



TURQUOISE  
PARTNERS

# Iran Investment

Monthly

April & May 2019 - Volume 13, No 148

## Summary

### Equity Markets

The TEDPIX index and junior Farabourse (IFB) recorded best monthly performance in March and April since September 2018. TEDPIX and IFB rallied 29% and 24% in IRR terms over the course of two months, respectively. Based on the unofficial exchange rate, the gains in dollar terms accelerate by 23% in TSE and 18% in Farabourse market.

### Debt Markets

In the first month of the Iranian calendar year of 1398 (March 2019 to March 2020), no new issuance was reported.

### Economic Review

This issue reviews the latest consumer price index statistics and Iranian household budget expenditure report published by Statistical Center and Central Bank of Iran. 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 centers.

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## Market Update

The Tehran Stock Exchange continued its positive performance for the third consecutive month in April. It was also the start of the Iranian calendar year and followed its usual historical trend of upward performance post the Norouz holidays.

The daily CBI market Euro rate (NAV rate) rose by more than 10% against the Iranian Rial in April. This move proved to be the sharpest adjustment since 31<sup>st</sup> October 2018, when this rate was introduced. Since the rate is widely used to exchange hard currencies from exporters and used to price commodities from the Iranian Mercantile Exchange, this was interpreted as a more flexible and efficient approach by the government.

This was also seen as very good news for equity investors, as companies that are actively exposed to the Iranian mercantile exchange as well as export driven companies would benefit. As a result of this, the spread between the free market rate and this CBI daily market rate has decreased significantly to near its all-time low, which is another step towards liberalization of the currency regime. As this gap continues to narrow, these exporters are more incentivized to bring back their hard currency at these levels.

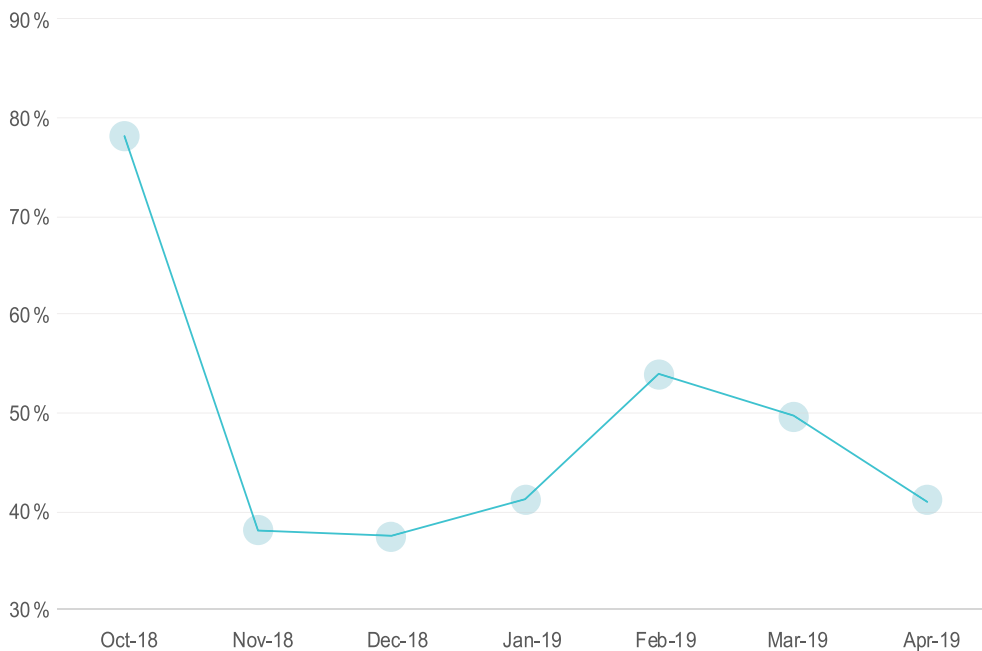
Politically, the month of April was uncertain for market participants as the date for the sanction waivers regarding oil exports approached. The export of Iranian crude is of paramount importance to the strength of the Iranian economy but also plays a part in the how the currency performs.



*Shervin Shahriari*  
Chief Investment Officer

*Shervin Shahriari*

### ► Spread between CBI and Free Market EUR rate



Source: CBI, Bonbast



## Performance & Updates

### Summary - March 2019

Market Capitalization (billion US\$)	72		TSE & Farabourse Junior Market
Free Float	22%		TSE & Farabourse Junior Market
Number of Listed Companies <sup>1</sup>	599		TSE & Farabourse Junior Market
TSE Index Performance (US\$) <sup>2,4</sup>	12.9% (MTD)	-2.4% (YTD)	TSE
Total Turnover (million US\$) <sup>2</sup>	2,129	m\$	TSE & Farabourse Junior Market
Dividend Yield (%) <sup>3</sup>	9.6 %		TSE
P/E	7.1		

