6 September 2017

APQ GLOBAL

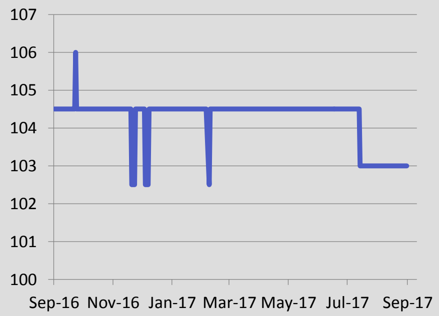
INVESTMENT COMPANIES

APQ.L

103p

Market Cap: £80.4m

SHARE PRICE (p)



12m high/low	106.0p/102.5p

Source: LSE Data

KEY INFORMATION

Enterprise value	£97.0m (FY17E est)
Index/market	TISE, AIM
Next news	Interim results
Gearing	21%
Interest cover	10.9x (FY18E est)

APQ GLOBAL IS A RESEARCH CLIENT OF PROGRESSIVE

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Income and growth from emerging markets

APQ Global is a company which invests in emerging markets and operates with a strategy geared to provide investors with a steady income steam. It aims to pay an annual dividend equivalent to 6% of the company's opening book value, on a quarterly basis. In addition, it will target underlying growth of that book value of between 5% and 10% per annum through earnings (including realised and unrealised gains). Listed on the TISE in Guernsey in August 2016 following its IPO which raised £78 million, the Company was admitted to AIM shortly afterwards. It recently issued convertible unsecured loan stock (CULS) to raise a further £20 million. The management team is highly experienced in investing in emerging markets and relevant asset classes. In addition, APQ Global has an International Advisory Council which comprises experienced investment professionals who provide expert advice and local knowledge in key markets. The management team's interests are aligned with those of shareholders through incentive schemes related to growth in book value and through shareholdings.

- APQ Global raised some £78 million in August 2016 at the time of its IPO. Other than around 10% of the book value which is held in cash for collateral and working capital purposes, those funds are already fully invested. We expect the proceeds of the CULS issue to be invested in line with the Company's existing strategy over the final quarter of 2017.
- APQ's investment strategy focuses on emerging markets globally across multiple asset classes. It also intends to develop its lending activities and take minority and majority stakes in public and private companies in emerging markets.
- APQ runs three portfolios: Liquid Emerging Markets, Strategic and Direct. The majority of funds are currently invested in the Liquid portfolio with around 6% in the Strategic portfolio and none in the Direct portfolio.
- The relevant experience of the management team members is reflected in their previous asset management roles at institutions such as GLG, Morgan Stanley, Deutsche Bank, and Dresdner Kleinwort.

N.B. APQ Global has a very short trading history so our estimates in this document are based on the Company generating sufficient income to cover the management target of paying a dividend of 6% of book value, operating expenses and the CULS coupon. Investors should note that actual results may vary substantially as the composition of the portfolios evolves.

FYE DEC	2016	2017E	2018E	2019E
Revenue	0.0	5.9	7.4	7.7
Adjusted EBITDA	-0.4	5.0	6.3	6.6
Adjusted PBT	-0.4	5.0	5.7	6.0
Adjusted EPS (p)	-0.5	6.4	7.4	7.7
EV/Adj. EBITDA	n.a.	19.4x	15.3x	14.7x
P/E	n.a.	16.2x	14.0x	13.4x
Dividend yield	0.0%	5.8%	7.1%	7.4%

Source: Company Information and Progressive Equity Research estimates

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Executive Summary

APQ Global (APQ) is a company which makes investments in emerging markets globally with a focus on Africa, Asia, Emerging Europe, Latin America and the Middle East. It has a management team which has vast experience in investing in emerging markets and which is led by Bart Turtelboom, CEO, who has a 28% shareholding in the Company. Its aim is to steadily grow earnings to deliver attractive dividends and capital growth to shareholders.

Alongside APQ's highly experienced management team, the Company has established an International Advisory Council which provides further ideas to develop the strategy and optimise associated investments.

The Company raised approximately £78m in new capital in August 2016, listing on The International Stock Exchange (TISE) in Guernsey and being admitted to trading on the Alternative Investment Market (AIM) later the same month. It spent £17 million on the acquisition of APQ Alexandria, an emerging markets investment firm and has subsequently invested all but 10% of its capital (which is retained for corporate purposes). Following the acquisition of APQ Partners LLP at the beginning of 2017, the Company's investments are managed internally.

The Group's business strategy is simple – to provide shareholders with income through a steady stream of attractive dividend payments with additional capital growth. It will focus on emerging markets – in particular income opportunities in those markets where others often only target growth. We note that there is no intention to replicate any particular index performance. In addition, the Company has no limitations on taking short positions. Crucially, it is seeking to take direct stakes in public and private companies with a view to controlling those entities – something which brings added opportunities to APQ and its shareholders.

APQ Global is targeting a 6% per annum dividend (paid quarterly) which is based on the IPO price of 100p for 2017 and, beyond that, the opening Book Value of the Company at the beginning of every year.

APQ runs three portfolios: Liquid Emerging Markets, Strategic and Direct. Currently, the majority of funds are invested in the Liquid portfolio and around 6% in the Strategic portfolio. Over time, the three portfolios will reflect, respectively the strategic aims of establishing:

- a well-diversified and liquid portfolio,
- strategic stakes in selected businesses and the acquisition of minority, and
- majority stakes in companies through which APQ will exercise operational control.

In August 2017, APQ issued £20 million of CULS to raise additional funds for investment. Placing proceeds will be used for investment in line with the Company's existing business strategy. The Issue is subject to approval of the Ordinary Shareholders at a general meeting. The Company sees the issue as providing efficient gearing at a competitive cost which will benefit ordinary shareholders through enhanced returns. In addition, the CULS should eventually improve liquidity for APQ which currently has an effective 7% free float.

The relevant experience of the management team members is reflected in their previous asset management roles at institutions such as GLG, Morgan Stanley, Deutsche Bank and Dresdner Kleinwort.

In February 2017, APQ created an International Advisory Council comprising a panel of advisors who contribute investment proposals from their own areas of geographical and sector expertise. This adds further local expertise to the impressive investment credentials already available within the Company.

