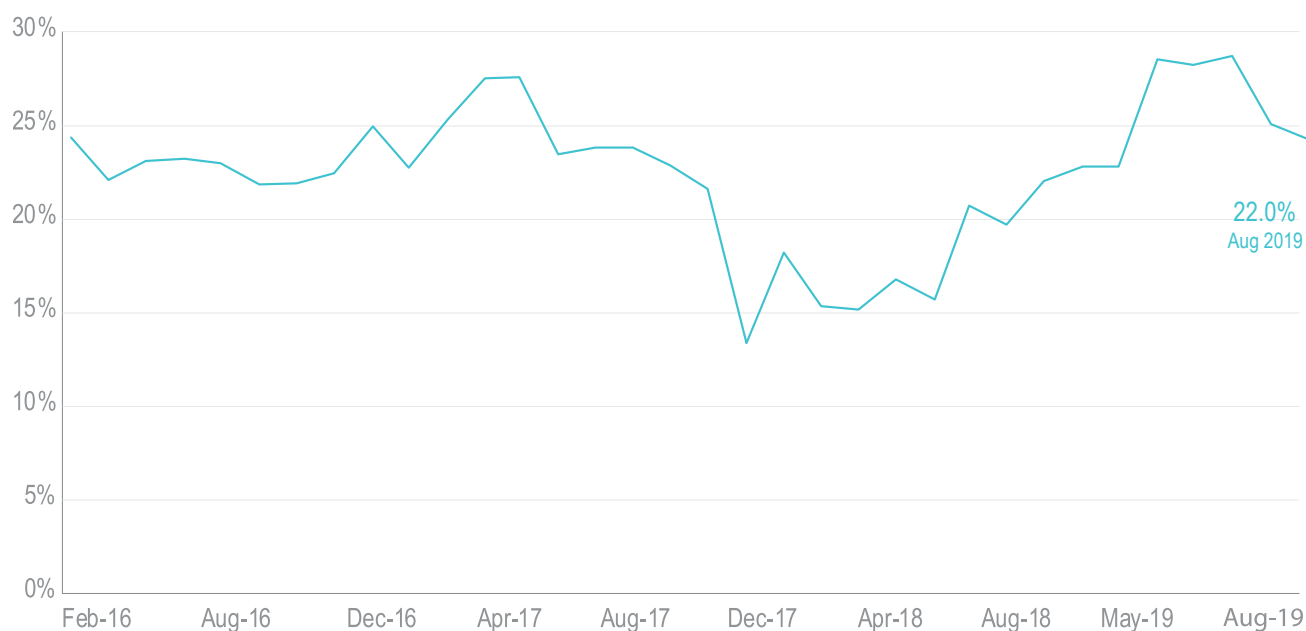
Iran's Fixed Income Market

Snapshot of the Highest Yielding Debt Securities¹ - August 2019

Issuer	Type	YTM (p.a.)	Maturity
Government	Manfeat	0.254	6-Sep-21
Municipal	Musharekat	0.252	17-Mar-23
Saipa Yadak Commercial	Ijara	0.251	1-Jul-21
Iran Khodro Industrial Group	Murabaha	0.249	24-Feb-22
Government	Ijara	0.247	6-Feb-21
Corporate	Ijara	0.242	21-Jul-22
Government	Musharekat	0.242	29-Nov-20
Corporate	Manfeat	0.241	2-Feb-22
Corporate	Musharekat	0.238	17-Mar-22
Social Security Investment	Ijara	0.237	16-Mar-21

¹ This snapshot is a selection of the highest yielding securities with minimum one year maturity in Iran's debt markets and should not be considered as a solicitation or recommendation by Turquoise Partners.

Iran's T-bills YTM in IRR Term



Source: Tehran Stock Exchange - Iran Farabourse - Central Bank of Iran - Bonbast
All figures in US\$ are converted from IRR at the free market rate, unless otherwise indicated.

