APQ global

2017 OUTLOOK

APQ Global (ticker: APQ LN) is a global emerging markets growth company with interests across Asia, Latin America, Eastern Europe, the Middle East and Africa. Our objective is to steadily grow earnings to deliver attractive returns and capital growth to our shareholders. We achieve this through a combination of revenue generating operating activities and investing in growing businesses across emerging markets. We run a well-diversified and liquid portfolio, take strategic stakes in selected businesses and plan to take operational control of companies through the acquisition of minority and majority stakes in companies with a focus on emerging markets.

For more information, please visit apqglobal.com.

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APQ global

NEW YEAR, NEW CHALLENGES, NEW OPPORTUNITIES

2016 was a defining year for our company. On 11 August 2016, we raised £78 million on the Channel Islands Stock Exchange, and we were admitted to trading on the London Stock Exchange's AIM Market two weeks later. These landmark developments give us the resources to focus on growing dividends and substantial capital growth for our shareholders in the years to come, and we want to thank those involved for their support – not only our distinguished group of institutional and private shareholders, but also our Board of Directors and the management team who worked hard to make this happen.

At the end of 2016 our book value per share (after IPO-related expenses) was 99.20 pence. We have generated significant income to support our first dividend of 0.5 pence per share for the fourth quarter of 2016, distributed in February 2017.

Rather than focus on our success to date (more on that in the following pages), it is now time to think ahead to the new year. In this inaugural statement, I want to focus on the major global themes that will influence our business in 2017 and beyond, and the abundance of opportunities that exist across emerging markets, despite the ongoing economic and political uncertainty. A stronger US Dollar should give us the chance to pick up emerging market exposure at better valuations. A higher oil price will support our exposure in the energy sectors. Higher nominal growth in the global economy will support export sectors in emerging markets. In short, opportunities abound and we are well positioned to take advantage of them.

It is hard not to start with the watershed event of President Trump's election victory in the United States and how this will continue to impact markets across the world. His expansive tax policy and ambitious infrastructure plans will almost certainly increase the United States' fiscal deficit and public debt, the effects of which will be felt globally. His proposed fiscal expansion is happening at a time of full employment, which should fuel growth and higher inflation domestically. As a result, I also expect the Federal Reserve to become more proactive with rate hikes in 2017 and the sell-off in the American bond market to intensify. Higher yields and a stronger US Dollar will be the major risk factor for the global economy in 2017.

But how will the global economic system cope with the higher cost of funding in US Dollars after eight years of extraordinarily low interest rates? History does not offer much comfort in this regard, and it would defy logic that higher funding costs will not matter for economic activity. This leads me to remain cautious on the outlook for global equity markets in 2017.

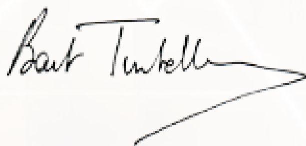
Of course, what President Trump is most famed for is his geopolitical sabre-rattling and interventionist industrial policy. While I expect he will quickly run into a wall of foreign retaliation and domestic opposition, his choice of cabinet ministers does suggest a tougher international economic and political agenda, and reiterates his core aims of protecting American jobs and the nation's security. While this is unlikely to lead to a whole scale revision of the international economic and political order, a more inward-looking approach to world affairs in the United States will certainly offer an opportunity for Russia and China to try and increase their external influence – most notably in parts of Asia, the Middle East and Africa. I anticipate a more multi-polar world is in the works, accompanied by more political and economic conflicts, not less.

Aside from the resulting impact of the US elections, we expect political tensions to run high in Europe in 2017. After the comprehensive defeat of the referendum for constitutional reform in Italy late last year, the focus is now shifting to the German and French elections and the start of the BREXIT negotiations. Regarding the latter, it is altogether clear that the British government has no firm plans and does not even know what it does not know. I expect a hard BREXIT to fade into the distance and the on-going political and economic muddle to continue.

Beyond these political headwinds, I expect macroeconomic developments to remain favourable for emerging markets in 2017. Growth in the world economy is gaining pace, with both developed countries and emerging markets contributing (although emerging markets remain the main drivers of global GDP growth). What is interesting to note is that inflation dynamics are diverging between emerging and developed markets; while inflation is on an upward trend in developed markets, it is tapering off in emerging markets. I expect the latter to continue to put pressure on emerging markets currencies but to open up significant business opportunities in selected emerging economies.

In short, we expect 2017 will see the global economy adapt to the tumultuous events of last year and we expect to see tremendous opportunities for emerging markets in the years ahead. We hope that the insights we provide in the coming pages are of interest to you as you face the new year – to help you identify the challenges ahead and leverage the opportunities that we see arising.

Sincerely,



Bart Turtelboom
Chairman, APQ Global Limited

"OPPORTUNITIES ABOUND IN EMERGING MARKETS AND WE ARE VERY WELL PLACED TO TAKE ADVANTAGE OF THEM IN THE YEARS AHEAD"

2016 IN REVIEW

Our success during our first five months as a listed company can be attributed to three key areas of our strategy:

- We deployed substantially all of our equity capital in light of the uncertain economic and political outlook that dominated markets in the second half of 2016
- We protected our book value in an environment fraught with headwinds, where global emerging markets registered significant declines in equities, currencies and bond markets, while at the same time maintaining geographical and sectorial diversification
- We made significant progress in identifying several strategic investments for 2017 with the potential support the dividend and contribute to further growth in our book value per share

We look back on 2016 as a year that will be remembered for many reasons. Most of the major themes of the year centered around politics, with few predicting the surprise outcomes of both the Brexit referendum and US Presidential election.

We kept risk exposure low heading into the US elections, which served us well. Emerging markets had a horrid time in the second half of the year, with the Global Emerging Markets Equity ETF (EEM US) losing 5.73% and the Emerging Markets Corporate Bond ETF (CEMB US) down 3.14% from our IPO date to year end. Emerging market currencies were also caught up in the updraft of the US Dollar and posted significant losses.

Despite our modest risk positioning, we are on track to meet our target annual dividend yield and we have declared our first quarterly dividend of 0.5 pence per share (for the first quarter up to 31 December 2016). We also end the year with all the funds raised on IPO fully deployed (except around 10%, held in cash for collateral and working capital purposes).

What follows is an extract from our Quarterly Update, published on 16 January 2017, providing more detail of our exposures as of year-end across our liquid markets, strategic investment and direct investment portfolios.

Liquid Markets Portfolio

As at the end of 2016, the Company's top 10 equity holdings in the liquid markets portfolio were:

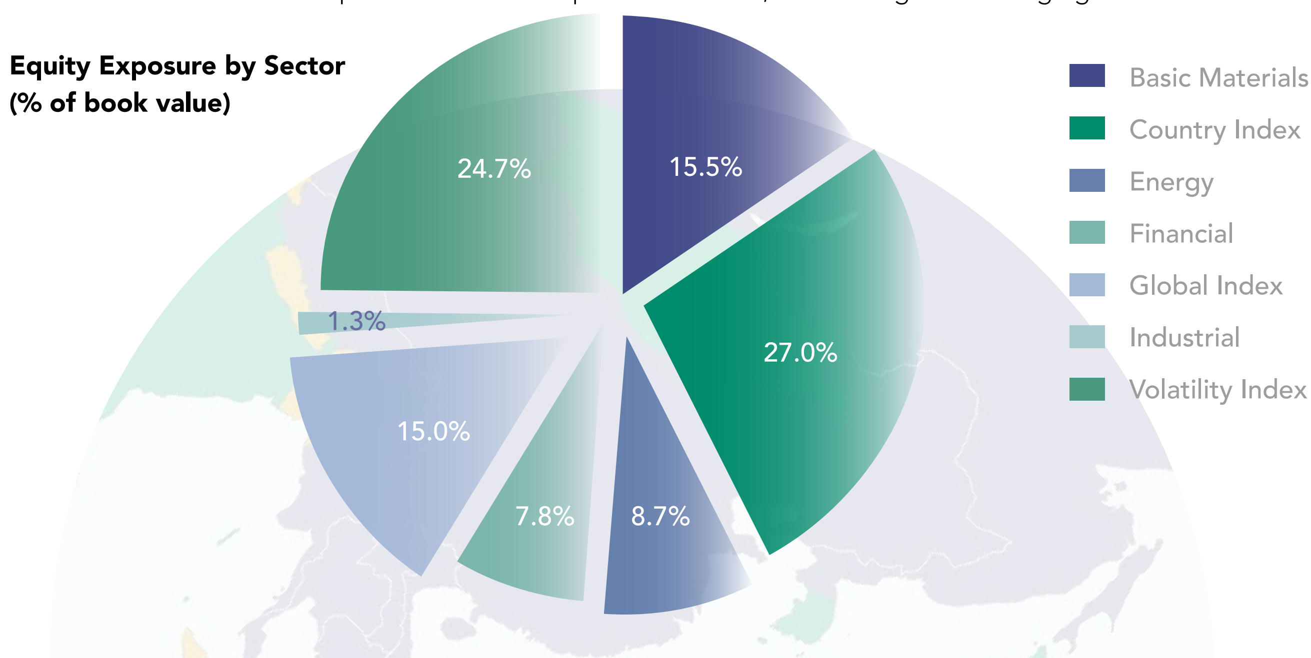
Equity Exposure: Top 10 Holdings (% of book value)

Holding	%
iPATH S&P 500 VIX Short-Term Futures ETN	9.0%
Russian Depositary Index USD	5.7%
iShares MSCI Emerging Markets ETF	5.5%
iShares MSCI India ETF	4.2%
City of London Investment Group PLC	2.8%
Gazprom PJSC	1.6%
Vale SA	1.5%
Glencore PLC	1.3%
MMC Norilsk Nickel PJSC	1.1%
Rosneft Oil Co PJSC	0.9%

The Company's overall equity exposure is 36.6% of book value. The largest emerging markets equity positions are concentrated in Russia, India and Brazil. The driver behind the Russia exposure is a bullish view on commodities and a view that relations between Russia and the United States will gradually improve under the Trump Presidency. In India, APQ Global sees significant value after the demonetisation debacle. The Company believes that the effect of this event is petering out in early 2017 and fully reflected in current pricing. The Company also holds a view that Brazil will continue to politically and economically turn the corner in 2017. The management team expect the central bank to cut rates by 2.5% in 2017, providing a boost to the currency and the equity market.

From a sector perspective, the bulk of the Company's exposure is in energy, industrials and financials, taking into account the sector composition of index exposure in Russia, India and global emerging markets.

Equity Exposure by Sector (% of book value)



The Company has maintained a large structural hedge through a long volatility position of 9% of the book value (using iPath S&P 500 VIX Short Term Futures, VXX US). While this has been costly following the US presidential elections, the Board believes it is a prudent position to hold going into 2017.

The Company's credit book has grown to 35% of the book value. The portfolio is well diversified and the largest position is Vimpelcom, accounting for 1.16% of book value.