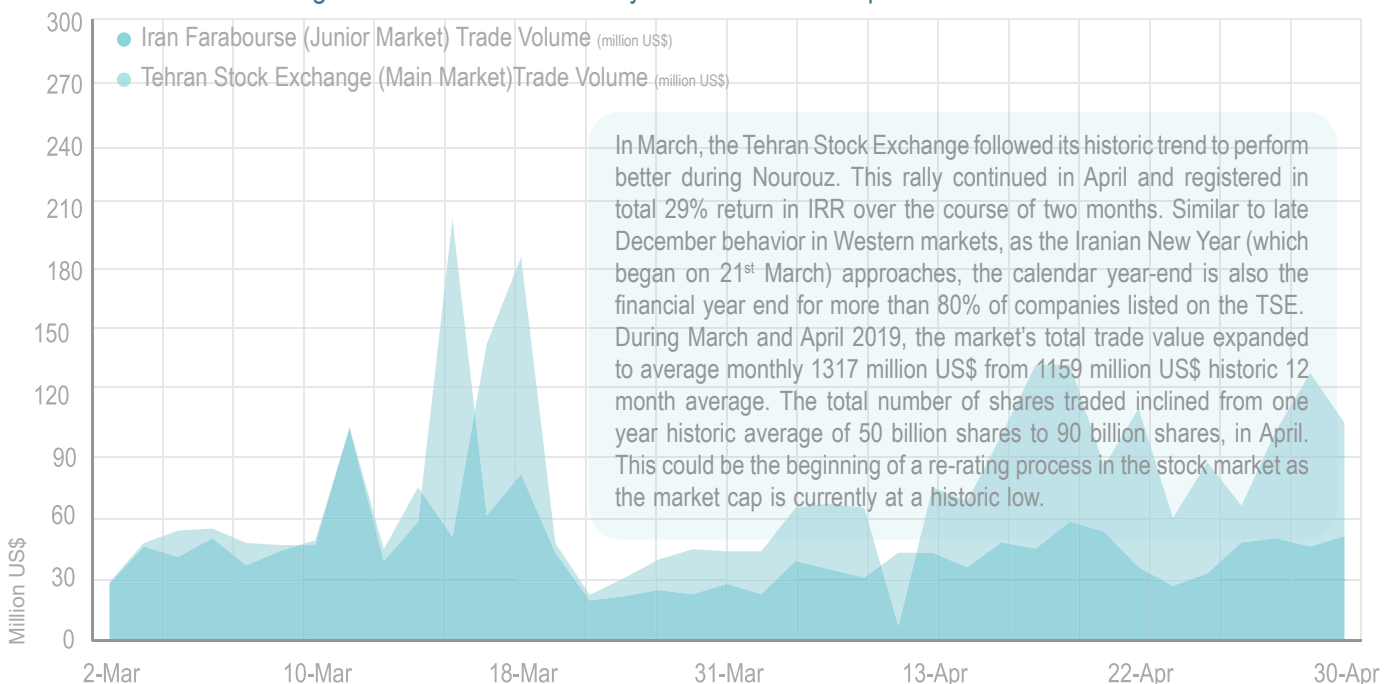
<sup>1</sup> 165 companies are listed in Over-The-Counter (OTC) or off-exchange market named as "Base Market" in Farabourse junior market which trading of these companies are done directly between two parties. <sup>2</sup> Calculated based on unofficial IRR per US\$ exchange rates. <sup>3</sup> Calculated based on the latest market data ending 1397 Iranian calendar year. <sup>4</sup> TEDPIX Tehran Exchange Dividend Price Index (Dividend & Price Index)

### Summary - April 2019

Market Capitalization (billion US\$)	78		TSE & Farabourse Junior Market
Free Float	22%		TSE & Farabourse Junior Market
Number of Listed Companies <sup>1</sup>	599		TSE & Farabourse Junior Market
TSE Index Performance (US\$) <sup>2,4</sup>	9.9% (MTD)	7.3% (YTD)	TSE
Total Turnover (million US\$) <sup>2</sup>	2,216	m\$	TSE & Farabourse Junior Market
Dividend Yield (%) <sup>3</sup>	9.2%		TSE
P/E	8.3		

<sup>1</sup> 165 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. <sup>2</sup> Calculated based on unofficial IRR per US\$ exchange rates. <sup>3</sup> Calculated based on the latest market data ending 1397 Iranian calendar year. <sup>4</sup> TEDPIX Tehran Exchange Dividend Price Index (Dividend & Price Index)

### Tehran Stock Exchange & Junior Market Trade by Value<sup>1</sup> - March & April 2019



Source: Tehran Stock Exchange  
Iran Farabourse Company

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

<sup>1</sup> Trading 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

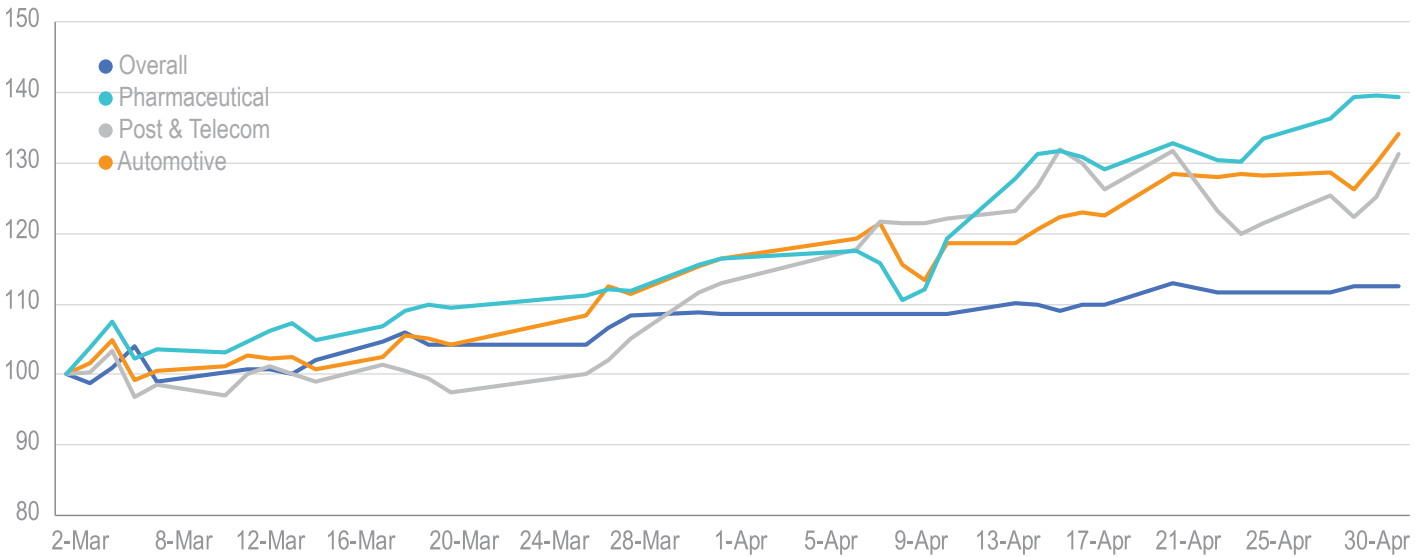
### Long-Term Overall Index (Normalized in USD)