APQ Global overview

One year since IPO

APQ Global is an international Emerging Markets company with a focus on Asia, Latin America, Emerging Europe, the Middle East and Africa. Its focus is on generating significant income from business opportunities which meet its valuation criteria and with the potential for long-term growth. It has an experienced management team with extensive track records in relevant investment fields.

In August 2016, APQ Global issued 60,924,756 Ordinary Shares to investors in the Company. These Ordinary Shares were admitted to listing on the Official List of TISE on 11 August 2016. On TISE Admission, the Company acquired the entire voting share capital of APQ Cayman Limited (formerly APQ Alexandria Fund Limited) in consideration for the issue of 17,130,244 Ordinary Shares. These Ordinary Shares were also admitted to the Official List of TISE on 11 August 2016. On 26 August 2016, the entire issued Ordinary Share capital was admitted to trading on AIM.

The IPO allowed APQ to target dividend and capital growth on behalf of its shareholders through investments in emerging markets. Aside from around 10% of book value retained for collateral and working capital purposes, the £78 million of funds raised were fully deployed by APQ Global's 2016 financial year end.

APQ Global is targeting a 6% per annum dividend (paid quarterly) which is based on the opening Book Value of the Company at the beginning of every year.

At the end of 2016, APQ Global's book value was 99.15p per share. The most recently announced figure was 97.82p as at the end of June 2017. The company paid a Q4 2016 dividend of 0.5p in February 2017, a Q1 2017 dividend of 1.5p in May 2017 and declared a further 1.5p for Q2, which was paid in August 2017.

Business structure

On TISE Admission, the Company acquired the entire voting share capital of APQ Alexandria, whose Master Fund invested predominantly in Emerging Markets. The manager of APQ Alexandria was APQ Capital Management Limited and APQ Partners LLP was investment manager. APQ Alexandria is now a 100%-owned subsidiary, renamed APQ Cayman Limited, responsible for the Company's investment activity. APQ Partners LLP was acquired by APQ in January 2017, bringing all management in-house.

APQ Global structure

APQ global

(Guernsey Corporation, listed on TISE and LSE AIM markets)

98%

100%

APQ Partners LLP

(UK Limited Liability Partnership)

APQ (Cayman) Limited

(Cayman Islands Corporation)

Source: APQ Global

Shareholders and free float

The table below shows the significant shareholders of APQ. This leaves only 7% of shares which are effectively available as free float. Eventual conversion of the CULS will increase the liquidity of APQ's ordinary shares.

In the meantime, the Board and its advisors are actively looking at ways to increase the percentage of free float available in response to growing demand from investors.

Significant shareholders

Shareholder	Number of shares	Percentage
Bart Turtelboom	22,000,000	28.19%
Vega Absolute Return Fund	21,800,000	27.93%
Old Mutual Global Investors UK	18,000,000	23.06%
Merseyside Pension Fund	10,800,000	13.84%
	72,600,000	93.02%

Source: APQ Global

Management share incentive plan

APQ has adopted a management share plan under which nil-cost awards over Ordinary Shares may be granted to eligible participants. Awards are subject to the Book Value per Ordinary Share having increased over the previous financial year. Share awards will initially be granted to key personnel and will vest quarterly over a five year period and may be satisfied by the issue of new Ordinary Shares or Ordinary Shares purchased in the market.

Business Strategy

Strategy outline

APQ Global focuses on emerging markets in Asia, Latin America, Emerging Europe, the Middle East and Africa.

Its Annual Report outlines the Group's intentions as follows:

(i) develop lending activities to sovereign, corporate and banking entities in emerging markets for a range of business purposes, including for acquisition financing, working capital and investment purposes. The terms of any loans will vary but are typically expected to range from six months to five years. The Company expects that its loans will typically be secured, and

(ii) take operational control of businesses through the acquisition of minority and majority stakes in public and private companies in emerging markets.

The Group may utilise borrowings in connection with its business activities. Whilst there is no limit on the amount of borrowings that the Group may incur, the Directors have committed to adopting a prudent borrowing policy which includes strict oversight and regular reviews.

In addition, there are no restrictions and no maximum exposure limits on investments. No material change will be made to the Company's objective or investing policy without shareholder approval.

Implementing the business strategy

The Company's business strategy will be implemented through three core activities in emerging markets which are run as three portfolios:

- The Company will manage a liquid markets portfolio of bonds, equities and currencies with a focus on global emerging markets.
- The Company will also build a portfolio of strategic stakes in emerging markets focused companies at an equity or debt level. In doing so, it aims to be a constructive stakeholder to the management of those companies within the context of a multi-year investment horizon.
- The Company plans to, selectively, acquire management control in emerging markets focused companies with the aim of generating sustainable cash distributions and long-term growth for the Company's shareholders.

Key Performance Indicators (KPIs)

Currently, the Board considers that the main indicator of performance for the Company will be the growth of earnings sufficient to allow a 6% dividend to be paid and an additional per annum increase in earnings to grow the Company by 5%-10% per annum.

Portfolios

At the end of the second quarter of 2017, over half of the Company's investments were in credit and government bonds (55%) while equities stood at 22.6% and EM local currency bond exposure accounted for 13.5% of book value. Cash represented 10% of book value. The total of 101.1% reflects currency exposure in the portfolio.

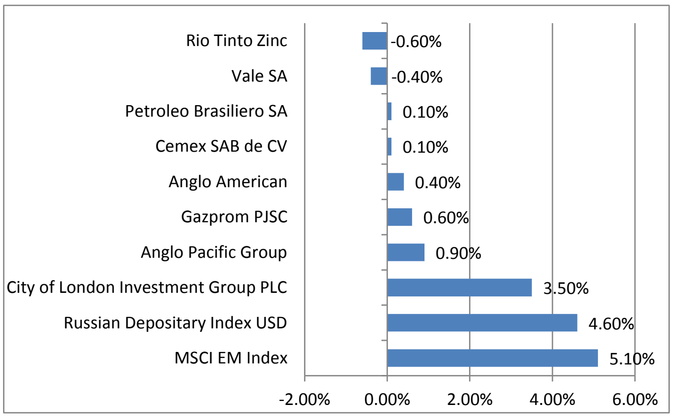
Q2 2017 portfolio breakdown

Asset class	% of book value
Credit and government bonds	55.0%
EM Local Markets	13.5%
Equities	22.6%
Cash	10.0%
	101.1%