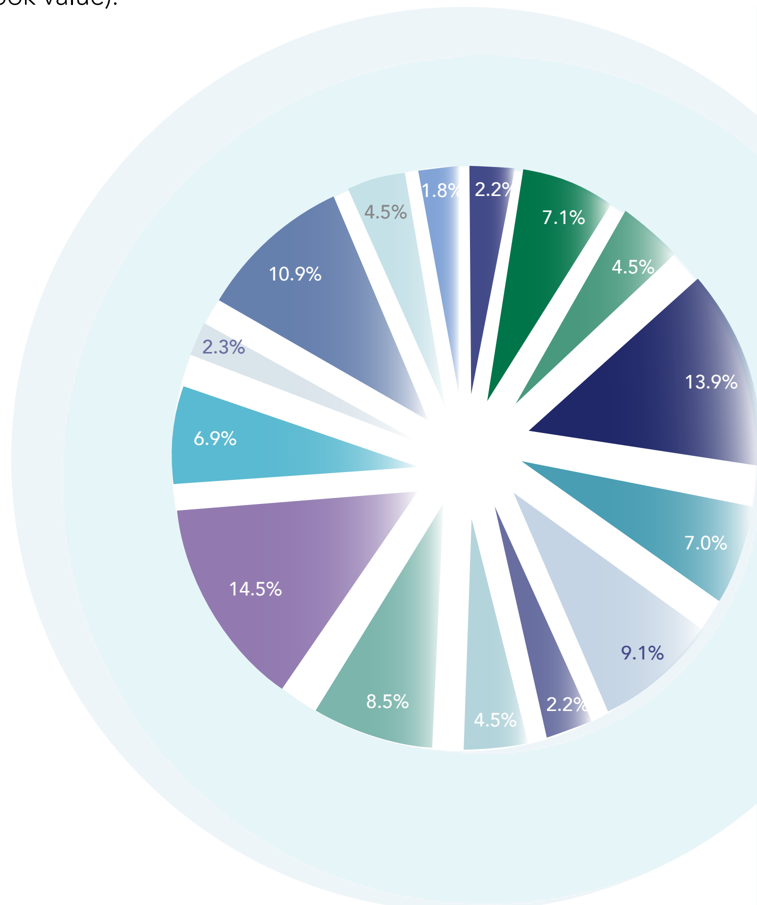
Credit Exposure: Top 10 Holdings (% of book value)

VIP 7.5043 03/01/22	1.16%
VTB 6.95 10/17/22	1.12%
SIBNEF 6 11/27/23	1.11%
ESKOM 5 3/4 01/26/21	1.05%
SBERRU 5 1/4 05/23/23	1.04%
AVALCB 4 3/4 09/26/22	1.03%
TCELLT 5 3/4 10/15/25	1.02%
PEMEX 4 7/8 01/18/24	1.01%
NGERIA 6 3/8 07/12/23	0.98%

Geographically, the portfolio is also well diversified with the largest positions concentrated in Russia (14.5% of book value) and Brazil (13.9% of book value):

Credit Exposure by Country
(% of book value)

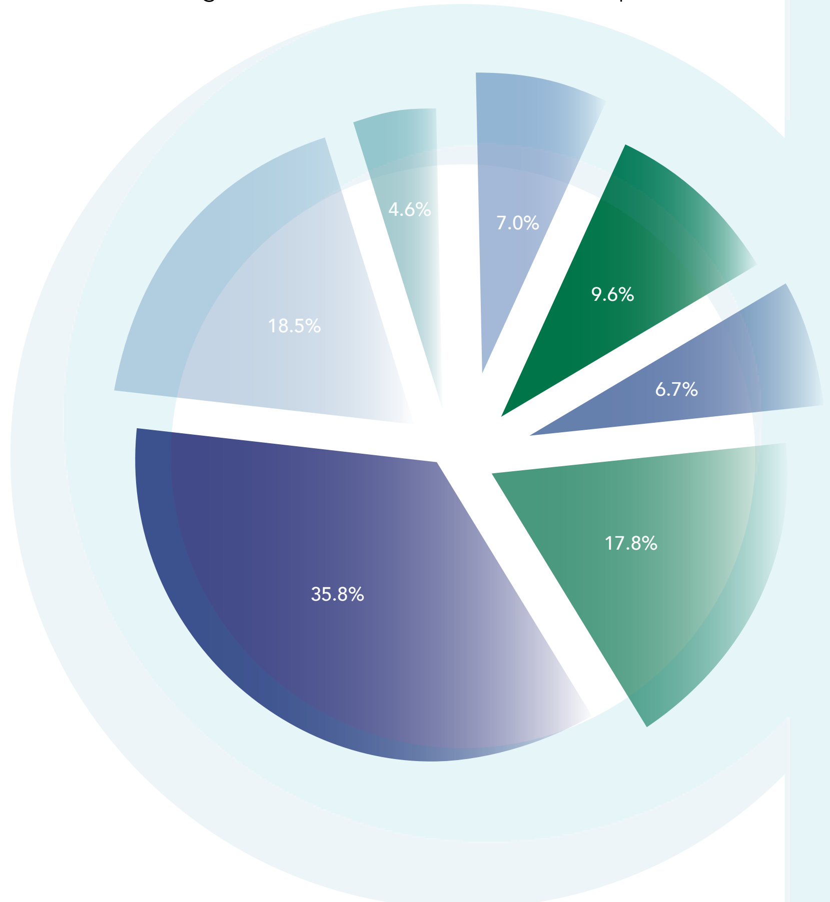
- Angola
- Argentina
- Azerbaijan
- Brazil
- Columbia
- Kazakhstan
- Kenya
- Mexico
- Nigeria
- Russia
- South Africa
- Sri Lanka
- Turkey
- Ukraine
- Venezuela



From a sector perspective, the portfolio is concentrated in government entities, banks and corporations in the energy and materials sectors.

Credit Exposure by Sector
(% of book value)

- Basic Materials
- Communications
- Consumer, non-cyclical
- Energy
- Financial
- Government
- Utilities



As at 31 December 2016, the Company has no meaningful direct currency exposure beyond the levels in its equity portfolio. For most of the last quarter, the Company has held a large and very successful funding position in the Japanese Yen (representing 26% of book value) and has held a short position of 9.4% of book value in the Russian Ruble as a hedge against equity exposure in the country.

Strategic Investment Portfolio

The Company has successfully exited its position in Charlemagne Capital (which had represented 2.4% of book value) in December 2016, generating a Return on Investment of around 40%.

In addition, the Company has increased its investment in City of London Investment Group ('CLIG') to a holding that represents 2.9% of book value, taking advantage of the recent share price weakness. We believe that the outlook for the emerging markets equity asset class, the prudent management and an attractive dividend yield bode well for the CLIG stock price.

The Company also holds 2.9% and 3.9% respectively in two publicly listed emerging markets debt funds (EMD US and EDD US). Both funds trade at appealing discounts and have high dividend yields in excess of 8%.

Direct Investment Portfolio

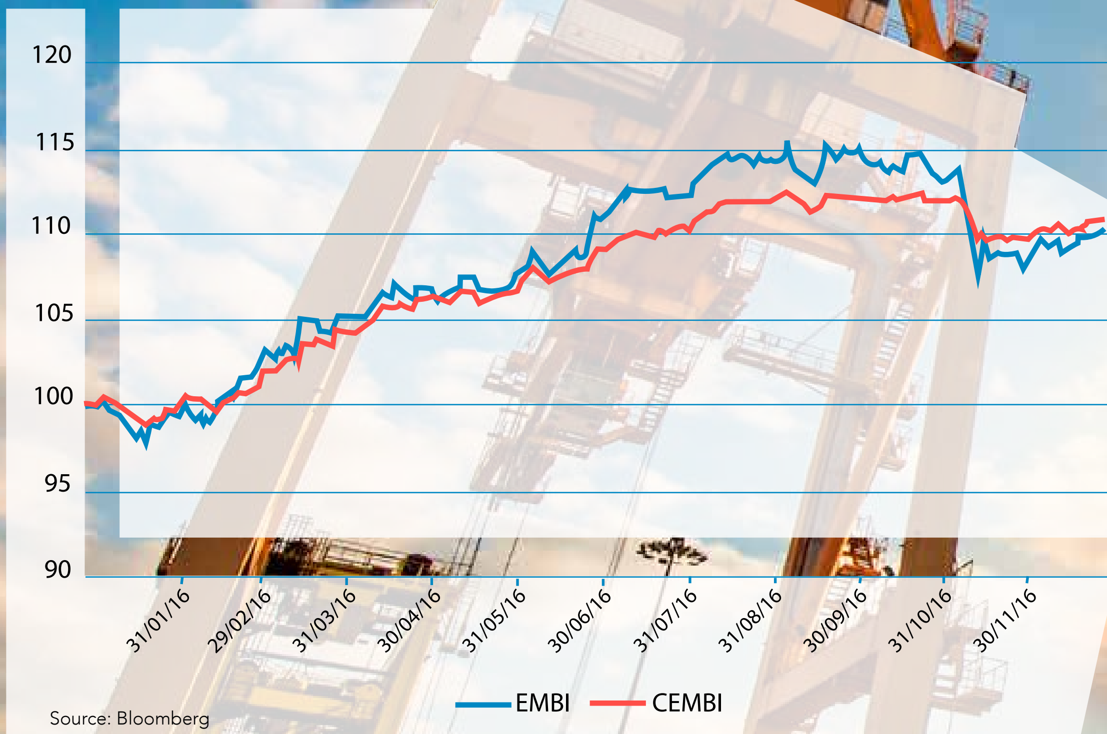
The Company is currently evaluating various business opportunities with a focus on emerging markets which are at various stages of due diligence and will update Shareholders in due course on its progress.

FINANCIAL MARKETS OUTLOOK

Emerging Market Credit

Review

2016 has been a good year for emerging market bonds, both in the sovereign and corporate space. The JP Morgan EM Global Diversified Bond Index ("EMBI") and the JP Morgan EM Corporate Bond Index ("CEMBI") were both on track for a stellar year, only to be dulled in the eleventh hour by the results of the US Presidential election, which trimmed back returns by about a third. However, despite looming uncertainty around the policies of the incoming administration, the indices ended the year up 10.2% and 10.8% respectively, with gains being driven largely by spread tightening and little contribution from US yields. Within the CEMBI, Latin America has been the standout region for performance (+19.0%), benefitting not only from strong returns in Brazil, but also double-digit gains seen in Argentina, Peru, Paraguay and Colombia. In the CEMEA region, Russia and South Africa led the charge and in Asia, Indonesia posted the biggest gains. If we delve into the regions driving performance for the EMBI, we notice that the story is broadly the same on the sovereign side.



Source: Bloomberg

In terms of sectors, commodities were the best performers, with both Metals and Mining (+29.1%) and Oil and Gas (+15.9%) contributing strongly. Industrials and Transport also returned more than 10%, with all other sectors achieving high single digit gains. The default rate (including distressed exchanges) stood at around 4.9% through November 2016, the main contributors being OI, a Brazilian telecommunications operator, and Pacific Rubiales, a Colombian oil exploration company. In addition, PDVSA, the Venezuelan State Oil Company, undertook a distressed exchange, extending some of its 2017 maturities into 2020.

Outlook
Despite the political uncertainties emanating from the United States, we continue to believe that a diversified portfolio of EM credits will continue to deliver positive returns. With EMBI and CEMBI spreads at around 325 basis points and 340 basis points respectively, they are still some way off their tightest levels and there is still a significant carry cushion embedded. The outlook on the default rate also seems considerably brighter, with the make-up of maturities for 2017 in the high yield space being relatively benign.

We also continue to believe that emerging markets will offer enough idiosyncratic opportunities that can play out independently from global developments or wider financial market conditions. A recent example of this has been the very strong performance of Argentina and its provinces both in the run-up and the aftermath of its deal with the holdouts.