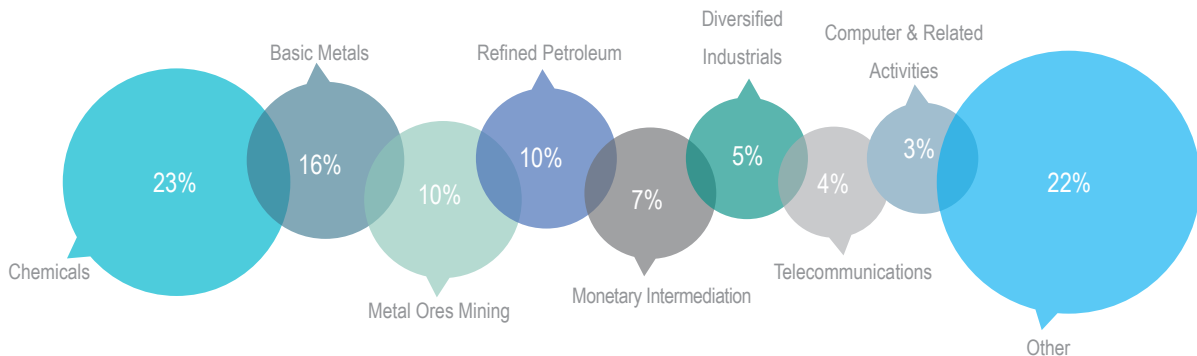
### Long-Term Iranian Market Cap ( Billion \$)



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



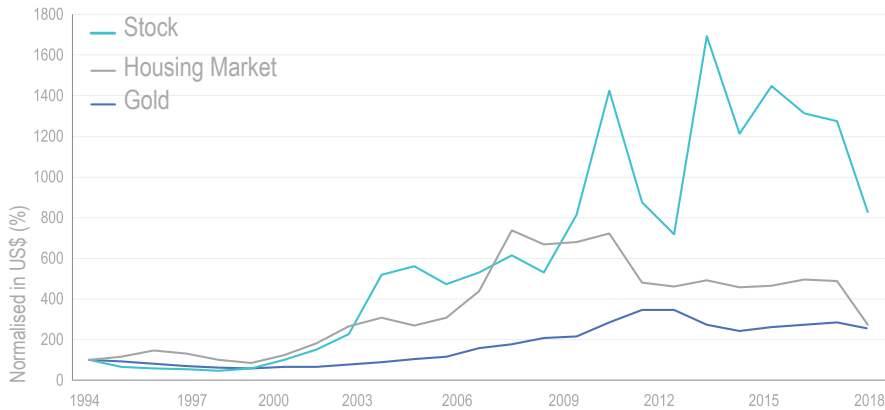
### Top TSE Sector Market Capitalization (%)



Source: TSE, Bonbast  
\*As of April 2019

## Market Snapshot - March 2019

### Iran: A 20 Year Snapshot, Asset Class Returns in US\$ (%)



\* TEDPIX Tehran Exchange Dividend Price Index  
All figures in US\$ are converted from IRR at the free market rate

## Iran & Regional Markets

### P/E Multiple Comparison

MSCI Morocco	17.9
Kuwait	16.2
Qatar	13.8
MSCI Arabian Markets	14.5
MSCI GCC Countries	14.7
MSCI Egypt	9.9
Saudi Arabia	17.4
UAE	13.7
Iran	7.1
Turquoise Iran Fund*	7.1

\* Sub Fund B/C, as of ending March 2019

## Iran & International Markets

### Tehran Stock Exchange

Average P/E

7.1

1-Year Performance in \$ <sup>1</sup>

-32.0%

Annualized 10 Year in \$ <sup>2</sup>

4.9%



23.4	Chemicals
16.5	Basic Metals
9.7	Metal Ores Mining
9.6	Refined Petroleum
7.0	Monetary intermediation
33.8	Others

### MSCI Emerging Markets <sup>3</sup>

Average P/E

13.1

1-Year Performance in \$

-7.1%

Annualized 10 Year in \$

9.3%



24.2	Financials
14.6	Information Technology
13.4	Consumer Discretionary
12.3	Communication Services
8.1	Energy
27.5	Others

### MSCI Frontier Markets <sup>4</sup>

Average P/E

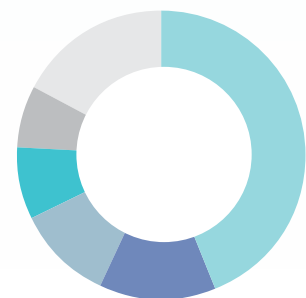
13.3

1-Year Performance in \$

-14.8%

Annualized 10 Year in \$

7.8%



45.6	Financials
12.1	Communication Services
9.1	Consumer Staples
8.7	Real Estate
5.6	Energy
18.9	Others

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

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

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

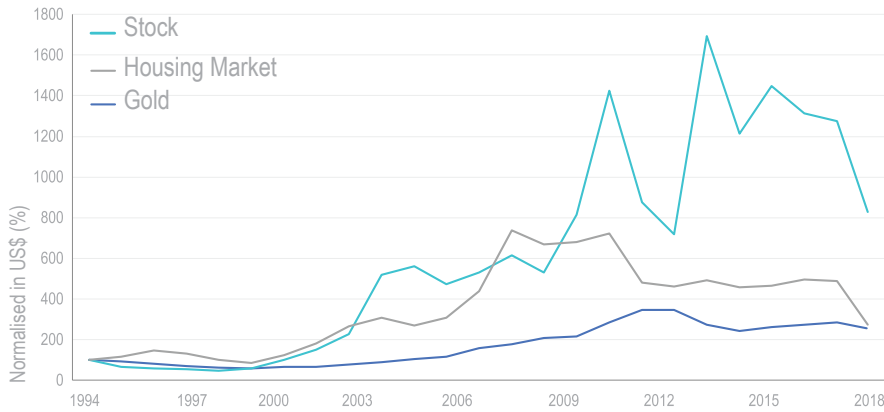
4. MSCI Frontier Markets Index (US\$) - March 2019

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.