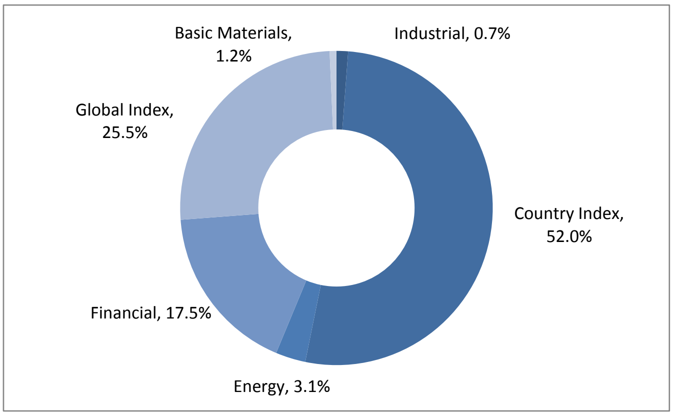
Source: APQ Global

The chart below shows the Company's top 10 holdings as at the end of Q2 2017. The largest EM equity positions remain concentrated in Russia and the Q2 update comments that the motive is 'a bullish view on commodities'. Although it includes two of the Company's strategic investments in Anglo Pacific Group and City of London Investment Group, sector-wise, the bulk of the Company's exposure is in energy, industrials and financials, across Russia, India and global emerging markets (see second chart).

Top 10 Equity holdings Q2 2017 as % of book value



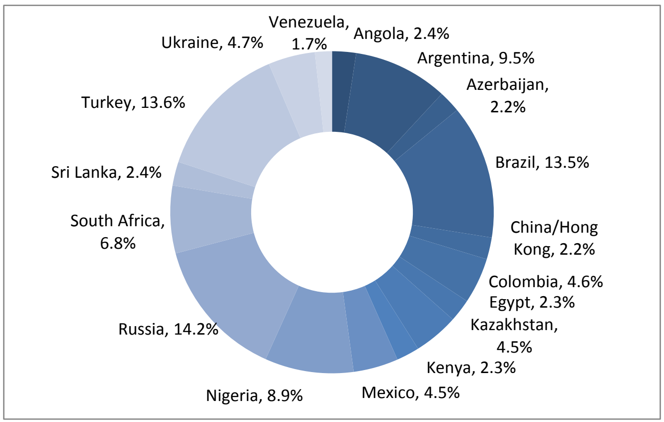
Equity exposure by sector



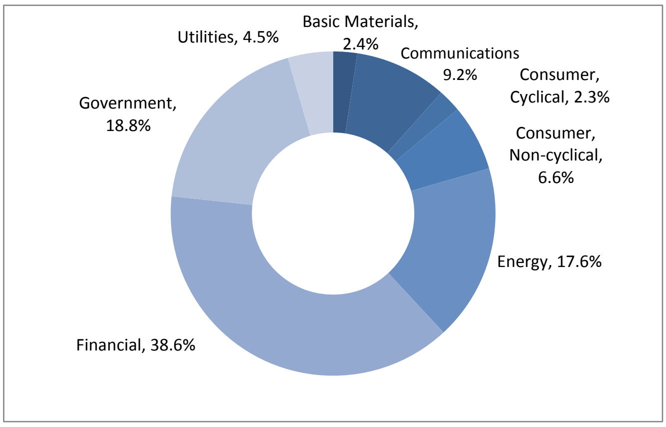
Source: APQ Global

Credit exposure (35% of book value as at 30 June 2017) is shown on the chart below, with the countries representing the largest proportions of exposure being Russia (14.2%), Argentina (9.5%), Brazil (13.5%), Nigeria (8.9%) and Turkey (13.6%). In terms of sector exposure, the credit exposure is concentrated in government entities, banks and corporations in the energy and materials sectors.

Credit exposure by country



Credit exposure by sector



Source: Progressive Equity Research

Currency exposure

As at 30 June 2017, the Company had no meaningful direct currency exposure beyond the levels in its equity portfolio. Long positions in the Turkish Lira and South African Rand stood at 6.5% and 5.5% of book value respectively.

Strategic Portfolio

As at 30 June 2017, as well as APQ's investment in City of London Investment Group and Anglo Pacific (detailed in the overall statistics), the Company also held 3.3% and 4.2% of Book Value respectively in two publicly listed emerging markets debt funds: EMD US (Western Asset Emerging Markets Debt Fund Inc.) and EDD US (Morgan Stanley Emerging Markets Domestic Debt Fund). APQ's recent announcements note that both of these funds currently trade at a discount and have high dividend yields of approximately 8.0%.

Current opportunities

In its first half round-up, APQ emphasised that it is not bearish across emerging markets and that it believes in the long-term structural arguments for emerging markets growth. Nonetheless, its investment decisions reflect consideration of the risks in the relevant markets when selecting the right opportunities to deliver its objectives and achieve stable income.

Management has also commented on particular markets where there are opportunities to source income or where it is bearish. These reflect the balance of investments at the moment and we outline some of those opportunities and bearish views below.

Clearly, the focus of APQ's portfolios will change with investment decisions and we expect to provide updated examples periodically.

Current opportunities

Bullish: RUSSIA

Opportunities:

Bullish view on commodities.

APQ Global believes that the current tension in relations between Russia and the United States will gradually improve on the back of a shared interest to restore stability in the Middle East.

Sectors:	Economic indicators (Last)
• Government entities • Banks • Energy • Materials	GDP Growth rate: -0.57% Unemployment rate: 5.2% Inflation: 4.4% Interest rate: 9% Balance of Trade: U$8,519m Govt. debt to GDP: 17% Govt. Bond 10Y: 7.78%

Bullish: BRAZIL

Opportunities:

Nominal and in particular real yields are amongst the highest globally and the Brazilian Central Bank has started what APQ Global believes will be a prolonged rate-cutting cycle.

With inflation still coming down from above 10% (to currently around 4% and expected to fall further), APQ Global expects real yields in particular to continue to decline.