■ Latest Updates

Housing Market

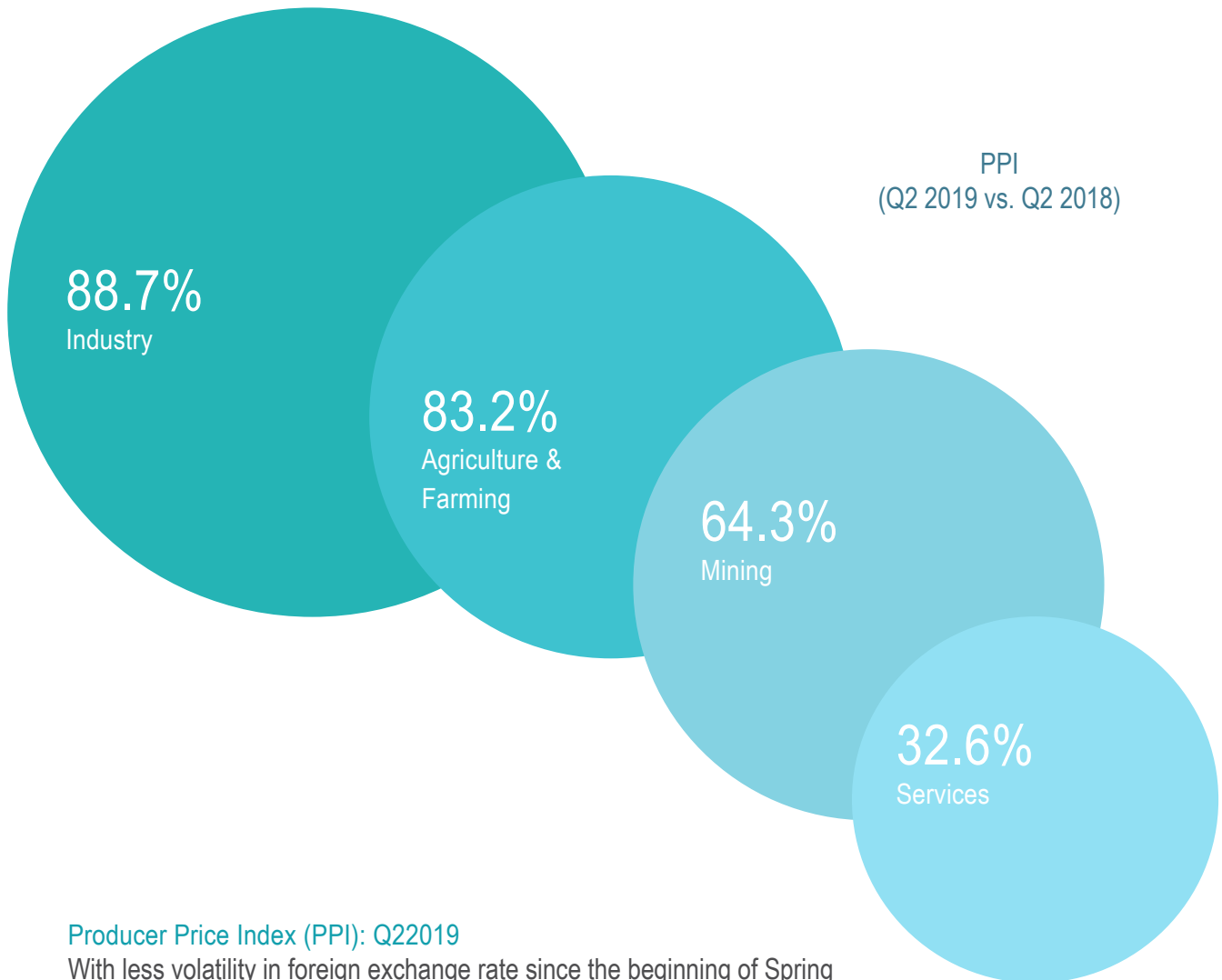
In the Tehran housing market, the highest average transaction value was found in District 1 (north Tehran) at 282.1 million IRR per square meter (2,353 US\$ at a rate of 119,885 IRR/US\$), and the lowest was in District 18 at 59.8 million IRR per square meter (499 US\$) per square meter. Transactions between 750 US\$ and 870 US\$ per square meter were the most common, accounting for 11% of total transactions. The average rent for residential units in Tehran city increased 28% over the 12-month period. According to the CBI, rent is one of the main costs for households, accounting for 33% of total household spending.