## Market Snapshot - April 2019

### Iran: A 20 Year Snapshot, Asset Class Returns in US\$ (%)



\* TEDPIX Tehran Exchange Dividend Price Index  
All figures in US\$ are converted from IRR at the free market rate

## Iran & Regional Markets

### P/E Multiple Comparison

MSCI Morocco	19.0
Kuwait	15.5
Qatar	14.2
MSCI Arabian Markets	15.3
MSCI GCC Countries	15.7
MSCI Egypt	10.8
Saudi Arabia	18.7
UAE	17.1
Iran	8.3
Turquoise Iran Fund	7.3

\* Sub Fund B/C, as of ending April 2019

## Iran & International Markets

### Tehran Stock Exchange

Average P/E

8.3

1-Year Performance in \$ <sup>1</sup>

-6.9%

Annualized 10 Year in \$ <sup>2</sup>

5.3%



22.5	Chemicals
16.1	Basic Metals
10.4	Metal Ores Mining
9.9	Refined Petroleum
6.9	Monetary intermediation
34.2	Others

### MSCI Emerging Markets <sup>3</sup>

Average P/E

13.6

1-Year Performance in \$

-4.7%

Annualized 10 Year in \$

7.9%



24.2	Financials
14.8	Information Technology
13.6	Consumer Discretionary
12.5	Communication Services
7.9	Energy
26.98	Others

### MSCI Frontier Markets <sup>4</sup>

Average P/E

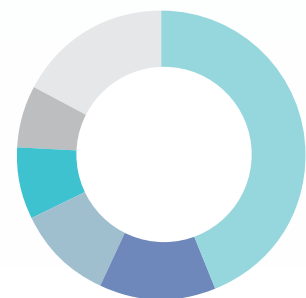
12.8

1-Year Performance in \$

-11.9%

Annualized 10 Year in \$

6.8%



45.6	Financials
12.1	Communication Services
9.1	Consumer Staples
8.7	Real Estate
5.6	Energy
18.9	Others

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

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

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

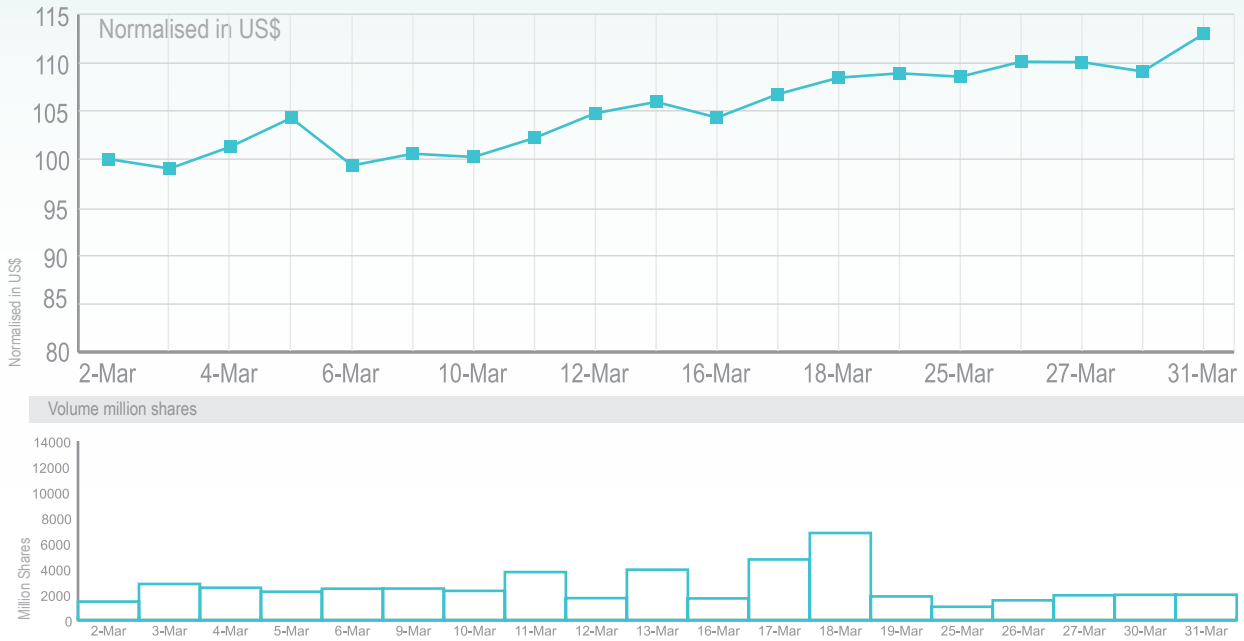
4. MSCI Frontier Markets Index (US\$) - April 2019

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.