Sectors:	Economic indicators (Last)
• Government entities • Banks • Energy • Materials	GDP Growth rate: 1% Unemployment rate: 13.3% Inflation: 3% Interest rate: 10.25% Balance of Trade: U$7,195m Govt. debt to GDP: 69.49% Govt. Bond 10Y: 10.14%

Source: APQ Global, Progressive Equity Research

Current opportunities

Bullish: NIGERIA	
Opportunities: The Nigerian Naira has been very stable after depreciating c. 58% last year. Spreads on Nigerian USD-denominated bonds maturing 2023 have tightened c.130bps so far this year to 350bps (Z-Spread). APQ Global believes yields in longer-dated FX Forwards compensate investors for a potential devaluation in the Naira.	
Sectors: • Government entities • Banks • Energy • Materials	**Economic indicators (Last)** GDP Growth rate: -12.92% Unemployment rate: 14.2% Inflation: 16.1% Interest rate: 14% Balance of Trade: NGN141,756m Govt. debt to GDP: 18.6% Govt. Bond 10Y: 16.33%

Bearish: TURKEY	
Bear points: Unlikely to sustain 5% GDP growth from first half of 2017. Credit guarantee fund, allowing tradespeople and craftspeople easier access to financing already standing at 100 billion Turkish Lira but appears unlikely to support long term stability.	
Focus points: • Real estate market very challenging • APQ's current focus is on helping foreign investors who are facing difficulties collecting money in the region	**Economic indicators (Last)** GDP Growth rate: 1.4% Unemployment rate: 10.5% Inflation: 10.9% Interest rate: 8% Balance of Trade: -U$7,307m Govt. debt to GDP: 28.3% Govt. Bond 10Y: 10.31%

Source: APQ Global, Progressive Equity Research

Judging performance

Is there a key comparator for APQ Global? It is not aiming to track a particular index but the Company could be compared to overall emerging markets performance and relevant funds which are focused on growth and yield. However, APQ is not a fund and its investment strategy and operating parameters are distinct points of differentiation. In particular, as the Direct Portfolio investments occur, there will be an injection of a different dynamic into that equation.

At the moment, as a company with such a short trading history, investors have two metrics to observe when looking at APQ.

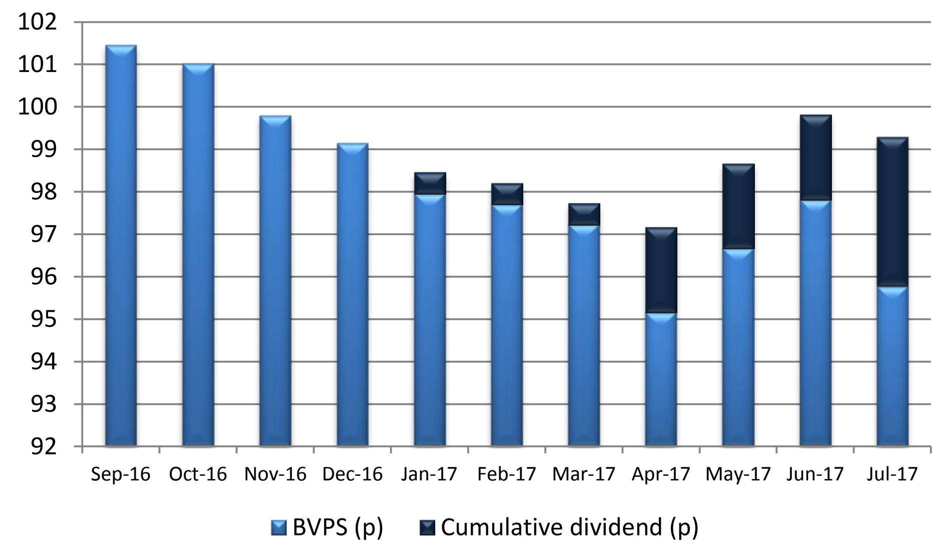
Firstly, the prospective dividend yield which is 5.8% at the current share price for FY2017E. This is based on a targeted 6% yield on the IPO issue price of 100p. Going forward, the dividend will represent an annualised 6% of the opening book value of every year.

Secondly, Book Value per share will be the indicator of the growth of the portfolio – although it will clearly have to overcome the 6% dividend payment and corporate expenses (including the CULS coupon) before producing actual growth over a year.

The Q2 update noted that book value had increased by 0.60% in Q2 after allowing for the payment of a 1.5p dividend (although the ex-dividend date was actually 27 July 2016).

The Book Value per share at the end of June 2017was 97.82p (cum 1.5p dividend). The most recently announced Book Value per share was an ex-dividend 95.78p as at the end of July 2017. At the current share price, the Company is trading on a Price/BVPS of 1.08x. The chart below shows the BVPS which is net of total dividend payments of 3.5p to date

Book Value per share and cumulative dividends (p)



Source: APQ Global

Valuation techniques used by APQ Global

APQ Cayman Limited has a portfolio of tradable assets and liabilities which it values at fair value using the same policies as the Company. The Company is able to redeem its holding of APQ Cayman Limited at its net asset value. Fair value of the investment in APQ Cayman Limited is therefore measured at its Net Asset Value.

Unlisted managed funds

The Company classifies its investments into the three levels of the fair value hierarchy based on:

- Quoted prices in active markets for identical assets or liabilities (Level 1)

- Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2)

- Those with inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3)

The Company has classified its investment in subsidiary as level 3 because its net asset value is deemed to be an unobservable input.

The most significant unobservable input used in the fair value is the NAV of the underlying investment. A change of 5% in the NAV will have an impact of £3,829,785 on the results of the Company.

Asset class data

APQ Global's quarterly updates provide Return Contribution by asset class (as a proportion of the overall contribution) for all the Company's investments. This table shows that during the second quarter of 2017, the Company's credit exposure contributed 14% of the returns, equity exposure 40% and fixed income exposure contributed 28%. Currency exposure added 18%.

Return contribution for each asset class

Asset class	YTD	Q2 2017
Credit	54%	14%
Equity	23%	40%
FX	-35%	18%
Rates	58%	28%
	100%	100%

Source: APQ Global

The Q2 update notes that the Company is 'comfortably on track' to meet its target annual dividend yield of 6% (based on the issue price) with the dividends 'well covered' by economic income in the portfolio (where economic income represents the expected yields from the respective asset classes). The update says that the breakdown of cover of the mooted 6% dividend for 2017 by asset class in Q2 was 2.3% from equity positions, 2.1% from credit positions, 1.7% from currency exposure and the rest from strategic and government bond portfolios. We understand that coverage in Q1 was similar.