Looking ahead to 2017, we see value in:

- Selected Nigerian bank credits
- Selected Argentinean provinces
- Kazakh banks and oil & gas
- CoCos of selected Brazilian banks

Emerging Market Currencies and Local Markets

Review
Local markets also saw decent returns in 2016. Similar to credit markets, performance peaked just before the US Presidential election (the J.P. Morgan GBI-EM Index was up 10.7% for the year going into election night), but a full year return of 9.4% is still very strong. In terms of performance drivers, the bulk of the return came from interest (coupons) at 6.2%, lower yields at 3.0% and a small positive contribution from spot currencies at 0.5%. However, the J.P. Morgan ELMI+ Index, which measures the performance of emerging markets currencies including carry, was up 3.5%.

When the GBI-EM Index returns are broken down by country, they reveal some big dispersion in the index. The top performers were Brazil, Russia and South Africa (returning 57.8%, 37.5% and 30.8% respectively), as well as Indonesia and Colombia, which also returned double digits. On the other hand, Mexico and Turkey were down 16.8% and 9.2% respectively, mainly driven by significant weakness in the Peso and the Lira, while Nigeria, albeit a small weight in the index, was down 41.8% due to a devaluation of the Naira earlier in June. A very similar picture emerges when looking at the returns of the ELMI+ by country, with Brazil, Russia and South Africa contributing the strongest returns and Mexico and Turkey being the notable underperformers. The disparity of these returns clearly makes a case for active management in this asset class.

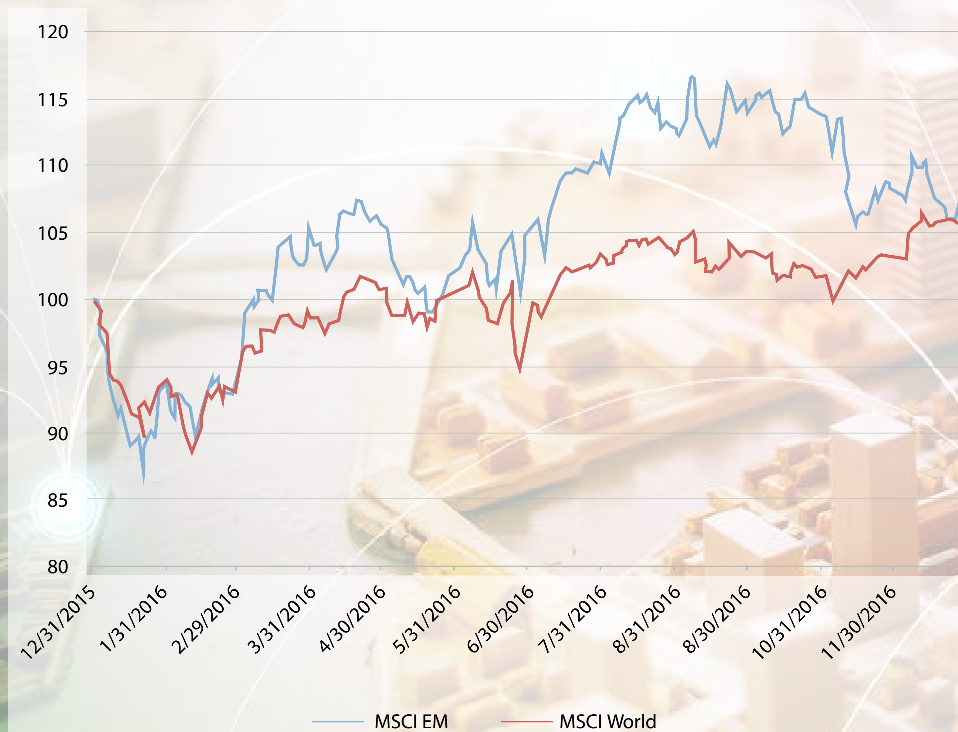
Outlook

The outlook for emerging markets has generally brightened over the course of 2016, as growth figures in Russia and Brazil have improved significantly (although they are still slightly negative). We believe the positive trend can continue, and with both Brazil and Russia standing a chance of escaping from recession in 2017, we see overall growth for emerging markets to be around 4% for the coming year. The incoming US administration will undoubtedly have some impact on the performance of the asset class, but the overall effect is unclear. Fiscal expansion and infrastructure spending should help global, and hence emerging market, growth, but at the same time, protectionist trade policies will have an opposite effect. It is therefore going to be critical to monitor the extent and mix of these policies. The US aside, another factor supporting the case for emerging market growth should be the still very accommodative policies enacted by central banks in Japan and Europe. While these global influences can distort emerging market asset prices away from their fundamental value temporarily, paying close attention to fundamentals will eventually pay off for longer-term investors.

Emerging Market Equities

Review

2016 was a turning point for emerging market equities, bringing the first positive calendar year return since 2012. The MSCI Emerging Markets Index closed the year with a gain of 8.6%, outperforming the MSCI World, which returned 5.3% for the year. But could this transition in performance be short lived? Emerging markets continued to face a number of challenges that could derail equity performance, from corruption scandals in Brazil, a failed coup in Turkey and the fallout from a Trump victory in the US to name but a few.



Source: Bloomberg

It would have been difficult to predict such a positive outcome at the start of the year. 2016 began in a volatile fashion, with MSCI EM Index falling 13.3% by mid-January. However, fueled by improving fundamentals and extreme valuations, the remainder of 2016 saw the MSCI EM Index rebound some 25% off the lows. By the end of the third quarter, we saw inflows in excess of $64bn flood into passive EM equity strategies, according to the Institute of International Finance. The best performing sectors were MSCI EM Energy, MSCI EM Materials and MSCI EM Technology, postings returns of 32.5%, 28.7%, and 15.0% respectively. The worst performing sectors were EM Healthcare, EM Industrials and EM Consumer Staples which were down -8.3%, -3.7% and -1.6% respectively. This sector performance helps explain the regional dispersion across EM, with MSCI Brazil and MSCI Russia the best performers, posting strong returns of 61.3% and 48.9% over the year.

Outlook

We believe the high levels of dispersion between individual countries' performance to continue into 2017. As mentioned in our credit outlook, the policy mix adopted by the incoming US Administration will have direct repercussions for global markets, and equities are no exception. On one hand, infrastructure spend and fiscal expansion should support global growth and commodity prices, and hence commodity-linked equity markets, while at the same time protectionist policies are likely to hit exporting economies (specifically Mexico and the more open exporting economies of Asia). Another significant headwind is the ongoing European uncertainty, and as a number of countries head to the polls in 2017, we could see a return to heightened volatility for emerging market equities at certain points in the year.

The second order effects of the new US Administration's policy mix on the path of US interest rates will likely be another source of volatility for EM equity markets. Since the US Presidential election in November 2016, the US 10Y Treasury Rate has increased 61 basis points to close the year at 2.44% (compared to 1.83% immediately prior to the election result). In December 2016, after much prevaricating, the Federal Reserve finally increased interest rates by 25 basis points, and minutes from the FOMC committee revealed that the majority of its members prefer three rate hikes in 2017, taking the upper band of the policy rate to 1.50% by the end of the year. Our own view is that the FOMC will be more dovish than current market expectations and will only manage two rate hikes in 2017, and this would be supportive for emerging market equities. In addition, the global rotation out of fixed income into equity should continue in 2017, and to that end we expect emerging market equities to be supported.

Since 2013, earnings per share for the MSCI Emerging Market Index have been contracting, but in 2016 we saw a return to growth ($64 per share, compared with $51.92 in 2015). We expect emerging market valuations to continue to look attractive, and current expectations for 2017 are $73, implying a Price/ Earnings multiple of 11.72 at current levels, compared with a three-year average of 13.89.

If we turn our attention to individual countries, we believe that Brazilian and Russian equity markets will continue to outperform in 2017. This view is based on our belief that commodity prices, in particular crude prices, will continue to be supportive. This is driven primarily on valuations - the MSCI EM Energy Index has underperformed the broader MSCI EM Index by 28% over the last five years and currently trades at a significant valuation discount to its developed market peers.

BUSINESS FOCUS

While 2016 was definitely a year to remember, with key events including the election of President Trump and deepening fissures across an already delicate Europe, 2017 is going to be pivotal in terms of how these developments play out. On the following pages, members of our management team and advisory council give their views on some key themes standing out as we move into the new year.

Brexit
How Will it Impact UK Relations Outside the EU?

Putin-Trump Bromance
Hot or Cold?

Energising Africa
The Renewable Revolution in South Africa

Mongolia
A Perfect Storm to Virtuous Recovery

Brazil
The Great Comeback

Brexit – How Will it Impact UK Relations Outside the EU?

Since the votes were cast in June 2016, Brexit has dominated headlines with commentators far and wide projecting what this means for the UK domestically, its relationships with other EU states and its relationships further afield. The only thing that is clear amid all this confusion is that… no one knows.

As we enter 2017, we are only just starting to get a feel for what Brexit will look like. Given Prime Minister May's explicit declaration in her much anticipated speech on 17 January 2017 that her Brexit proposals "cannot mean membership of the single market", a 'hard' Brexit is looking increasingly likely. It is now anticipated that the UK will leave both the single market and customs union. This should certainly put an end to the free movement of people and this, in itself, may have an impact on non-EU countries, many of which will be keen to step in to attract the talent that the UK seems so determined to shut out. That said, the newly elected US President Trump is expected to adopt an equally hard line on immigration and this could have an even bigger impact on global talent pools.

In her speech, May also pleaded against a "punitive" reaction to Brexit from the EU, whose members have so far seemed determined to play hardball, arguably to discourage other member states from leaving the union. Despite May's requests, it is a distinct possibility that the terms of exit will be unfavourable for the UK, maybe even triggering recession, especially given the weakness and division among the political establishment. This could have potentially damaging consequences for the UK on the world stage. Economic woes would make the UK less attractive as a trading partner and recipient of investment, and the expected difficulty and slowness of concluding trade deals would erode international confidence in the UK even further. However, given we do not yet know the terms that Brexit will take, none of this is set in stone.

Pro-Brexit groups are more optimistic, arguing that the UK has a unique opportunity to enter into new bilateral trade deals to breathe fresh life into the economy, including deals with countries that do not currently have agreements with the EU – most notably, the US and China. The UK is indeed an attractive market, being the world's sixth largest economy and benefiting from the dual advantages of labour market flexibility and an educated workforce. Furthermore, the attractiveness of the UK will be accentuated if the EU itself starts to fall apart. Given Italy's recent referendum, and uncertainty surrounding the French election, the future of the EU is far from secure, so perhaps the UK will benefit from being ahead of the curve and jumping ship first. Of course, the big risk to securing these lucrative deals is the UK's dearth of experienced trade negotiators, given that, to date, all deals have been negotiated through the EU.

Looking to the **US** as a potential trade partner, the UK can take comfort in the Trump administration being favourably disposed towards the UK and promising a swift agreement. In stark contrast to Obama putting post-Brexit UK "at the back of the queue" for a new trade deal, Trump's advisor suggested the opposite, backing a free trade deal with the UK to show America's "solidarity with our indispensable ally" but many doubt the firmness of this committment, given President Trump's deeply protectionist instincts.