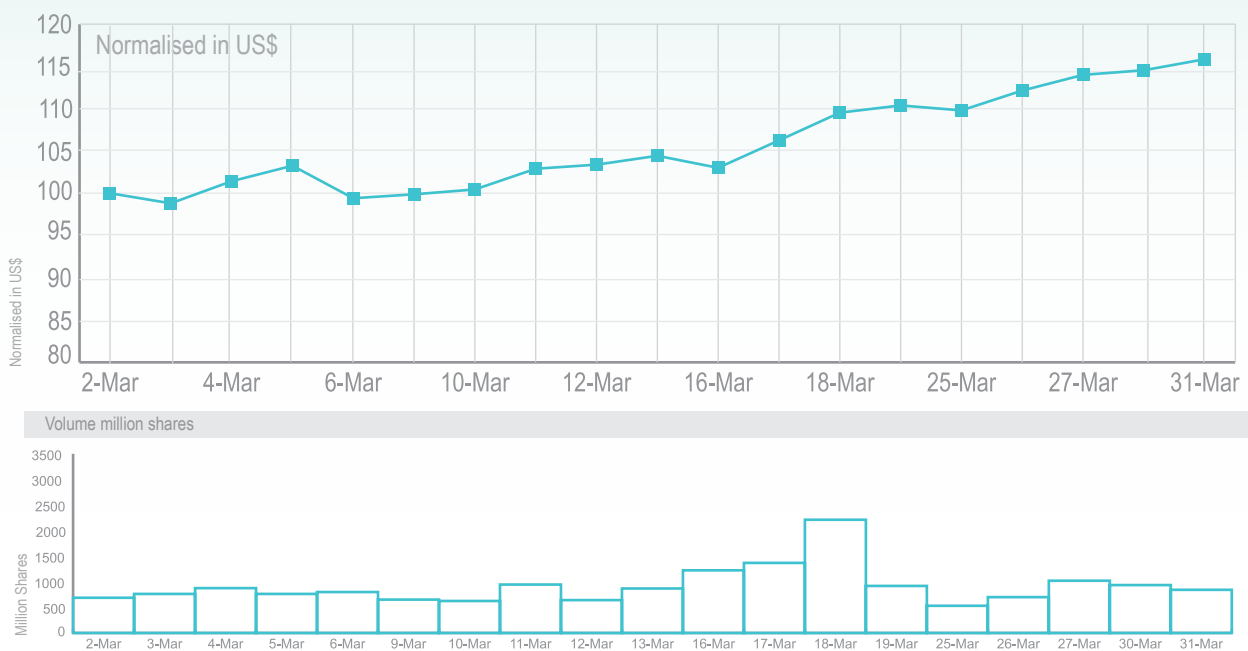
## TSE & Junior Market Performance

### Tehran Stock Exchange: TEDPIX\*, March 2019



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\*, March 2019

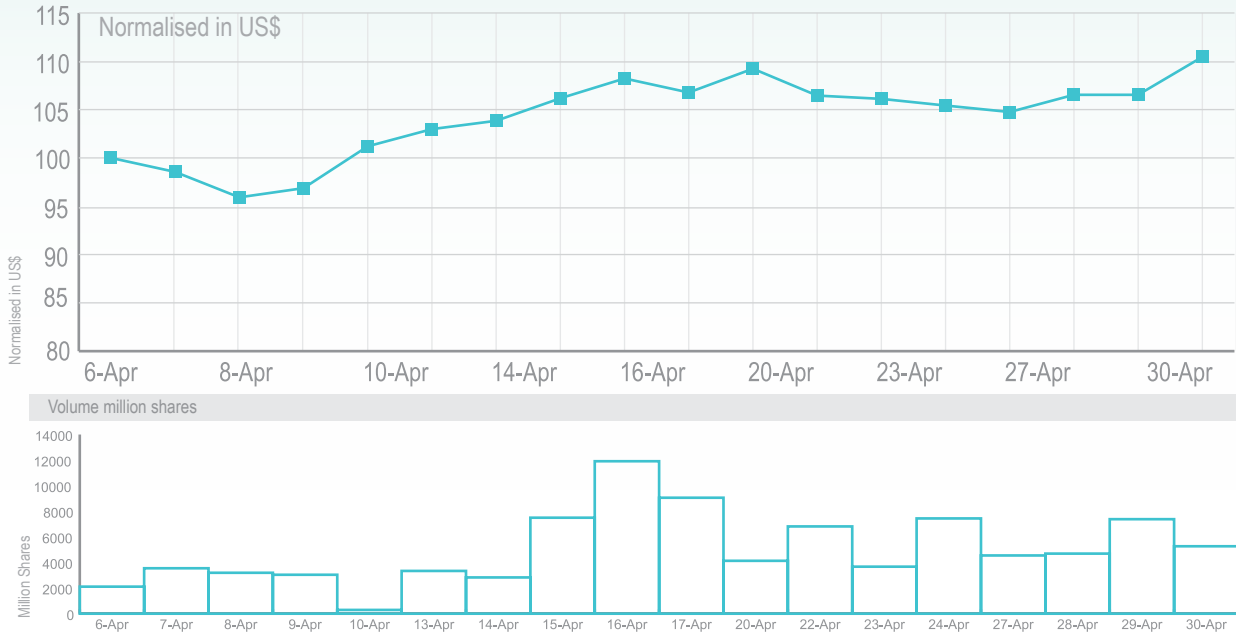


Source: Iran Farabourse Company  
 \*Iran Farabourse (Junior Market) Overall Index (Total Return)  
 All figures in US\$ are converted from IRR at the free market rate, unless otherwise indicated.