Convertible unsecured loan stock (CULS)

The company has announced a conditional placing to raise £20.09 million of 3.5% convertible unsecured loan stock 2024. Following the passing of the necessary resolution at an extraordinary general meeting held on 4 September 2017, the CULS were listed and admitted to trading on the International Securities Market of the London Stock Exchange plc on 5 September 2017. The net proceeds will be used for general corporate purposes in line with the Company's existing business strategy. Interest on the CULS is payable quarterly in arrears with the first interest payment due in early January 2018 for the period from Admission to 31 December 2017. The expected net proceeds are £19.4 million. The coupon of the CULS takes precedence over dividend payments to ordinary shareholders.

Holders of the CULS will be entitled to convert them into Ordinary Shares on a quarterly basis throughout the life of the CULS, commencing 31 December 2017. All outstanding CULS will be repayable at par (plus any accrued interest) on 30 September 2024. The initial conversion price is 105.358 pence, being a 10% premium to the unaudited Book Value per Ordinary Share on 31 July 2017. That conversion price implies a potential number of converted shares of 19.068 million or 24.4% of the current number of outstanding shares in issue.

If, at any time after the third anniversary of Admission, the mid-market price of the Ordinary Shares is 20% or more above the Conversion Price for at least 20 dealing days during a period of 30 consecutive dealing days, the Company will be able to require CULS Holders to redeem their CULS at par (plus any accrued interest). Following conversion of 80% or more of the nominal amount of the CULS originally issued, the Company will be entitled to require remaining CULS Holders to convert their outstanding CULS into Ordinary Shares after they have been given an opportunity to have their CULS redeemed. Any CULS not previously redeemed, purchased or converted will be repaid by the Company on 30 September 2024 at its nominal amount.

Gearing restrictions

APQ Global’s total indebtedness shall not exceed 50% of its book value (measured at the time of issue). The measure of indebtedness will include the CULS and any subsequent indebtedness which would rank either pari passu or be subordinated to the CULS as determined by the Company’s auditor. However, that measure will not include gearing through financial instruments or structured products at the portfolio level, for the purposes of efficient portfolio management.

Estimates

APQ Global has only published one set of accounts since its IPO in August 2016. Those accounts covered the period from its incorporation on 10 May 2016 to 31 December 2016 – although trading effectively began on 11 August 2016.

2016 in brief

APQ raised £78.055 million on TISE and was admitted to trading on AIM two weeks later. APQ acquired the net assets of APQ Alexandria for £17.1 million and invested all but £0.9 million which was retained at group level. That comprised cash on hand and short-term deposits in banks that are readily convertible (with original maturities of three months or less) net of outstanding bank overdrafts when applicable. The Report & Accounts note that approximately 10% of the book value was reserved in cash for collateral and working capital purposes recorded in the subsidiary's accounts. Expenses for the period are reflected in the table below. The Company reported net profit before and after tax of £0.553 million due to recorded net gains on investments of £0.965 million.

The Book Value at 31 December 2016 was £77.4 million, a decrease from £78.1 million at launch. Book Value per share declined from 100.00 pence to 99.15 pence earnings per share for the period was 0.708p and no dividends were declared or paid during the period.

Expenses

Expenses (£) 2016

APQ Partners LLP Operating Expenses Paid	219,935
Audit fee	59,000
Nominated advisor	42,907
Administration fees and expenses	25,616
Director's fees (Wayne Bulpitt)	15,548
Director's fees (Richard Bray)	15,548
Director's fees (Philip Soulsby)	11,267
Other expenses	9,190
Professional fees	4,869
Auditor's set up costs	4,500
Insurance expenses	4,142
	412,522

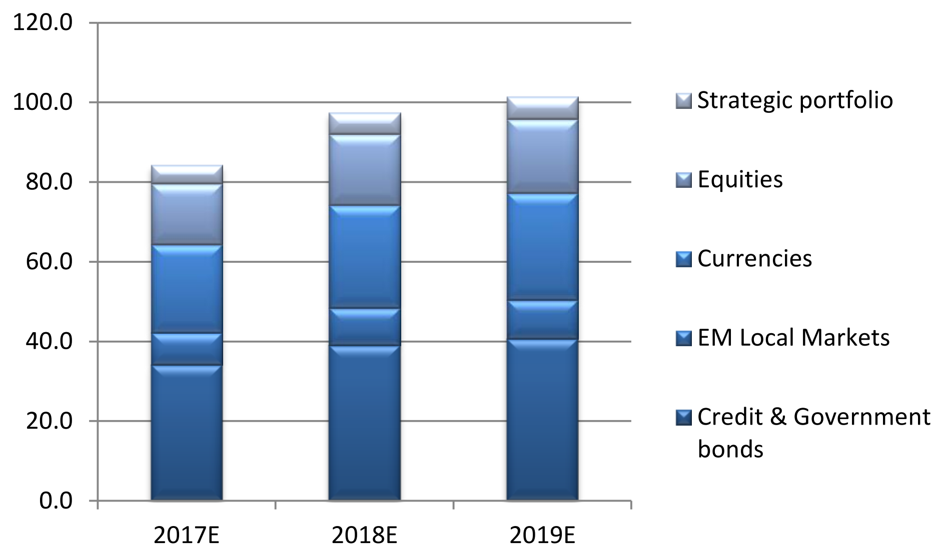
Source: APQ Global

Broad assumptions underlying our estimates

A word of caution on our estimates

As APQ Global has a very short trading history, our estimates in this document are necessarily based on an assumption of the Company generating sufficient income in order to cover the management target of paying a dividend of 6% of book value (or IPO issue price of 100p for FY2017E), operating expenses and the CULS coupon. Consequently, our revenue estimates reflect income from the portfolio representing 7%-8% per annum on average based on quarterly estimates of the returns on each broad asset class. To an extent, this may appear somewhat circular but, noting its published stress test variables, we think that APQ's relatively conservative approach is well set to produce steady income streams. Nonetheless, investors should note that actual results will vary as the composition of the portfolios evolves.

