

APQ Global

Building an emerging markets business

Initiation of coverage

Financial services

7 August 2017

Price 103p
Market cap £80m

Company net cash (£m) as at 31 December 2016. (Excludes cash held for working capital within unconsolidated APQ Cayman subsidiary). 0.9

Shares in issue 78.055m

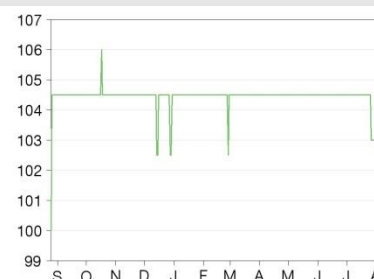
Free float 7.8%

Code APQ

Primary exchange TISE

Secondary exchange LSE AIM

Share price performance



% 1m 3m 12m

Abs (1.4) (1.4) N/A

Rel (local) (3.7) (4.6) N/A

52-week high/low 106p 100p

Business description

APQ Global is an emerging markets investment company with a focus on Asia, Latin America, emerging Europe, the Middle East, and Africa. It aims to deliver a sustainable and growing dividend as well as capital growth for shareholders by focusing on investment opportunities with the potential to generate significant income and long-term growth.

Next events

Quarterly dividend payment 18 August 2017

Quarterly update Mid-October 2017

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APQ Global is a research client of Edison Investment Research Limited

Since listing in August 2016 with the issue of £78m in equity, APQ Global has moved quickly but cautiously to deploy the funds. It has initially assembled a highly diversified liquid markets portfolio of predominantly bonds and equities in global emerging markets, including a number of strategic positions, while working on the sourcing of direct investments. APQ is managed by an experienced and incentivised team aiming to deliver a sustainable, progressive dividend with the potential for capital growth from investments in emerging markets.

Year end	EPS (p)	NAV/share** (p)	DPS*** (p)	P/E (x)	P/NAV (x)	Yield (%)
12/16*	0.71	99.2	0.5	N/A	1.04	0.5
12/17e	N/A	97.8	6.0	N/A	1.05	5.8

Note: *Period commencing at inception on 11 August 2016 until 31 December 2016. **12/17e NAV is last reported as at 30 June 2017. ***Management target dividend for current year.

Targeting income and long-term growth

APQ is a listed company with the stated objective of building a growing business in emerging markets globally as well as earning revenue from direct investments in income generating operating activities. Against the backdrop of secular growth opportunities in emerging markets, the company's goal is to steadily grow earnings and deliver a sustainable and growing dividend to shareholders with added potential for capital growth. APQ has initially assembled a highly diversified, liquid, tradeable portfolio of positions in a range of listed emerging markets bonds, equities, and currencies. Management indicates that the economic income potential of this portfolio leaves the targeted 6% return on the 100p issue price in respect of FY17 well covered (3p per share paid/declared in H117).

Driven by an experienced team

In these early days for the company there is little financial data upon which investors can assess APQ and its strategy. It is therefore noteworthy that CEO, Bart Turtelboom, invested c £22m at the IPO and is a c 28% shareholder in APQ, strongly aligning his interests with those of shareholders. With almost 20 years' experience of investing in global emerging markets, he leads a management team with deep local emerging markets expertise. Unlike most emerging markets funds, APQ is targeting absolute returns and growth rather than performance relative to any specific asset class or index. Plans for direct investment with management control are a clear differentiator.

Valuation: Attractive targeted dividend yield

APQ is targeting a 6.0% yield on the 100p issue price in respect of the current financial year. H1 dividends declared/paid amount to 3.0p and management says it is on track to meet the full year target based on its projections for economic income. As a less than perfect comparator, we note that the implied 5.8% yield on the current share price is noticeably ahead of the average yield on global emerging markets closed end funds (c 1.4%), providing support for the current c 7% premium to NAV (see page 10 for details).

Company description: Targeting emerging markets income

APQ Global (“APQ”) is an emerging markets company with a focus on Asia, Latin America, emerging Europe, the Middle East, and Africa. It aims to deliver a sustainable and growing dividend as well as capital growth for shareholders by focusing on investment opportunities with the potential to generate significant income and long-term growth.

It is a relatively new company, listing on The International Stock Exchange (TISE) in Guernsey in August 2016 and raising c £78m in new capital, and it was admitted to trading on the London Stock Exchange AIM Market two weeks later.