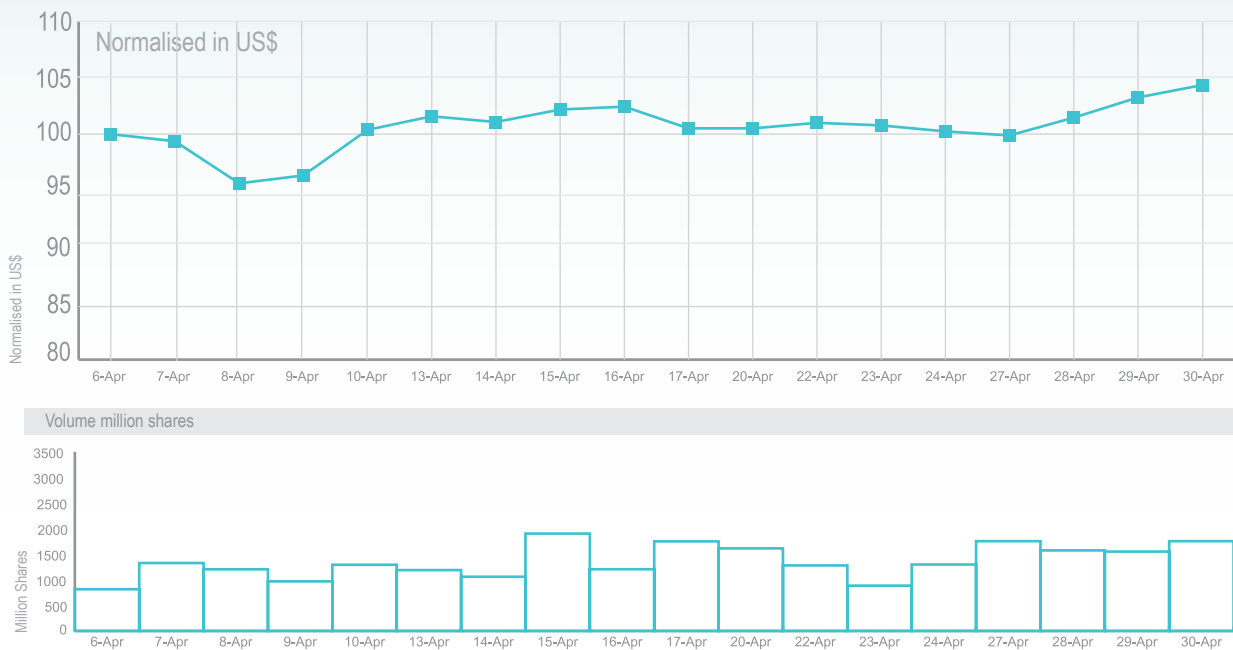
## TSE & Junior Market Performance

Tehran Stock Exchange: TEDPIX\*, April 2019



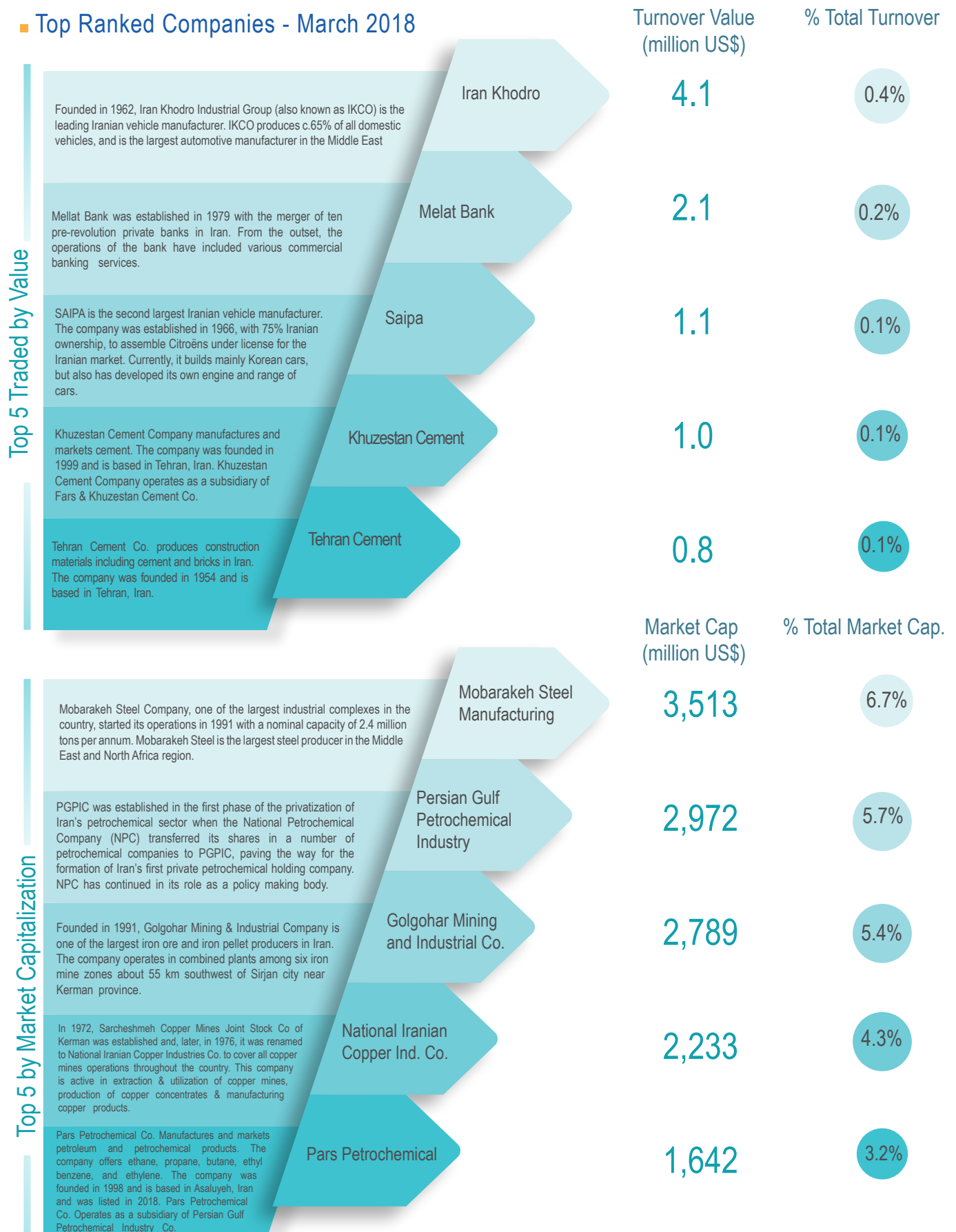
Source: Tehran Stock Exchange  
 \*TEDPIX Tehran Exchange Dividend Price Index (Dividend & Price Index)  
 All figures in US\$ are converted from IRR at the free market rate, unless otherwise indicated.

Iran Farabourse (Junior Market): IFX\*, April 2019



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.  
 Note: IRR per US\$: 42,000. From 10 April 2018, this rate is the official US\$/IRR rate by the CBI and it is illegal to quote any other rate. However, it is not yet clear who is able to obtain this rate.