A key region in which to seek out trade deals is Asia, home to the world's fastest growing economies. Particular focus must be placed on **Japan**, the largest Asian investor in Europe. However, the Japanese government has already signalled concerns about a 'hard' Brexit. As it stands, Japan's region-wide operations are concentrated most intensely in the UK, which hosts over 1,300 Japanese firms who provide nearly 140,000 jobs to UK workers. London has been Japan's commercial gateway into Europe for over a century and hosts the European headquarters of most major Japanese firms. There is obviously a lot at stake, so the memo from Japan's foreign ministry outlining a series of demands and stating that firms might want to move "if EU laws cease to be applicable in the UK" is deeply troubling as a starting point for negotiations.

China has less to lose. While an enfeebled UK and Europe will likely have some knock on effects on the Chinese economy, this is a golden opportunity for China to reach a trade deal with the UK and increase its leverage in Europe. But, given President Trump's apparent determination to play "hardball" with China, will their attention be diverted elsewhere? Or, will Trump's stance spur them on to rekindle their partnerships with the UK? China has already secured free trade agreements with two states on the EU's margins, Switzerland and Iceland. It also established the '16+1', an initiative aimed at expanding cooperation with the states of Central and Eastern Europe. Would a further trade deal with post-Brexit UK put them one step closer to the EU?

Negotiations with another Asian giant, **India**, are expected to be far from straightforward, despite Theresa May's eagerness to encourage trade. Little progress was made in eight years of EU negotiations, which gives bleak indications for the UK. The recent state visit yielded little and it has become apparent that Indian Prime Minister Modi is a challenging partner. It is clear that the UK cannot rely on the Commonwealth as a fallback option for trade deals, and those who think otherwise are likely to find themselves mistaken.

Russia is certainly a winner from the Brexit and Trump victories. Putin will be delighted the EU lost one of its strongest anti-Russian voices, increasing his chances of securing a deal with Brussels on a range of issues including Ukraine, Crimea and energy supplies. At the same time, Putin can be confident of improved relations with Washington under a Trump presidency (in the short term at least).

Of real concern is that even those countries previously seen as strong supporters of the UK have recently displayed much greater reticence in their stance. The **Danish** foreign minister summed up the difficulties in the upcoming negotiations when he said, "Brexit has changed it all. Instead of looking at the common benefit and pooling our interest, we will get into a game where all of us look more selfish, more narrow-minded… It is not to our advantage to be helpful and friendly. We would lose out. The more you look at the issues the more it toughens your line."

But even more surprising was the stance of **Australia**, a country that has now ruled out even starting negotiations until Brexit is complete. While the Turnbull government is committed to striking a free-trade agreement with the UK, Australia's trade minister advised he had been told that starting talks before the UK formally cuts ties with the European Union would not be legal.

Overall, this is a highly complex issue. There are lots of known unknowns at the moment but also lots of unknown unknowns. Brexit defies all precedent, so progress is undoubtedly going to be slow. While it is in the interest of all countries to negotiate quick deals and benefit from early mover advantage, the level of uncertainty combined with political and economic concerns combined with unprecedented uncertainty about the future a global governance pose significant challenges.

Tania Rotherwick

Tania is Chairwoman of APQ Global's International Advisory Council. Tania holds over 16 years of experience working in the City. She is on the board of Modern Art Oxford, is a fellow of the Sutton Trust, an educational foundation that seeks to improve social mobility through education.

Trump-Putin Bromance: Hot or Cold?

While the world carefully watches the actions of the recently inaugurated US President Trump, the burgeoning "bromance" between the incoming US president and Russian president Putin is certainly raising eyebrows and perhaps making US allies slightly nervous. Given the long and turbulent relationship between the two countries, and the fact that former KGB agent Putin has built his career on his dislike of America, is there any hope of this unlikely pairing succeeding and building bridges? Or, as we expect, will it soon founder, based on the realities of competing geo-political interest in Europe, China, the US and, not least, Russia itself?

The story so far

During his campaign, President Trump referred to Putin as a man he admires and someone he could do business with. In return, the Russian leader has called Trump "brilliant" and was one of the first world leaders to offer congratulations following his victory. Together, they have spoken about relations between the two countries being "absolutely unsatisfactory" and communicated a united objective for a new relationship based on "equality, mutual respect and non-interference in the others "internal affairs". Unfortunately, we do not believe this objective will be easily achieved.

Is there any hope of success?
There are indeed some very strong arguments for a renewed positive relationship between the West and Russia:

1) The West's attempts to stop Russia's international ambitions via sanctions have failed miserably (instead, they have simply caused hardship in the Russian economy), so perhaps a new, more cordial approach might be more effective?
2) The West has become more of a spectator than an active participant in Syria, giving Russia an opening to become kingmaker in Syria through aggressive military action. Better relations with Russia may therefore help the West regain some influence to help the region towards peace.
3) Russia's ongoing use of sophisticated cyber technology to affect public opinion in Europe and the US is a threat to the normal functioning of their democratic institutions. Never has the saying 'keep your friends close, and your enemies closer' seemed more appropriate…
4) President Trump's hard-line stance against China over matters of security and international trade makes Russia a natural ally.

Taken together, these arguments appear to point to burying the hatchet, lifting sanctions and returning to a world of more cordial relations with Russia. But, sadly, things are a little more complicated and, despite the positive start between these two global leaders, a closer relationship is not going to emerge overnight.

Over before it begins?
First, let us look to the issues in the Middle East, and the on-going efforts to bring stability, security and peace to the region. It is not clear that bringing Russia back into the fold will result in any lasting peace in Syria, improve relationships between Turkey and the Kurdish people, put Lebanon on a more stable political footing or even improve the nightmarish developments in Yemen. The inherent religious tensions, dependency on oil and sheer brutality of the various regimes in the region will take decades to resolve, regardless of how the relationship between Russia and the US unfolds.

A closer relationship between Russia and the US could help the US in its trade and security dealings with China. However, the Chinese economy is roughly ten times the size of the Russian economy and China is the second largest holder of US Treasuries after Japan. These economic realities will be substantially more important than any developments in Russian-American relations.

In short, there is little reason to believe that these two political strongmen striking up a good relationship will end any differently than in the past. While their mutual appreciation and shared political and personal traits suggest they could become the best of allies, competing interests both domestically and abroad are a stark reality check and will most likely douse the flames of bromance before they get going. However, there may be some legacy from a thawing of the US Russia relationship. In particular, it increases the chances of the West removing sanctions against Russia. These sanctions have failed to coerce Russia to behave any differently on the international scene, and have largely proved to be self-defeating for the West. Given their ineffectiveness, perhaps the Trump Putin bromance is the catalyst needed to have them lifted?

Tal Sandhu
Tal is a member of the APQ Global management team. He has 20 years' experience working in the city, starting his career at Intesa Sanpaolo where he became Co-Head of Equity Structured Products. He has also worked at Morgan Stanley and GLG Partners.

Energising Africa – The Renewable Revolution in South Africa

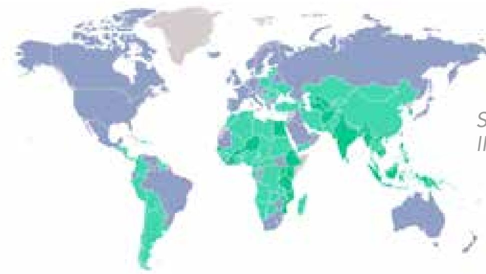
With a few exceptions around the world, Africa remains the continent leading global economic growth, with the IMF forecasting around a 3.4% increase in GDP in 2017 for the continent, compared to 1.8% for advanced economies. However, this is nothing new (Africa has recorded an average growth rate of 3.3% a year between 2010 and 2015), nor does this information in and of itself provide a unique investment opportunity. In fact, to date, investment into the continent has been limited despite these high growth rates. But we believe there is currently a very compelling case for investors looking to diversify from the mainstream, and harness the potential offered by this region.

Real GDP

Annual percent change

10% or more | 6% - 10% | 3% - 6% | 0% - 3% | less than 0% | no data

Gross domestic product is the most commonly used single measure of a country's overall economic activity. It represents the total value at constant prices of final goods and services produced within a country during a specified time period, such as one year.



Source: IMF DataMapper

Opportunities abound, but can be elusive

So why has there been a lack of investment in Africa to date? Some of the biggest challenges facing investors are the political risks, juvenile regulatory frameworks and a high perception of corruption across the continent. And as if this was not enough to test the nerves of even the most experienced investors, the largest challenge is in actually finding an opportunity. Aside from a few exceptions in the larger economies of Egypt, Nigeria and South Africa, opportunities are rarely large enough to warrant the patience and effort needed. One further challenge facing prospective investors is liquidity. If you do not have an emerging market private equity mandate, you will need to be that much more determined to find the right deal.

The case for energy

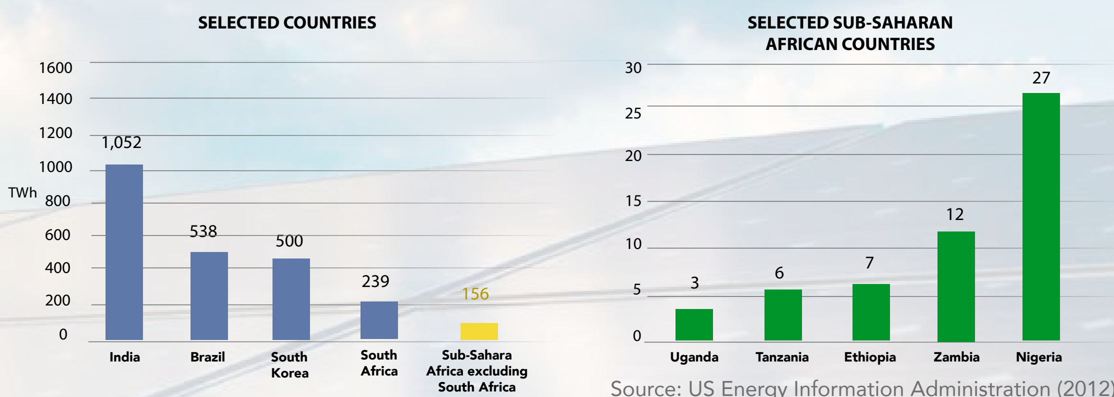
These caveats aside, there does exist an interesting investment proposition which, with the right structuring, can overcome most, if not all, of these challenges. Power. Economies need reliable and affordable power to flourish and be competitive, and Africa is no exception. In fact, the region's growth makes this challenge even more pressing. The continent's infrastructure is simply not capable of delivering energy efficiently, and major cities in South Africa are subject to regular power outages. These power shortages affect the whole of sub-Saharan Africa, where those who do have access to electricity are having to pay a high price for an unreliable supply.

However, the advent of new technology means that businesses can increasingly become independent of the grid. In much the same way that mobile telephony helped Africa bypass the fixed-line infrastructure challenges, affordable off-grid energy solutions are providing the power for local economies to flourish. And the reason this will work so well for Africa? The continent has ample resources to provide more than enough power to meet its energy needs. For example, the Grand Inga Dam in the Democratic Republic of the Congo alone could produce almost 40 gigawatts, the equivalent output of 20 large nuclear power stations, or more than double the hydro-electric power generated by the current largest dam in the world, Three Gorges facility in China.