- In August 2019, some 3,200 residential units were sold in Tehran, down 73% from the same month last year.
- The average selling price per square meter in the residential sector rose 76% in IRR term and 53% in US\$ term, compared to the same period last year.
- Highest allocation in the number of transactions were registered in districts 5, 4 and 2, with share of 12%, 9.4% and 8.9%, respectively.

Housing Market Statistics	August 2018	July 2019	August 2019	Annual Chg.% (August 2019 Vs. August 2018)
Number of Transactions (units)	12,006	4,790	3,292	-73%
Average Price Per Square Meter (Million IRR)	73.9	133.5	130.2	76%
IRR Per US\$	104,095	127,977	119,885	15%
Average Price Per Square Meter (US\$)	710	1,043	1,086	53%

Source: CBI

PPI
(Q2 2019 vs. Q2 2018)



Producer Price Index (PPI): Q22019

With less volatility in foreign exchange rate since the beginning of Spring 2019, the cost of manufacturing increased 14.4% in second quarter 2019 (Q2 vs. Q1 2019). The PPI total index increased 69% in Q2 2019 compared to Q2 2018.

Source: Statistical Centre

Macroeconomic Data

Iran Economic & Market Data Calendar

SCI: CPI by Provinces in the Month of Mordad of the Year 1398
Released: [8 September 2019](#)

SCI: National Consumer Price Index by Expenditure Deciles: in the Month of Mordad of the year 1398
Released: [31 August 2019](#)

SCI: Consumer Price Index in the Month of Mordad of the Year 1398
Released: [31 August 2019](#)

Data Macroeconomic Forecast

	Unit	2019/ 20	2020/ 21	2021/ 22
Nominal GDP	(Billion US\$)	486	495	515
Real GDP Growth	(%)	-6	0.2	0.9
Inflation	(%)	37	31	29
Government Net Lending Borrowing	(% GDP)	-4%	-4%	-5%
Current Account Balance	(% GDP)	-0.4%	-0.6%	-0.8%

Actual Macroeconomic Data

	Unit	Period	Value	Comments
Population Growth	%	2011- 2016	1.24%	-
Unemployment Rate	%	Spring 2019	10.80%	-
Inflation Rate	%	Aug-19	42.2%	2016 = 100
Non-oil GDP Growth	%	2018	-2.40%	2011 = 100
GDP Growth	%	2018	-4.90%	2011 = 100

■ Recent Brokerage Report

Iran Daily Market Update – September 2019

[September 18, 2019](#)

[September 17, 2019](#)

[September 16, 2019](#)

[September 15, 2019](#)

[September 14, 2019](#)

■ Turquoise News

September 17, 2019

On Tuesday, September 17, 2019, the Director of Trade, Investment and Innovation Department at the United Nations Industrial Development Organization (UNIDO) and his colleagues had a meeting with Turquoise Partners. In this meeting, which was held at the Turquoise Office, entrepreneurial opportunities in the Iranian tech scene and frontier markets were discussed.

[More Information](#)

July 29, 2019

Turquoise Partners is pleased to announce that “Shahdozd” game ranked 4.6/5 and was selected among the best games in cafebazaar.

[More Information](#)

July 4, 2019

Turquoise Partners was delighted to host the Young Associate Council of ICT ministry on Thursday 4th of July.

[More Information](#)

March 2019

In March 2019, Turquoise domestic mutual fund (Firouzeh Movafaghiat) awarded as a 5 star mutual fund with low risk and high return in the country.

[More Information](#)

June 18, 2019

Turquoise Partners head of VC Investments will be presenting financing options for start-up companies in Iran in Shanbemag event.

[More Information](#)



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