## Top Ranked Companies - March 2018



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

## Top Ranked Companies - April 2019

Top 5 Traded by Value

Tehran Cement Co. produces construction materials including cement and bricks in Iran. The company was founded in 1954 and is based in Tehran, Iran.

Tehran Cement

Turnover Value\*  
(million US\$)

7.0

% Total Turnover

0.05%

SAIPA is the second largest Iranian vehicle manufacturer. The company was established in 1966, with 75% Iranian ownership, to assemble Citroëns under license for the Iranian market. Currently, it builds mainly Korean cars, but also has developed its own engine and range of cars.

Saipa

3.4

0.02%

Fajr Petrochemical Company involves in the construction, commissioning, and operation of industrial factories for the production, marketing, sale, and export of petrochemicals. The company is based in Tehran, Iran.

Fajr Petrochemocal

2.8

0.02%

Founded in 1962, Iran Khodro Industrial Group (also known as IKCO) is the leading Iranian vehicle manufacturer. IKCO produces c.65% of all domestic vehicles, and is the largest automotive manufacturer in the Middle East.

Iran Khodro

2.6

0.02%

Esfahan Oil Refining Co. has 23% of Iran's refining capacity with a nominal capacity of 375,000 barrels per day. The company provides petroleum products for Esfahan Petrochemical Co., Arak Petrochemical Co., Sepahan Oil Co., Jey Oil Co. and National Petrochemical Co. of Iran.

Isfahan Oil Refinery

2.4

0.02%

Market Cap  
(million US\$)

% Total Market Cap.

Mobarakeh Steel Company, one of the largest industrial complexes in the country, started its operations in 1991 with a nominal capacity of 2.4 million tons per annum. Mobarakeh Steel is the largest steel producer in the Middle East and North Africa region.

Mobarakeh Steel  
Manufacturing

3,941

6.8%

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

3,240

5.6%

Founded in 1991, Golgohar 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.

Golgohar Mining  
and Industrial Co.

2,485

4.3%

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.

2,289

3.9%

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

1,701

2.9%

Top 5 by Market Capitalization

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

## Iran's Fixed Income Market

In the first month of the Iranian calendar year of 1398 (March 2019 to March 2020), no new issuance was reported.

### Iran's Debt Securities Market - April 2018



Market Value (billion US\$)\*



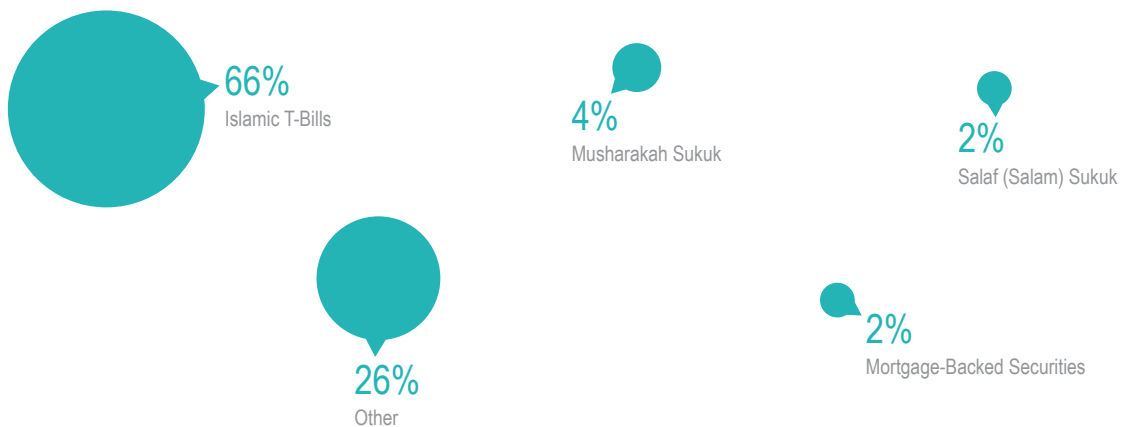
Average Daily Trading Value (million US\$)\*



Average Daily Trading Volume (bonds)

\* As of 30 April 2018

### Value & Breakdown of Sukuk Issuance in Iran's Capital Markets, 2018/19\* (billion US\$)



Source: Iran Farabourse

\*Calculated by the unofficial exchange rate in the period of issuance.

## Iran's Fixed Income Market

### Snapshot of the Highest Yielding Debt Securites<sup>1</sup> - April 2019

Issuer	Type	YTM (p.a.)	Maturity
SOV.Mush10SP220317	Governmental	24	17-Mar-22
ArvandOM.MNF220202	Manfeat	23	2-Feb-22
ArvandAM.MNF220202	Manfeat	23	2-Feb-22
ArvandTD.MNF220202	Manfeat	23	2-Feb-22
ArvandLT.MNF220202	Manfeat	23	2-Feb-22
ArvandML.MNF220202	Manfeat	23	2-Feb-22
ArvandML.MNF220313	Manfeat	23	13-Mar-22
ArvandLT.MNF22031	Manfeat	23	13-Mar-22
ArvandSP.MNF220313	Manfeat	23	13-Mar-22
OmidLsg.Mush	Mosharekat	22	16-Oct-20

<sup>1</sup> 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.