Another great example is in South Africa, which has been struggling with an energy crisis for some time. To help overcome this, in 2011 the government implemented a public Independent Power Producer ('IPP') program, which led to the Renewable Energy IPP ('REIPP'), now widely considered to be the world's fastest growing and most successful renewable energy program. After the first three rounds, an additional 3,920 megawatts have been added to the grid, which already exceeds the government's target of 3,725 megawatts.

An immediate opportunity

So the question now becomes how big could this market be? Even with these highly successful renewable energy initiatives, energy production is low compared to global standards. At the moment, household consumption is also low. Sub-Saharan African households consume an average of 317kwh a year – only seven per cent of the consumption of US households and half that of China. Taking into consideration that economic growth means higher household incomes, and subsequently greater spending on appliances, the continent is going to need to find solutions fast if households and industry are competing for the same electrons from the grid.



Source: US Energy Information Administration (2012)

In the past, energy programs took time to deliver. These mega-projects were the domain of utilities companies and large private equity firms, and investors did not always have a mandate allowing investment into private equity. But we are seeing a shift away from these large-scale infrastructure projects into smaller enterprises where a grid is no longer a prerequisite for power generation. These projects of 100 megawatts or less harness energy from the cheaper solar, small-scale hydro, biomass and natural gas, offering very attractive yields for investors.

In 2015 alone, the South African stock exchange saw the introduction of the Special Purpose Acquisition Company ('SPAC'), which resulted in at least three dedicated investment companies focused on African power and infrastructure – Renergen (with whom this author is associated), Hulisani and Gaia Infrastructure. It is our view that over the next few years, we will not only see an increased number of listings, both in Africa and abroad, focused on this theme, but liquidity in small projects will also increase dramatically. South Africa has already developed a secondary market for the equity of its REIPPs and there is talk of an imminent listing of one such REIPP.

Africa is not for everyone, but with the right investment vehicle focused on the right sector and geography, there is a very compelling business case for the investor looking to diversify from the mainstream.

Stefano Marani

Stefano is a member of APQ Global's International Advisory Council. He is the Chief Executive Officer of Renergen Limited, a Special Purpose Acquisition Company that focuses on the alternative and renewable energy sectors in South Africa and sub-Saharan Africa. He is also a partner at Kigeni Holdings, where he is originating and structuring debt and equity transactions for African clients.

Mongolia: A Perfect Storm to Virtuous Recovery

The past year has proved to be full of challenges for many emerging market sovereigns. None more so than Mongolia, where 2016 was an almost 'perfect storm'. This post-Soviet Central Asian economy had failed to shore up reserves in good times, putting it on the wrong footing for the year's political transition, steep decline in the value of its critical commodity exports and sharp drop in investment. With such dire fiscal dynamics, alarm bells were set ringing, resulting in downgrades at the three main ratings agencies – first at Standard & Poor's and Moody's in August 2016 (to B- and B3 respectively), then at Fitch and again at Moody's in November 2016 (to B- and Caa1 respectively). Given that rating agencies are meant to provide an outlook on the future, rather than be backward looking, were these downgrades justified? The agencies certainly thought so, given Mongolia's freefalling currency and growing budget deficit. To be fair, the numbers were looking grim, but could Mongolia now in fact be on the cusp of a virtuous recovery?

Back From the Brink

Such an abrupt turnaround is unusual, however quite possible for a small, highly commodity dependent economy like Mongolia. With a 2016 fiscal deficit of nearly 20%, and government debt to GDP in the region of 85%, the debt dynamics sound terrible at first glance. However, real GDP is only in the region of $11 billion to $12 billion, commodity prices have rebounded dramatically, and there are some major investment projects kicking into high gear this year. Furthermore, Mongolia's geopolitical importance means that the DFI's are predisposed to provide meaningful support. The 2017 and 2018 sovereign obligations will likely be termed out at concessional rates as part of a support program that requires increased fiscal discipline and greater oversight. In addition to multi-lateral support, there will likely be significant bilateral 'soft loans' from China, Russia, and Japan. Put into context, we feel concerns of Mongolia's imminent default are rather alarmist and instead, we see a number of factors pointing to a more positive outlook for 2017.

While past enthusiasm for Mongolia has centered mostly on its copper export potential, the more immediate benefit is coming from coking coal. By early December 2016, the world's longest traffic jam had accumulated at the Mongolian/Chinese border. Trucks loaded with coal were backed up as far as 60km waiting to cross into China. Estimates from credible sources indicate 2017 coal revenues could rise to be in excess of $4 billion, more than four times those generated in 2016. This immediate injection of liquidity will bridge the gap until more meaningful copper and gold exports come on stream to provide sustainable revenues.

Another significant cash injection could come from mining and infrastructure investment programs. In 2011, during the first phase of investment for the copper-gold mine Oyan Tolgoi, Mongolia's GDP growth exceeded 17%. Phase two of investment for this mine is now ramping up and this is happening at the same time as other major mining and infrastructure projects. Mongolia has been cash starved for several years, but we believe that the cash crunch will end in 2017 and that the turnaround could be swift in such a small economy.

Opportunities for the Adventurous

If one accepts that China will not have a hard landing in 2017, it follows that Mongolia will experience outsized growth once again. But what is the best way to express such an investment thesis?

Local equity markets lack sufficient liquidity and transparency to make a compelling investment case. Many investors prefer the liquidity and 'safety' of USD sovereign bonds. However, for the more adventurous, there are more attractive opportunities to be had in Mongolia, created by the power of the 'base effect' resulting from 2016's devaluation of the local currency and sharp rise in local rates. Local Mongolian Tughrik bills and bonds offer attractive yields and currency appreciation potential. For investors looking to take a less liquid and longer-term perspective, residential and retail real estate in Ulaan Baatar offer highly attractive opportunities at present.

Both exogenous and endogenous factors look to be aligned in creating a positive outlook for Mongolia that is far more constructive than the rating agencies have outlined. Investors who are prepared to look beyond the safety of rating agency guidance could be set to capitalise on the forward-looking dynamics of Mongolia's economy.

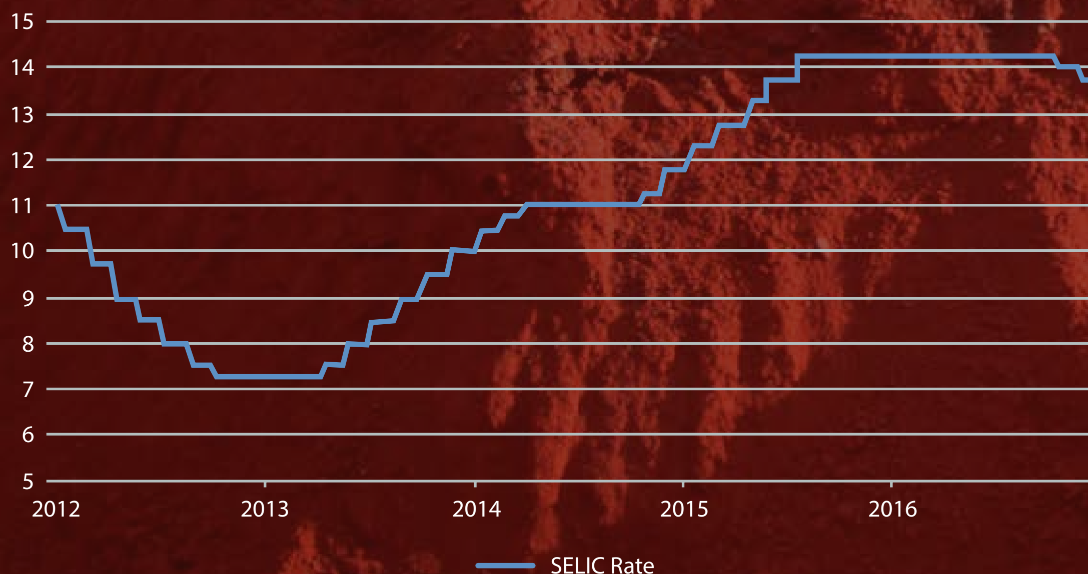
Wesley Davis

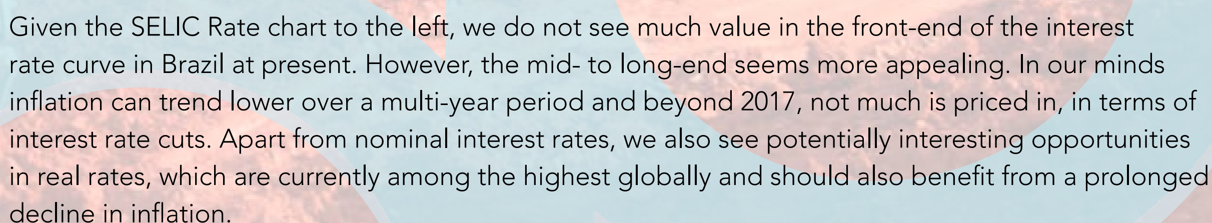
Wes has over 20 years of experience in credit rating and private equity investing in emerging markets. Wes is a member of APQ Global's International Advisory Council.

Brazil – The Great Comeback

Things have not been easy for Brazil in recent years. Despite hosting the world at the 2016 Rio Olympics, the surge in tourism and associated stimulus had little effect on Brazil's economic woes. In fact, international confidence has hit rock bottom, following three long years of recession and political turmoil. But could 2017 see a return to form for Brazil? Yes, the political risks remain meaningful and the structural reform agenda remains uncertain but higher commodity prices, a large real currency depreciation and the impact of very high interest rates have led to a significant improvement in the current account on the back of much reduced domestic demand. As a result, we believe Brazil is poised to turn the corner and start its great comeback.

The stabilisation in the Brazilian Real as well as the political situation allowed the central bank to keep rates on hold for the first three quarters of 2016. This ended the hiking cycle that took the SELIC rate up 325 basis points, from 11.0% in mid-2014 to 14.25% (a nine-year high) in the third quarter of 2015. In the fourth quarter of 2016, the central bank actually made two cuts of 25 basis points each, meaning the SELIC rate finished at 13.75% at the end of the year. Looking ahead, the market is expecting the benchmark rate to be cut by a further 300 basis points over 2017 (to 10.75%), pricing in cuts of 50 basis points for each of the first five meetings in 2017, and another cumulative cut of 50 basis points for the remainder of the year. While we agree that an improved outlook on inflation and better investor sentiment towards Brazil should allow the central bank to lower rates substantially, we believe that market expectations are fairly aggressive. Cumulative cuts of between 200 and 250 basis points seem more likely, however we concede that market expectations could materialise if the inflation picture improves faster than expected.





Given the SELIC Rate chart to the left, we do not see much value in the front-end of the interest rate curve in Brazil at present. However, the mid- to long-end seems more appealing. In our minds inflation can trend lower over a multi-year period and beyond 2017, not much is priced in, in terms of interest rate cuts. Apart from nominal interest rates, we also see potentially interesting opportunities in real rates, which are currently among the highest globally and should also benefit from a prolonged decline in inflation.

We also feel that the expected decline in interest rates offers significant value in Brazilian equities. At current valuations, MSCI Brazil is trading at 13 times 2017 forward earnings. Although this valuation does not flag up as excessively cheap based on the trailing averages (for example, the 10-year average of 11 times earnings), we expect this earnings growth to continue into 2018. We predict Earnings per Share of $130 in 2017, rising to $160 in 2018. Without the effect of multiple expansion, we expect MSCI Brazil to return 20% in 2017 in US Dollar terms, providing ample opportunities for equity investors. Our preferred sectors are Energy, Metals and Mining.