Average book value (£m)



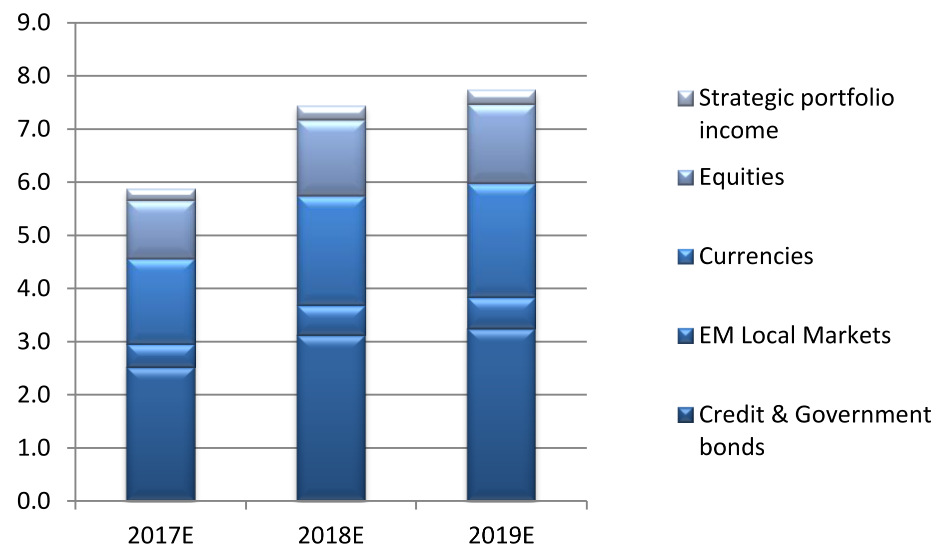
Source: Progressive Equity Research estimates

Revenue and expenses

Given the lack of historical reporting for APQ Global, we have made a number of assumptions about how the Company will report in the future and what information may be available in its quarterly updates. Overall, we have assumed that, on a quarterly basis, APQ Global will produce enough revenue (as cash) to cover its operating expenses, the CULS coupon and the dividend payment based on the book value at the beginning of each year. This is prior to any realised or unrealised gains or losses which may affect the final outturn for a quarter. If any capital appreciation is solely from unrealised gains, this will not impact cash.

Consequently, we have struck our estimates bearing in mind the Company's target of paying out an annualised 6% of each year's opening Book Value on a quarterly basis. Our revenue estimates are formed to reflect income generated from the portfolio of investments and reflect our best view on income from those sources. We have assumed a rate of growth of the book of 1% per quarter based on a conservative view of average annual GDP growth of emerging markets. As a financial year progresses, our estimates for book value will reflect expected net income from the investments, reported gains and losses and the 1% estimate for the remaining quarters. Obviously, gains and losses would vary from the nominal 1% included in our model. Our estimates assume that the CULS proceeds are fully invested during Q4 2017.

Revenue estimates (£m)



Source: Progressive Equity Research estimates

Expenses for the trading period of 2016 of £412.5k, were not, we understand, representative of a number which could be annualised. The total is likely to have included some set-up costs aside from those explicitly mentioned in the breakdown in the table on the previous page. Our estimates represent 15% of revenues for FY2018E (cost/income ratio) and 1.1% of average book value in the same year - both numbers being calculated before gains and losses.

Estimating book growth

The quarterly updates currently provide the proportional breakdown of sources of performance by asset class. However, from the point of view of updating estimates, this lacks the value of the asset classes (ie the breakdown of the Total Opening Capital in each estimated quarter). Investors can calculate the contribution to the quarterly Net Income from each asset class but not the effective yield/income contributions from those sources. It will perhaps be available in the half year and full year announcements.

Consequently, our estimates rely on our subjective assumptions on yields from the asset classes and reflect the Company's aim to maintain a rate of income on a growing book size.

As we note above, expenses for the four-and-a-half months trading of 2016 are unlikely to be representative, so there would be proportionally less to cover during our forecast horizon.

Taxation

The Company is taxable in Guernsey at the company standard rate of 0% and our estimates reflect that. In some jurisdictions, investment income is subject to withholding tax deducted at the source of the income but it is not significant for the Company. Withholding tax is shown separately in the income statement and cash inflows from investments are presented gross of withholding taxes, when applicable.

Dividend

For the current financial year, APQ is targeting a dividend payment equivalent to 6% of the 100p issue price at IPO. Beyond that, it will look to pay an annualised 6% of each year's opening Book Value on a quarterly basis. Our dividend estimates reflect those parameters based on our assumptions noted above.

A summary of our estimates can be found at the end of this document.

People and Experience

Trading history

Given the short trading history of the Company and its focus on emerging market investments, it is key for investors to have comfort in the experience of the people who will run the investment strategy of APQ Global.

Prior to the IPO, the previous fund which was run by the management team was that which formed the basis of APQ Global: APQ Alexandria Fund. It was launched in May 2013. In the seven months of 2016 before the IPO, the fund returned 32.1% compared to the 35.2% and 11.9% returns from, respectively, the JPMorgan Global Emerging Markets Income Trust plc and the MSCI Global Emerging Markets Index. From inception until 29 July 2016, the fund returned 11.8% compared to 2.1% and -7.8% for the same comparators.

Experience

Bart Turtelboom has over 20 years' experience of managing and raising money to back emerging markets funds. A number of the team have worked together previously.

At GLG, Bart Turtelboom and his colleagues took the AUM of the mandates under their management from U$200 million to over U$3 billion AUM over a four year period.

Board

Bart Turtelboom (Chief Executive Officer and Executive Director)

Bart is Chief Executive Officer of APQ Global Limited. Previously, he was 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 head of 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 (Non-Executive Chairman)

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 (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 variously overseen the day to day operations, provided risk management advice and oversight, 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 (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.

Investment professionals and senior management

Aside from the Board members, the following senior employees are also responsible for applying the investment strategy and criteria of APQ Global.

Lennart Kaltenbach

Lennart co-founded APQ Partners LLP in February 2013 and is a senior member of APQ Global's management team. Previously he was an asset manager at GLG Partners, specialising in emerging market credit and currency markets. He joined GLG in December 2007 as a Risk Manager for the Emerging Market and Macro Fund range. He moved to the Emerging Markets desk as an Asset Manager in July 2011. Prior to joining GLG he was working for 15 months at Dresdner Kleinwort in several risk management roles. Lennart holds a BSc in Finance from Nuertingen-Geislingen University, Germany.

Maria O'Connor

Prior to the establishment of APQ Global, Maria co-founded APQ Partners LLP and served as Legal Counsel and Chief Compliance Officer. Previously Maria was in the legal department of GLG Partners LP from 2011 to 2013. Prior to GLG, she was a Director of Product Development at BlackRock from 2006 to 2010 where she was head of the team and managed all legal matters related to offshore funds. Maria also worked at Merrill Lynch from 2006-2007 as Legal Counsel for the MAP Platform. Maria started her career at Barclays Bank PLC in 2004-2006 where she was Legal Counsel to the Wealth Management Department. Maria was admitted as a Barrister and Solicitor of the New Zealand High Court in 2002, after receiving her LLB/Bcom from University of Otago in 2000.