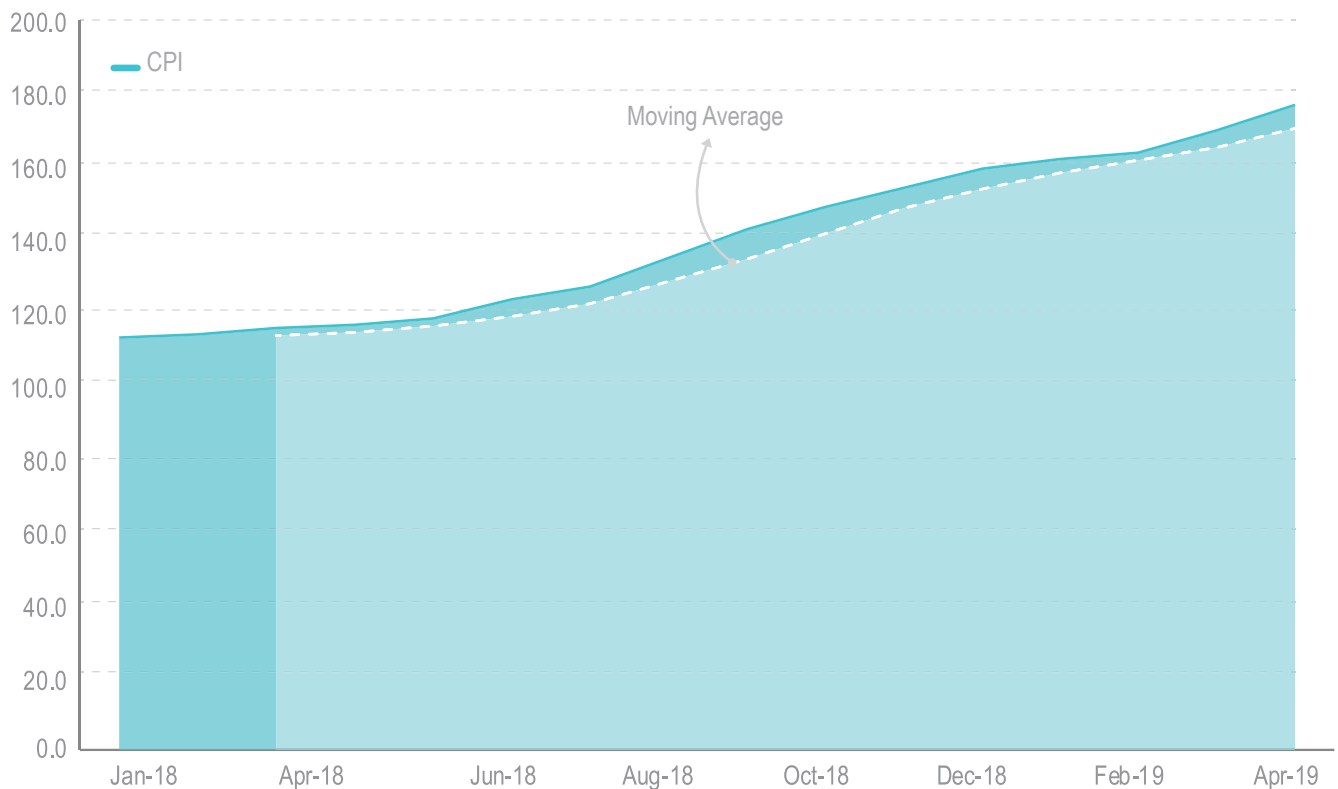


## ■ Latest Updates

### Inflation Rate

The Consumer Price Index grew 4% on a monthly basis to 176.3 in the month of April giving a 12 month moving average of an 34% inflation rate and point to point inflation of 53% (April 2019 versus April 2018).

#### Consumer Price Index



Source: Statistical Center

### A review of Iranian household budget expenditure in 2017 (1396)

According to recent publications by the Central Bank of Iran, a survey was conducted of a sample of 13,141 households, with the following results highlighted:

- Average household size of 3.28 members, declining by 0.05 from last year
- Households with 4 family members were the most common, at 29% of the total, while only 0.1% of households had more than nine members.
  - 26.7% of members in the households under survey are below 21 years old.
- The average monthly and annual expenditure in an urban household stands at 870 US\$ and 10,441 US\$, respectively.
- The average monthly and annual income in an urban household stands at 907 US\$ and 10,886 US\$, respectively.
- The share of food, beverages and tobacco in an urban household expenditure is 23.8%.
- Around 71% of income is reported to originate from various economic activities, where the remaining 29% is de-rived from non-economic activities such as rental income from owned properties.
- 27.9% of households have no employed family member while over 55.3% of households have one employed or working member in the family.

- Household expenditure in urban areas grew by 7.2% since the 2016 period, while household income grew by 12%, illustrating the impact of stabilized inflation, especially in consumer goods
- Housing & Utilities accounted for the largest share, 35.5%, in a basket of expenditure of urban households, up 7% from the previous year.
- 64.8% of households own the home they live in, and 25.9% of households live in rental properties. The percentage of households owning their home has increased slightly from 64.3% in the previous year. Some 50% of households live in three-bedroom apartments and 29.6% live in two-bedroom apartments.
- 49% of households have personal cars and 96.6% of households have mobile phones.

## ■ Macroeconomic Data

### Iran Economic & Market Data Calendar

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

CBI: Selected Economic Indicators for January  
Released: [17 April 2018](#)

SCI: Consumer Price Index in the Month of Farvardin of the Year 1398  
Released: [April 2019](#)

SCI: National Consumer Price Index by Expenditure Deciles: in the Month of Esfand of the year 1397  
Released: [April 2019](#)

### Iran Macroeconomic Forecast

Gross Domestic Product	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%

## ■ Recent Brokerage Report

Iran Daily Market Update – May 2019

[May 29, 2019](#)

[May 28, 2019](#)

[May 26, 2019](#)

[May 22, 2019](#)

[May 21, 2019](#)

## ■ Turquoise in Media

October 9, 2017 - CNBC

“Iranian investors: Watching the White House’s next move”

[Read the full article](#)

August 30, 2017 - Bloomberg

“Nuclear Deal Boosts Tehran Bourse Trade as IPO Requests Jump”

[Read the full article](#)

July 14, 2017 - Bloomberg

“EU Firms Seeking Potential Iran JVs”

[Watch the full interview](#)



TURQUOISE  
PARTNERS

# Iran Investment

Monthly

April & May 2019 - Volume 13, No 148

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