Lennart Kaltenbach

Lennart is a member of APQ Global's management team. He started his career on the Risk Management graduate program at Dresdner Kleinwort Wasserstein in 2006, and shortly after joined GLG Partners where he gained further experience in risk and asset management.

ABOUT US

We are a global emerging markets growth company, leveraging our extensive experience across Asia, Latin America, Eastern Europe, the Middle East and Africa to deliver attractive returns for our shareholders. We achieve this through a combination of activities and investing in growing businesses across emerging markets.

The following pages include details on the experience of our directors, our corporate structure and governance and our history as a firm.

Our Corporate Structure

APQ Global Limited is incorporated in Guernsey under The Companies (Guernsey) Law, 2008, as amended, with registered number 62008. APQ (Cayman) Limited is a wholly owned subsidiary incorporated in the Cayman Islands. APQ Global Limited is also the Managing Member of APQ Partners LLP, a UK limited liability partnership with company number OC319474.

We are listed on the Channel Islands Stock Exchange and the London Stock Exchange's AIM Market with a market capitalisation of around £81 million (as at January 2017).

Ticker:	APQ LN
ISIN:	GG00BZ6VP173
SEDOL:	BZ6VP17 GB

Our Board of Directors

One of our key differentiators is our highly qualified and vastly knowledgeable Board of Directors, who combined have over a century's worth of experience in investment management and emerging markets

BART TURTELBOOM (NON-EXECUTIVE CHAIRMAN)

Bart is the co-founder and Chief Investment Officer of APQ Partners LLP. Prior to APQ Partners LLP, Bart was Co-Head of the Emerging Markets business at GLG and Co-Portfolio Manager of the GLG emerging markets funds. He was previously the Global Co-Head of Emerging Markets at Morgan Stanley, where he ran a multi-billion US Dollar business spanning Asia, Latin America, the Middle East and Africa, and headed its Global Capital Markets Group. Prior to that Bart was a Portfolio Manager at Vega Asset Management and a Director at Deutsche Bank, where he held several roles culminating in coverage of the bank's largest European clients. Bart was an Economist for the International Monetary Fund in Washington D.C. from 1994 until 1997. Bart received a Ph.D. in Economics from Columbia University.

WAYNE BULPITT (EXECUTIVE DIRECTOR AND CEO)

Wayne Bulpitt has around 35 years of experience in business leadership in banking, investment and administration services. Having left National Westminster Bank Plc in 1992 to join CIBC Bank & Trust Company, he developed and launched CIBC Fund Managers (Guernsey) Limited in 1994. As Managing Director, Wayne spent the next four years managing and developing the offshore funds and building a third party fund administration capacity.

In 1998 this experience was to prove crucial for the Canadian Imperial Bank of Commerce where, as Director of Offshore Investment Services Global Private Banking & Trust Division, his main priority was to restructure the delivery of their investment management services outside of Canada.

Wayne founded Active Group Limited in 2002 after his careers with NatWest and CIBC. Under his leadership, Active is an innovative provider of practical and professional support services such as compliance, corporate secretarial and management services to the offshore finance industry. Wayne is on the boards of various investment management companies and funds (both listed and un-listed), overseeing a diverse range of investment activities.

RICHARD BRAY (EXECUTIVE DIRECTOR AND FINANCE DIRECTOR)

Richard Bray has over 30 years' in-depth experience in the fund and investment management sectors, including 13 years with a major Swiss financial institution. Richard has worked on a wide variety of investment vehicles, from relatively simple long-only bond and equity funds, through to complex structured products and including private equity, commodity, derivative, and hedge funds of various strategies. Richard sits on the boards of a variety of funds, investment management companies and fund administration companies acting in both executive and non-executive capacities. In these roles he has overseen the day to day operations, provided risk management advice and guidance, and overseen the investment activities of those entities.

Richard is a Member of the Chartered Management Institute and the Institute of Directors. He is also a member of administration and technical sub-committees of the Guernsey Investment Fund Association ('GIFA'). As part of the GIFA technical committee, Richard worked on the team that produced Guernsey's AIFM rules and regulations.

PHILIP SOULSBY (INDEPENDENT NON-EXECUTIVE DIRECTOR)

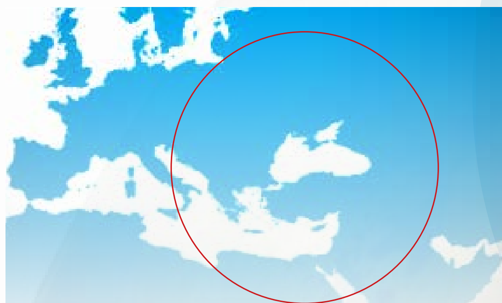
Philip Soulsby is a mathematics graduate. He qualified as a chartered accountant in London with BDO Binder Hamlyn, before transferring to KPMG in Guernsey in 1990. There he spent two years specialising in the audit of financial services companies and offshore mutual funds.

In 1992 he joined Credit Suisse Fund Administration Limited in charge of finance and compliance, later moving to a role more involved in structuring and marketing mutual fund services, helping the business grow from 12 staff to over 130. During this time, he acted as director to a number of funds and fund managers, and gained a broad knowledge of hedge funds, derivatives and risk control.

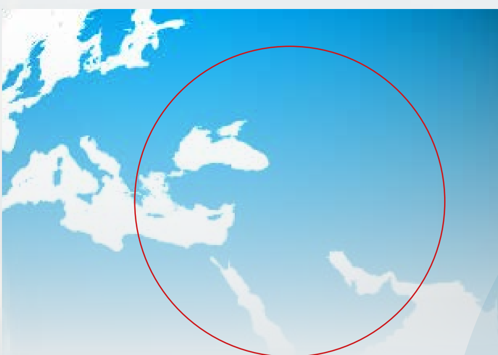
In 2006, he left Credit Suisse to establish his own business, The Mundi Group Ltd, a fair-trade and ethical products business. He remains a director of several funds and fund management companies and is also Constable and Douzenier to the Parish of St Martin.

Our International Advisory Council

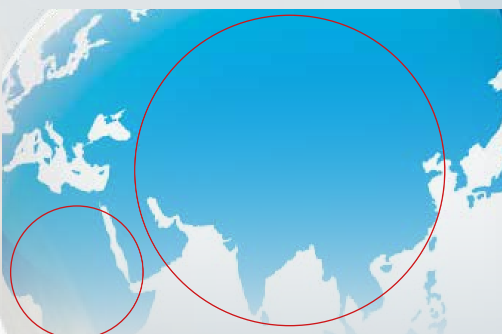
In December 2016, we created our International Advisory Council to help us identify the best investment opportunities across emerging markets. We selected an esteemed panel of senior and knowledgeable industry figures who will contribute investment proposals from their own specific areas of expertise:



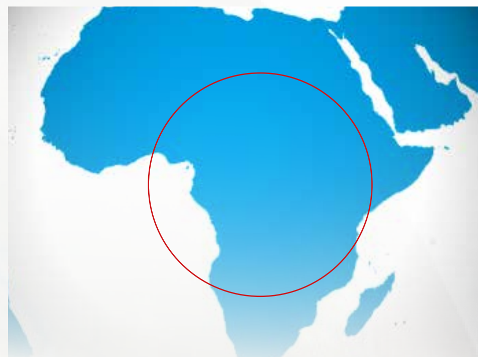
Sait Erda (Central Europe, Turkey, Middle East)
Sait's career spans research, advisory and principal investing in emerging markets with a focus on Central Europe, Turkey and the Middle East. He has over 20 years of experience in emerging market corporate finance and equity research at large and established Turkish and global banks, including Morgan Stanley, JP Morgan, Bear Stearns and CreditAnstalt IB. He is currently Managing Partner and co-founder of NAR Partners, a specialised emerging markets advisory boutique.



Mazen Nomura (CIS, Middle East)
Mazen Nomura, a Jordanian-Japanese national, has 20 years of experience in global emerging markets and has been an active venture capital and angel investor in the Middle East. He was most recently Managing Director and Head of Global Markets at Sberbank CIB, where he managed an industry-leading trading desk in London and Moscow specialised in Russian and CEE hard and local currency bonds. Prior to Sberbank, Mazen was a portfolio manager at GLG Partners and Head of Emerging Credit Rating at Morgan Stanley.

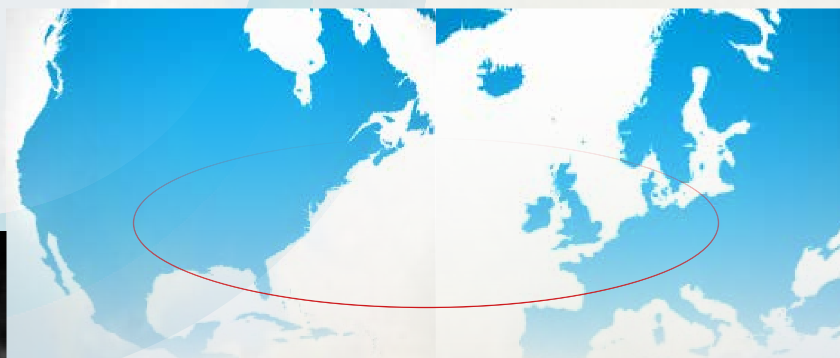


Wesley Davis (Russia, CIS, Nigeria)
Wesley brings over two decades of credit rating and private equity investing experience to the council. He has held a wide range of positions at Chase/JPM, Deutsche Bank, Merrill Lynch, HSBC and Renaissance Capital, and has covered some of the largest hedge funds and institutional investors in emerging markets.



Stefano Marani (Africa)

Over his career, Stefano has executed a large number of benchmark structured finance transactions in Africa. He started out in the Debt Capital Markets Team at Deutsche Bank in Johannesburg where he worked on the first ever foreign issue bond in South Africa for DaimlerChrysler and the Development Bank of Southern Africa's long-dated bond program. In 2004 he joined Morgan Stanley with responsibility for developing the firm's South African fixed income capital markets business, and where his remit expanded to Israel and all of Sub-Saharan Africa. Stefano is currently the Chief Executive Officer of Renergen Limited and is a partner at Kigeni Holdings, where he is originating and structuring debt and equity transactions for African clients.



Tania Rotherwick (Chairwoman)

An expert in financial analysis and marketing, Tania has 16 years' experience in the financial services industry in London (as an equity derivatives broker at Hoare Govett and with at Swedish derivatives trading software firm Orc Software) and on the equity derivative markets in Paris (Meeschaert Rouselle, ODB). Having managed and expanded ORC's business in London for 5 years she has more recently been focusing on the marketing and management of a commercial and residential property portfolio in Oxfordshire. She is an active board member of Modern Art Oxford and a Fellow of the Sutton Trust.

Bart Turtelboom

Bart Turtelboom is Chairman of APQ Global Limited. He started his career at the International Monetary Fund where he published extensively on international monetary policy, including ground-breaking research on interest rate liberalisation in Africa and the interaction between tax collection and monetary policy in Brazil. He joined Deutsche Bank's emerging market group in January 1998 and subsequently worked on benchmark transactions in Argentina, the Philippines and Russia.

Governance

The Board of Directors recognise the importance of robust corporate governance and meet regularly to review corporate strategy, the risk profile of the business and to monitor the performance of service providers.