Tal Sandhu

Prior to the establishment of APQ Global, Tal co-founded APQ Partners LLP in February 2013 and is a senior member of APQ Global's management team. Previously he was an Asset Manager at GLG Partners, specialising in Emerging Market Interest Rate and Currency Markets. He joined GLG in December 2008 from Morgan Stanley where he was an Executive Director and Head of Complex Products in Emerging Markets. Before joining Morgan Stanley, Tal was Co-Head of Equity Structured Product Trading at Banca Intesa in London. Prior to this, he traded Interest Rate Derivatives at Sanpaolo IMI Bank. Tal graduated with a MSc. Economics and Finance from the University of Warwick and a BSc (Hons) in Economics and Finance from Brunel University.

APQ International Advisory Council

APQ Global has established an International Advisory Council (IAC) which comprises experienced investment professionals who provide expert local advice and local knowledge in key markets. The members are remunerated by a mix of retainers and discretionary payments awarded for making positive contributions to APQ's global business strategy. APQ also anticipates that the council members will help to raise the market profile of the company. The half year update says that the IAC is already providing local insights across emerging markets which is helping to shape the global business strategy. In addition to Bart Turtelboom, the members of the members of the IAC are noted below:

Tania Rotherwick, Chair of the International Advisory Council

Tania spent 16 years in the financial markets, gaining experience as an equity derivative broker in London (Hoare Govett) and Paris (Meeschaert Rouselle, ODB), followed by 5 years with a Swedish derivative trading software firm (Orc Software), heading the UK office. Subsequently Tania moved to Oxfordshire and played an active role in running the family estate, focussing on the marketing and management of the commercial and residential property portfolio. Tania is Patron of ROSY (Respite Nursing for Oxfordshire's Sick Youngsters) and Vice President of SpecialEffect.

Wesley Davis (Russia, CIS, Nigeria)

Wesley Davis has over 20 years of experience in credit trading and private equity investing in emerging markets. He has held a wide range of positions at Chase/JPM, Deutsche Bank, Merrill Lynch, HSBC and Renaissance Capital with experience of Latin America, the Former Soviet Union, Eastern Europe and Africa. He will assist the Company with managing its exposure in Africa and the CIS.

Sait Erda (Central Europe, Middle East, Turkey)

Sait's investment experience encompasses research, advisory and principal investing in emerging markets with a focus on Central Europe, Turkey and the Middle East. Sait will assist the Company with managing its exposure in the Middle East with a focus on Turkey. Sait has over twenty years of experience in emerging markets corporate finance and equity research at large and established Turkish and global banks. He is currently Managing Partner and co-founder of NAR Partners, a specialized emerging markets advisory boutique.

Stefano Marani (Africa)

Over the past Stef has executed a large number of benchmarked structured finance transactions in Africa. Stefano started his career in the Debt Capital Markets team at Deutsche Bank in Johannesburg where he worked on structuring complex currency and interest rates transactions as well as lending transactions and worked on the first ever foreign issue bond in South Africa. In 2004, he joined Morgan Stanley's Global Capital Markets Division in London with responsibility for developing the Firm's South African fixed income capital markets business. He is currently a Partner at Kigeni Holdings where he is originating and structuring debt and equity transactions for African clients.

Mazen Nomura (CIS, Middle East)

Mazen Nomura,is a Jordanian-Japanese national with over 20 years of experience in global emerging markets. He has also been an active venture capital and angel investor in the Middle East. He was most recently Managing Director and Head of Global Markets in London at Sberbank CIB where he managed a trading desk in London and Moscow specialising in Russian and CEE hard and local currency bonds. Prior to Sberbank CIB, Mazen was a portfolio manager at GLG Partners responsible for its emerging markets credit book and Head of Emerging Credit Trading at Morgan Stanley.

Jared Carney (Global markets)

Jared has over 25 years' experience as an international expert in private investment. He is the Founder and CEO of Lightdale LLC, a global holding and strategic advisory firm which he founded in 2012. Previously, he was Chief Strategy and Marketing Officer at the Milken Institute for almost 10 years. Jared is currently on the board of directors of Brandenburg Realty, and is a Senior Advisor to RMR Industrials, Inc., Houlihan Lokey, and McKinley Capital.

Udayan Gupta (Global markets)

Udayan is an author of business and finance books and former Senior Special Writer for the Wall Street Journal and has spent over thirty years as a commentator on venture capital, entrepreneurship and private equity in the United States. He has been a consultant and advisor to major international private equity and equity funds; venture capital and absolute return managers, working with small and entrepreneurial businesses, business groups and organizations. Udayan is a graduate of Harvard College and a Walter Bagehot Fellow in Business and Economics Journalism at Columbia University, New York.

Yan Naung Lynn (Myanmar, Southeast Asia)

Yan is currently an Emerging Markets investments advisor for a Myanmar-Cambodia-Laos focused private equity firm, with a role originating and analysing investment opportunities across all sectors. Prior to this, Yan held positions evaluating and executing investments for Myanmar Investments Limited, a Myanmar-focused AIM listed investment holding Company, in addition to CitiGroup and BMO Capital Markets in New York. Yan holds a BA in Economics from Eckerd College, St. Petersberg, USA and a Masters in Finance from the London Business School.

Risks and management response

Aside from the recognised liquidity and investment risks of shares traded on AIM, we highlight some company specific risks together with management responses in the table below.