There is no applicable regime of corporate governance to which the Company's Directors must adhere to over and above the general fiduciary duties and duties of care, diligence and skill imposed on such directors under Guernsey law. However, they recognise the importance of sound corporate governance and take appropriate measures to ensure compliance with the UK Code on Corporate Governance as appropriate.

The Company has adopted a share dealing code (as required by the AIM Rules) and takes all proper and reasonable steps to ensure compliance by the Directors. Furthermore, the Company has adopted an anti-bribery policy and will adhere to the requirements of the Prevention of Corruption (Bailiwick of Guernsey) Law, 2003 and the UK Bribery Act 2010.

Responsibilities

The Company's Board of Directors meet quarterly to formally review the overall risk parameters of the Company. In addition, the directors are members of various committees (chaired by Non-Executive Director Philip Soulsby), each of which meets regularly to ensure the smooth operation and strict governance of APQ Global. The committees and their responsibilities are as follows:

AUDIT COMMITTEE

This committee is responsible for reviewing the half-year and annual financial statements before their submission to the Board, to ensure these statements are fair, balanced and understandable. In addition, the committee is specifically charged to advise the Board on the terms and scope of appointment of the auditors, including their remuneration, independence, objectivity and reviewing with the auditors the results and effectiveness of the audit. The committee meets no less than twice a year and, if required, auditors can also attend the meetings.

NOMINATION AND REMUNERATION COMMITTEE

This committee's principal duties are to consider the framework and policy for the remuneration of the directors, employees and consultants and to review the structure, size and composition of the Board on an annual basis. They meet at least once a year.

RISK COMMITTEE

The Board has adopted and implemented a risk policy relating to business activities. The risk committee formally reviews this policy at least four times a year. The purpose of this committee is to seek to ensure the Company takes a measured approach to its business activities, taking into account factors including, but not limited to, the risks associated with jurisdictions in which it operates or has interests (for example, political and economic risks, currency risks and sector risks).

To find out more about our corporate structure, please visit our website, www.apqglobal.com, or email us at ir@apqglobal.com.

Our history

Despite only being a listed company for five months, our history goes much deeper. In fact, our management team have worked together at other financial institutions for many years, forming close partnerships and highly valuable experience across emerging markets.

Bart Turtelboom, one of the co-founders of APQ Partners LLP, joined the emerging markets sales and trading group at Morgan Stanley in May 2004. In 2006, he was promoted to co-head of the group, based in London. The group was an integrated unit of around 100 trading, sales and structuring professionals with a presence across local markets in Hong Kong, Korea, Russia, Turkey, Dubai and Brazil. The group facilitated customer flow and was one of the largest principal risk takers in currencies, corporate and sovereign debt in hard and local currency and equities in global emerging markets. In addition to co-heading the global emerging markets sales and trading group, Bart was also responsible for a group of capital market professionals that executed lending and hedging transactions with leading corporations, banks and governments in Eastern Europe, Africa, the Middle East, the Commonwealth of Independent States and Latin America. Overall, this group was a significant contributor to Morgan Stanley's revenue.

In autumn 2008, key partners of Morgan Stanley's emerging markets group joined GLG Partners in London and took over the management of GLG's emerging markets funds from November 2008 onwards. In the years that followed, the team managed Cayman-domiciled funds, UCITS-compliant funds as well as large managed accounts for investors in Japan, Europe and North America. Though individual mandates varied, the overall investment ethos was based on a premise to offer investors risk-controlled exposure to emerging markets globally. Our track record can be found in the appendix to this document. An audit report of our track record is available on our website www.apqglobal.com.

In January 2013, the team founded APQ Partners LLP, an emerging markets asset management boutique based in London. The APQ Alexandria Fund, a Cayman-domiciled fund was launched in May 2013 with a mandate to invest in equities, corporate debt and government debt and currencies in emerging markets globally. This entity now functions as a wholly-owned subsidiary of the Company. Our last factsheet from July 2016 is included in the appendix to this document.

Our Service Providers

SECRETARY, REGISTERED OFFICE AND ADVISERS

Company Secretary and Corporate Services Provider
Active Services (Guernsey) Limited

Registered Office and Business Address
1st Floor
Tudor House
Le Bordage
St Peter Port
Guernsey GY1 1DB
Channel Islands

Financial PR Advisers
Buchanan Communications
107 Cheapside
London
EC2V 6DN
United Kingdom

Registrar
Capita Registrars (Guernsey) Limited
Mont Crevelt House
Bulwer Avenue
St Sampson
Guernsey GY2 4LH
Channel Islands

Auditors
Ernst & Young LLP
Royal Chambers
St Julian's Avenue
St Peter Port
Guernsey GY1 4AF
Channel Islands

Nominated Adviser and Broker
Nplus1 Singer Advisory LLP
1 Bartholomew Lane
London EC2N 2AX
United Kingdom

English Legal Advisers to the Company
Stephenson Harwood LLP
1 Finsbury Circus
London EC2M 7SH
United Kingdom

Principal Bankers
NatWest
2nd Floor
Royal Bank Place
St Peter Port
Guernsey GY1 4BQ
Channel Islands

Guernsey Legal Advisers to the Company
Mourant Ozannes
PO Box 186
1 Le Marchant Street
St Peter Port
Guernsey GY1 4HP
Channel Islands

CISEA Sponsor
Carey Commercial Limited
1st & 2nd Floors
Elizabeth House
Les Ruettes Brayes
St Peter Port
Guernsey
GY1 4LX
Channel Islands

GLG Funds: Historical Performance

GLG Emerging Markets Fund

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
2008											2.05%	2.97%	5.08%
2009	2.54%	0.37%	-2.84%	4.89%	3.58%	1.65%	4.43%	-0.28%	5.20%	-1.48%	1.47%	11.63%	35.00%
2010	1.62%	0.03%	7.15%	0.84%	-4.50%	0.22%	2.96%	0.31%	1.37%	1.77%	-1.21%	1.74%	12.59%
2011	-1.19%	1.50%	0.26%	0.11%	-1.26%	-0.46%	-0.91%	-12.53%	-3.80%	0.20%	-0.81%	0.02%	-18.01%
2012	4.00%	4.09%	-1.74%	-2.39%	-0.55%	-1.26%	1.75%	-1.54%	3.93%	-0.04%	0.69%	2.43%	9.44%

Reporting Share Class: "A in USD" (GLGEMUA KY Equity)

GLG Emerging Equity Fund

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
2009	9.94%	3.56%	1.49%	7.65%	3.63%	2.75%	1.66%	0.26%	0.63%	0.39%	-0.92%	3.48%	39.82%
2010	-2.12%	1.19%	2.78%	-1.35%	-7.86%	-1.86%	5.26%	-1.17%	2.17%	3.59%	2.30%	2.84%	5.19%
2011	1.63%	3.62%	3.12%	1.51%	0.34%	1.51%	0.03%	-7.47%	-0.93%	-0.93%	-0.06%	-0.78%	1.15%
2012	4.07%	2.60%	-1.04%	-1.92%	-2.83%	0.49%	-0.78%	-1.91%	3.04%	-0.13%	-0.16%	2.38%	3.60%

Reporting Share Class: "A in USD" (GLGEEAN KY Equity)

GLG Emerging Currency Fixed Income Fund

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
2008											0.26%	2.29%	2.56%
2009	5.30%	0.45%	0.56%	4.33%	1.15%	1.97%	0.92%	1.27%	1.58%	0.29%	1.50%	0.53%	21.59%
2010	0.09%	2.67%	3.03%	-0.24%	0.90%	0.30%	1.07%	0.59%	0.05%	1.06%	-0.57%	-0.15%	9.09%
2011	-1.67%	0.22%	0.03%	-0.54%	0.05%	0.35%	0.61%	-0.51%	-1.55%	0.34%	1.34%	-0.34%	-1.70%
2012	2.62%	2.01%	-1.05%	-2.07%	0.21%	0.24%	1.99%	-2.10%	1.32%	-0.88%	-0.48%	0.16%	1.85%

Reporting Share Class: "A in USD" (GLGECAN KY Equity)

GLG Emerging Market Credit Opportunity Fund

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
2009	0.23%	-1.05%	1.87%	4.62%	6.28%	0.73%	2.06%	1.65%	4.31%	-0.64%	2.96%	-0.17%	25.06%
2010	3.58%	-4.56%	0.44%	-0.77%	6.32%	-3.15%	-0.85%	1.45%	2.14%	0.45%	2.41%	-2.39%	4.68%
2011	-2.80%	-1.37%	0.42%	0.52%	1.06%	0.07%	1.48%	1.05%	1.03%	0.74%	0.98%	0.78%	3.93%
2012	0.59%	0.63%	0.69%	0.09%	-0.72%	0.27%	0.58%	0.09%	0.41%	0.29%	-0.26%	0.37%	3.06%

Reporting Share Class: "A in USD" (GLGECRA KY Equity)

GLG EM Diversified UCITS III

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
2009									0.84%	-0.52%	-0.07%	0.72%	0.97%
2010	2.72%	0.25%	3.70%	-0.56%	-2.17%	-1.18%	0.84%	-0.05%	0.73%	1.68%	-0.78%	0.26%	5.43%
2011	-0.74%	1.25%	0.12%	0.30%	-1.46%	-0.20%	-0.86%	-10.57%	-3.95%	0.11%	-0.70%	0.75%	-15.34%
2012	3.85%	3.37%	-1.79%	-2.23%	-0.20%	-0.65%	1.49%	-1.31%	1.95%	0.10%	-0.13%	1.43%	5.81%

Change in Reporting Share Class from "IL H in USD" (GLGEM3A ID Equity) to "DN in EUR" (GLGEM3D ID Equity)
Change in Reporting Share Class from "DN in EUR" (GLGEM3D ID Equity) to "IN H in USD" (GLGEM3I ID Equity)

GLG EM Equity UCITS III Fund

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
2009								0.24%	2.13%	2.58%	-1.82%	2.96%	6.16%
2010	-1.60%	-0.56%	3.51%	-1.31%	-7.47%	-1.15%	6.73%	-1.81%	2.73%	3.14%	2.49%	2.57%	6.72%
2011	1.28%	3.52%	3.32%	1.73%	0.36%	1.32%	0.20%	-6.45%	-0.73%	-0.95%	0.08%	-0.32%	3.02%
2012	3.75%	2.54%	-1.21%	-2.09%	-3.02%	0.82%	-0.42%	-1.69%	2.05%	0.17%	-0.18%	1.97%	2.49%

Reporting Share Class: "IL in USD" (GLGEEQA ID Equity)

GLG EM FICC UCITS III Fund

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
2009							-0.08%	-0.77%	0.14%	0.91%	-0.94%	2.06%	1.29%
2010	-0.93%	1.46%	3.00%	0.51%	0.25%	0.42%	1.40%	0.56%	0.02%	1.04%	-0.55%	-0.06%	7.30%
2011	-1.29%	-0.14%	0.19%	-0.82%	0.04%	0.44%	0.70%	-0.55%	-1.62%	0.30%	1.63%	-0.25%	-1.40%
2012	1.90%	1.07%	-1.21%	-1.96%	0.76%	0.02%	2.37%	-2.39%	1.20%	-1.00%	-0.57%	0.13%	0.19%

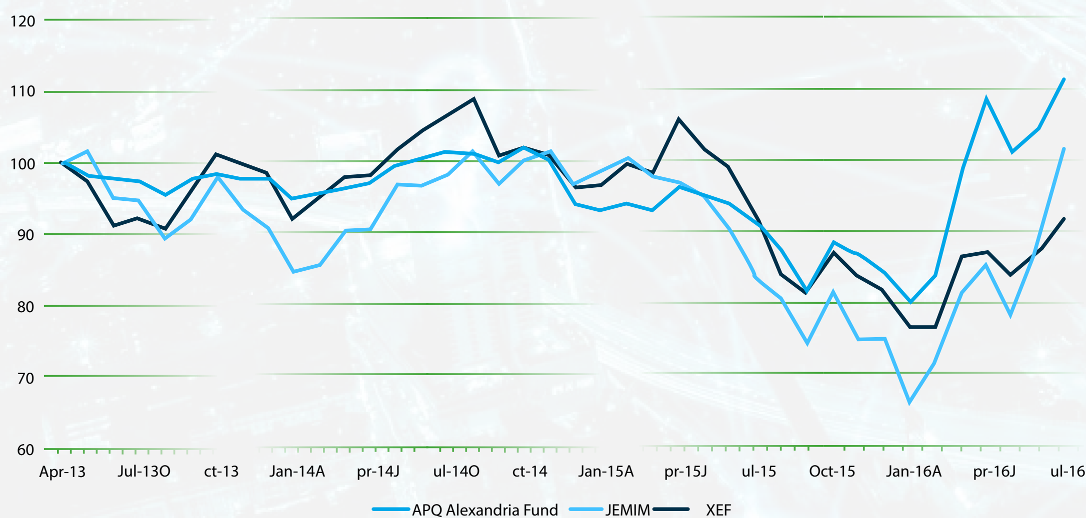
Reporting Share Class: "DL in EUR" (GLGEEQA ID Equity)

Source: Bloomberg

APQ Alexandria Fund – July 2016 Factsheet

In May 2013, we launched the APQ Alexandria Fund, our flagship fund investing in emerging markets globally. In July 2016, the fund returned 6.6%, bringing the year-to-date return to 32.1%.

THE PREVIOUS THREE YEARS IN EMERGING MARKETS HAVE BEEN, TO SAY THE LEAST, VERY CHALLENGING. HOWEVER, WE SURVIVED AND HAVE IN FACT LAID THE GROUNDWORK FOR A THRIVING BUSINESS GENERATING SUPERIOR PROFITS FOR OUR INVESTORS. WE SUCCESSFULLY PRESERVED CAPITAL AND ARE VERY WELL POSITIONED TO TAKE ADVANTAGE OF THE MULTITUDE OF INVESTMENT OPPORTUNITIES IN EMERGING MARKETS.



	APQ	JEMI	MXEF
Best Month	18,0%	15,2%	13,2%
Worst Month	-7,0%	-12,2%	-8,9%
Best Quarter	17,3%	8,5%	6,7%
Worst Quarter	-13,1%	-18,0%	-17,8%
Best Calendar Year	32,1%	35,2%	11,9%
Worst Calendar Year	-10,0%	-22,0%	-14,7%
Best Year	12,9%	18,9%	8,0%
Worst Year	-2,6%	-11,8%	-17,6%
ITD Return	11,8%	2,1%	-7,8%
YTD Return 2016	32,1%	35,2%	11,9%
Anualized Vol ITD	16,2%	22,3%	16,5%

JEMI: JPMorgan Global Emerging Markets Income Trust plc

MXEF: MSCI Global Emerging Markets Index

Sources: JPMorgan Global Emerging Markets Income Trust plc and MSCI Global Emerging Markets Index total return data taken from Bloomberg, July 2016. APQ reflects the performance of the APQ Alexandria Fund reporting share classes. The 2016 year-to-date ('YTD') return reflects performance until 29 July 2016. The inception-to-date ('ITD') return starts on 15 May 2013 until 29 July 2016.

APQ Alexandria Fund

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2013					*-1.53%*	*-0.52%*	*-0.59%*	*-2.06%*	*2.54%*	*0.83%*	*-0.64%*	*-0.06%*	*-2.08%*
2014	*-2.99%*	*0.56%*	*1.13%*	*0.84%*	*2.58%*	*0.91%*	*0.84%*	*-0.32%*	*-1.24%*	*2.19%*	*-1.81%*	*-6.36%*	*-3.95%*
2015	*-0.74%*	*1.09%*	*-0.88%*	*3.44%*	*-1.24%*	*-1.40%*	*-2.67%*	*-4.21%*	*-6.76%*	*8.66%*	*-2.00%*	*-2.93%*	*-9.99%*
2016	*-5.00%*	*4.64%*	*18.04%*	*9.94%*	*-7.00%*	*3.24%*	*6.63%*	*-0.26%*					*31.73%*

18th March 2016: Change in reporting share class "AR" Investor "7" to Share class "AR" investor "13"

August 2016 Return up until 12th of August. In addition, on 4th of August Change in reporting share class "AR" Investor "13" to Share class "A GBP" Investor "14"

With a three-year track record under our belt as a stand-alone emerging market manager, we want to take this opportunity to reflect on our experience as a start -up and set out our investment philosophy for the next five years.

The previous three years in emerging markets have been, to say the least, very challenging. Consider the following:

- By the end of July 2016, the MSCI Global Emerging Markets Equity Index (MXEF) has under performed the S&P 500 Index by 49.21% since May 2013 and by 104.9% since January 2010
- A broad swath of emerging markets currencies have crashed: the Brazilian Real plunged 60.6% and 88.9% over the same periods respectively and the South African Rand followed suit losing 49.5% and 90.4%. Other emerging market currencies also experienced sharp declines
- BRICS economies fell apart: Russia and Brazil descended into a steep recession, China is busy fixing its domestic debt problems and India is grappling with significant twin fiscal and external deficits
- Politically, the West slapped sanctions on Russia, the Middle East imploded further, a refugee crisis is engulfing Greece and Brazil impeached its President in the midst of various corruption scandals

Not surprisingly, investors exited emerging markets and appetite for the asset class evaporated on the back of domestic capital flight, foreign retrenchment and large losses. If we had to sum it up in one word? Carnage.

With the benefit of hindsight, launching an emerging markets fund at the outset of this mayhem was not the wisest of ideas. However, we survived and have in fact laid the groundwork for a thriving business generating superior profits for our investors. How did we do it? First, we addressed the working capital needs of the business head on and scaled the business accordingly. Our worst-case scenario (a three-year period of no investor interest, challenging markets and an increasing regulatory burden) pretty much materialised but this never posed a threat to the capital position of the management company. Second, we stuck to our mandate and refrained from dabbling in markets outside our core expertise. Finally, our risk management framework held up well. While it is decidedly unpleasant to spend time on the wrong side of zero returns, we successfully preserved capital for our investors and are very well positioned to take advantage of the multitude of investment opportunities in emerging markets.

How do we see the next five years? We see three main themes developing:

1) Emerging markets becoming a story of differentiation. Global emerging markets have become too heterogeneous to be a meaningful investment concept. One can argue this has been the case since 2008 but the combination of more recent extreme domestic idiosyncratic events (war in Ukraine, a political revolution in Argentina, corruption scandals in Brazil to name just a few) render the concept of global emerging markets investing obsolete.

2) The zero-rates environment and unorthodox monetary policies in Europe, the United States and Japan will likely reduce returns in markets globally, increase volatility and spread misallocation of capital. When money is free, there is no real significant cost to making wrong investment decisions. Unlike G7 fixed income markets, G7 credit markets and (on the whole) G7 equity markets, this is very constructive for various pockets in emerging markets as they have already sold off very aggressively and quite indiscriminately.

3) We believe the rout in commodity prices is behind us. This will have a significant positive impact on those countries like Brazil and Russia, which have been hurt the most.

In light of these views, we plan to invest our cash in a concentrated portfolio of credits and equities of selected companies and sovereigns that benefit from a rebound in economic growth on the back of commodity price stability. We also plan to add exposure to financials as a geared play on this trend. With this in mind, our bias will be to maintain long exposure to currencies like the Brazilian Real, Russian Ruble and South African Rand.

Bart Turtelboom

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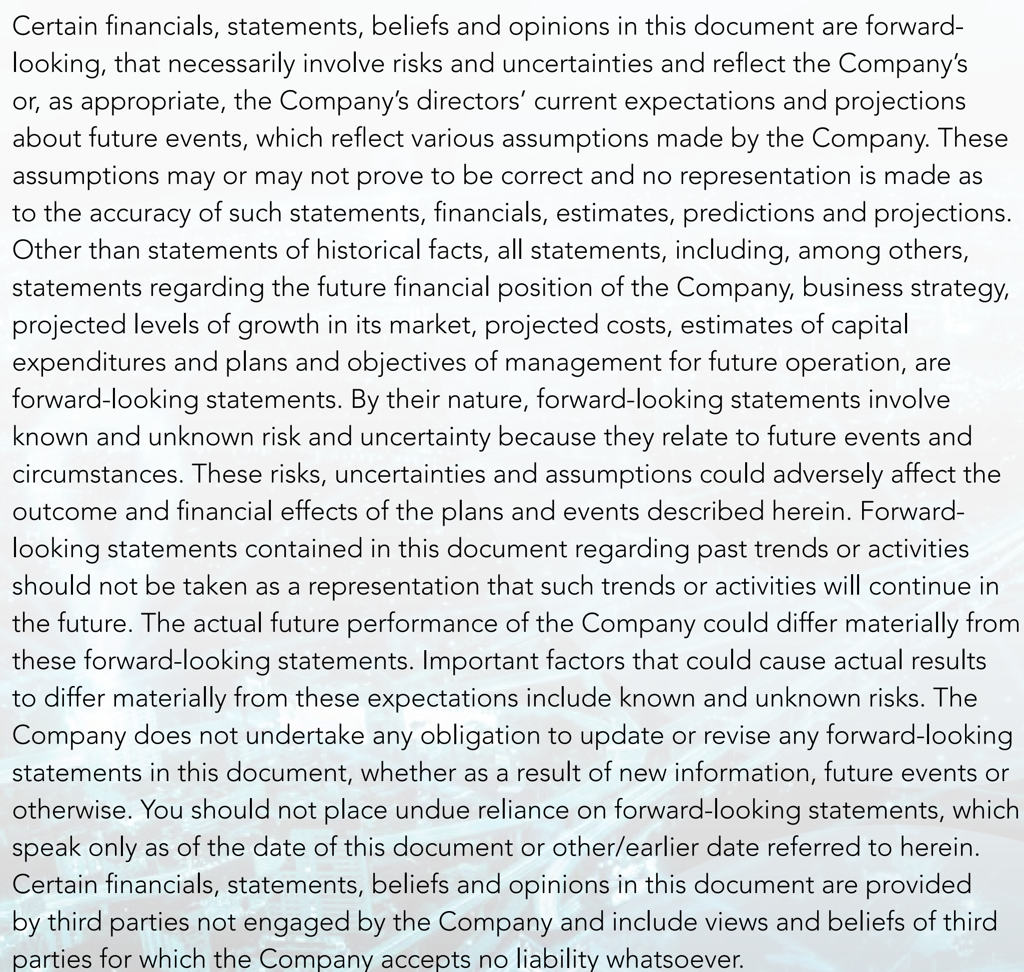

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STAY IN TOUCH

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