Risk

Risk	Risk/impact	Management action/comments
Emerging Markets risk	The economies of individual emerging countries may differ favourably or unfavourably from the economies of more developed or other emerging market countries. Government and political regimes, local laws and regulations, central bank policies, social and economic stability, protection of legal rights and the effectiveness of the legal and financial system differ materially across many emerging market countries.	The Company will endeavour to mitigate these risks through its investment strategy and internal corporate governance. The Company will also put in place policies in respect of fraud, bribery and corruption.
Currency risk	The Group's reporting currency is Sterling. Its activities in emerging markets give the Group exposure to a range of currencies whose fluctuations may affect the Group's earnings.	The Board may engage in currency hedging in seeking to mitigate foreign exchange risk.
Failure to execute growth strategy	The risk that anticipated growth is not achieved through lack of delivery of organic and/or acquisitive means.	The Board has a clear strategy for growth which is driven and executed by the management team and which is reviewed with reference to specific KPIs.
The Company has no operating history	The Company is recently incorporated no meaningful historical operating or financial data.	The Group has experienced employees who have successful track records in the field of operation of the Company.
Concentration risks	There are no limits on the Group's level of activities within any particular country, region or sector and no limits on the level of exposure to individual companies or assets. This may lead to greater volatility of earnings to the Group.	This risk is mitigated by the control and oversight of the Board and of the Risk Committee.
Valuation risk	Certain assets may be difficult to value, or may be attributed a zero value where the Directors, at their absolute discretion, believe that such valuation would be appropriate and in the absence of any reliable market valuation.	The Directors will use prudent and conservative valuation methodologies.
Derivatives risk	The Group may utilise both exchange-traded and OTC derivatives for risk management and hedging purposes. They can be highly volatile and expose investors to a high risk of loss.	This risk is mitigated by the control and oversight of the Board and of the Risk Committee.
Interest rate risk	Any borrowings may expose the Company to interest rate risk due to fluctuations in the prevailing market rates. Interest rate movements may affect the level of income receivable and the interest payable on the Group's variable rate borrowings.	APQ's convertible unsecured loan stock has a fixed coupon of 3.5%.
Key person risk	If the services of key personnel, in particular Bart Turtelboom and other members of senior management, are not retained, the Group's future success would depend on the continued service of the remaining individuals and their ability to recruit, retain and motivate new employees.	The Company works hard to recruit, retain and motivate existing and new talented personnel.
Cyber attack risk	The Company is subject to Cyber Risk in the form of both failure of systems and the risk of malignant action against APQ.	The Company conducts ongoing cyber risk training
Taxation status risk	Any change in the Company's tax position or status or in tax legislation (including tax rates), or in the interpretation of tax legislation by tax authorities or courts could adversely affect the value of assets held by the Group and may have a material adverse effect on the Company's performance.	The Company constantly monitors its taxation position and status for all its operations.
Law, regulation and taxation jurisdiction risk	The jurisdictions in which the Group may operate may impose new legal, regulatory or taxation requirements which could materially affect the after-tax profits of the Group.	Although the Company intends to take reasonable steps to minimise such risks, this may not be possible in all cases.
FATCA (Fair and Accurate Credit Transactions Act)	FATCA is US legislation aimed at reducing tax evasion by US citizens which requires financial institutions outside the US to pass information about their US customers to the US tax authorities. A 30% withholding tax is imposed on the US source income of any financial institution that fails to comply with this requirement. The Company is a financial institution for these purposes.	As FATCA is a particularly complex area, each Shareholder should consult their own tax advisors to understand how the legislation may affect their own circumstances. The Company will seek to satisfy its obligations under the relevant intergovernmental agreement there can be no assurance that the Company or other entities within the Group will be able to satisfy such obligations.

Source: APQ Global, Progressive Equity Research

Financial summary (Please note cautionary comments on estimates on pages 1 and 15)

PROFIT & LOSS	FY-16A	FY-17E	FY-18E	FY-19E
Revenue	**0.0**	**5.9**	**7.4**	**7.7**
Adj EBITDA	(0.4)	5.0	6.3	6.6
Adj EBIT	**(0.4)**	**5.0**	**6.3**	**6.6**
Reported PBT	0.6	7.9	9.6	10.0
Fully adj PBT	**(0.4)**	**5.0**	**5.7**	**6.0**
NOPAT	(0.4)	5.0	6.3	6.6
Reported EPS (p)	0.7	10.2	12.3	12.9
Fully adj EPS (p)	**(0.5)**	**6.4**	**7.4**	**7.7**
Dividend per share (p)	0.0	6.0	7.3	7.6

CASH FLOW & BALANCE SHEET	FY-16A	FY-17E	FY-18E	FY-19E
Operating cash flow	(0.3)	5.2	6.4	6.6
Free Cash flow (£m)	(0.3)	5.1	5.8	6.0
FCF per share (p)	(0.4)	6.6	7.5	7.7
Acquisitions	(58.5)	0.0	0.0	0.0
Disposals	0.0	0.0	0.0	0.0
Shares issued	59.7	0.0	0.0	0.0
Net cash flow	**0.9**	**1.6**	**0.4**	**0.1**
Overdrafts / borrowings	0.0	(19.5)	(19.5)	(19.5)
Cash & equivalents	0.9	2.5	2.9	3.0
Net (Debt)/Cash	**0.9**	**(17.0)**	**(16.6)**	**(16.5)**

NAV AND RETURNS	FY-16A	FY-17E	FY-18E	FY-19E
Net asset value	77.4	81.8	86.0	90.1
NAV/share (p)	**99.2**	**104.8**	**110.1**	**115.4**
Net Tangible Asset Value	77.4	81.8	86.0	90.1
NTAV/share (p)	**99.2**	**104.8**	**110.1**	**115.4**
Average equity	38.7	79.6	83.9	88.0
Post-tax ROE (%)	**1.4%**	**10.0%**	**11.5%**	**11.4%**

METRICS	FY-16A	FY-17E	FY-18E	FY-19E
Revenue growth	*n.a*	*n.a*	*26.6%*	*4.1%*
Adj EBITDA growth	*n.a.*	*n.a.*	*26.6%*	*4.1%*
Adj EBIT growth	*n.a.*	*n.a.*	*26.6%*	*4.1%*
Adj PBT growth	*n.a.*	*n.a.*	*15.5%*	*4.6%*
Adj EPS growth	*n.a.*	*n.a.*	*15.5%*	*4.6%*
Dividend growth	*n.a.*	*n.a.*	*22.3%*	*4.1%*
Adj EBIT margins	*n.a.*	*85.0%*	*85.0%*	*85.0%*

VALUATION	FY-16A	FY-17E	FY-18E	FY-19E
EV/Sales	n.a.	16.6	13.1	12.6
EV/EBITDA	(236.0)	19.5	15.4	14.8
EV/NOPAT	(236.0)	19.5	15.4	14.8
PER	n.a.	16.2	14.0	13.4
Dividend yield	0.0%	5.8%	7.1%	7.4%
FCF yield	-0.4%	6.4%	7.2%	7.5%

Source: APQ Global, Progressive Equity Research estimates

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