Although it is a new company, the management team behind APQ, led by CEO Bart Turtelboom, is highly experienced in emerging markets and has worked together for a number of years, first at GLG and then as co-founders of APQ Partners LLP. Bart Turtelboom invested c £22m at the IPO and is a c 28% shareholder in APQ, strongly aligning his interests with those of shareholders

APQ Partners LLP was manager of the APQ Alexandria Fund from 2013. APQ Alexandria was a Cayman Islands registered fund investing in a wide range of assets across global emerging markets. At listing, c £17m of the £78m raised was used to acquire APQ Alexandria, effectively at net asset value. APQ Alexandria has become the 100%-owned subsidiary, APQ Cayman Limited, through which all of the investment activity since listing has been undertaken. On completion of regulatory approvals, APQ Partners LLP was acquired by APQ in January 2017, making APQ fully self-managed. The management team is supported by the International Advisory Council, an advisory body comprising a geographically spread group of emerging markets specialists who are tasked with providing valuable insights and market intelligence from around the world.

Building an emerging markets business

APQ’s stated objective is to steadily grow its earnings, seeking to deliver attractive returns and capital growth through a combination of building growing businesses in emerging markets globally (in Asia, Latin America, Eastern Europe, the Middle East, and Africa) as well as earning revenue from income generating operating activities. The company’s strategy is to:

- Extend credit 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 bonds or loans will vary but are typically expected to range from six months to five years; and
- Take operational control of businesses through the acquisition of minority and majority stakes in public and private companies in emerging markets.

Activity since launch provides an indication of how the company intends to implement the strategy in practice. It has assembled what it terms its **liquid markets portfolio**. As discussed in detail in the following section of this report, this is a highly diversified portfolio of tradable listed emerging markets bonds, equities, and currencies. Although liquid and diversified to provide protection against emerging markets volatility, the intention is to target low turnover; the majority of credit positions are expected to be held for at least a year although higher historical volatility suggests that the holding period for equities is likely to be lower. A number of the positions within the liquid portfolio are considered strategic (the “**strategic investment portfolio**”) in the sense that APQ management has identified a particularly compelling multi-year investment case. Its intention is to act as a longer-term constructive shareholder or lender.

Since launch, APQ has continued to evaluate various opportunities for **direct investment** and is in various stages of due diligence. Management plans selective investment in emerging markets companies at a level that will enable it to exercise control and access sustainable cash distributions with long-term growth potential.

APQ's investments to date have been made via its wholly owned subsidiary APQ Cayman Limited (the renamed APQ Alexandria), with the benefit that all necessary trading lines with counter-parties were already established and available from day one. Although APQ Cayman is 100% owned it is treated as an "investment entity" under IFRS 10 and is accounted for as an investment held at fair value with gains and losses taken as a single line entry through the group P&L. Going forward, we would expect direct investments in particular to be carried directly on the company balance sheet with the potential to enhance reported cash flows over the longer term.

APQ's articles allow for the use of borrowings to support the company's business activities, and while there is no prescribed limit on this authority, management indicates that it will adopt a prudent approach. It was announced in June that a further capital raise is being explored with the aim of increasing the size of the company, which should have a positive impact on the cost:income ratio. The board considers that an attractive way to achieve this would be through the potential issue of a convertible debt instrument (convertible unsecured loan stock or "CULS") and believes that there may be interest from potential investors in an issue of CULS of between £20m and £25m (c 26-32% of end-2016 net assets). Eventual conversion should have a positive impact on the liquidity of APQ's ordinary shares. Additional details are to be announced in due course should the company decide to proceed with the issue.

APQ is initially targeting a dividend yield of 6.0% in relation to the issue price of 100p in respect of its first full year of trading in 2017. A dividend of 0.5p per share was paid in February 2017 in respect of the short 2016 financial year and a first quarterly dividend of 1.5p per share in respect of the current 2017 financial year was paid in May. A second quarterly dividend of 1.5p per share has just been announced for payment in August. Management indicates that the company is currently on track to meet the target dividend for the year.

Overview of current activity

As discussed below in the Financials section of this report, the proceeds of the IPO were overwhelmingly invested in the wholly owned APQ Cayman subsidiary and by the end of 2016 were fully deployed (other than cash retained for collateral and working capital purposes) by APQ Cayman in a portfolio of liquid investments (described below).

As at 30 June 2017, the liquid investment portfolio represents c 90% of book value with cash at 10% of book value. Within the liquid portfolio, the investments identified as strategic represent c 12% of book value. In Exhibit 1 we show the breakdown of the portfolio asset class exposures as percentage of book value. Credit (hard currency denominated corporate credit) and (hard currency denominated) government bonds represent the largest exposure at 55.0% of book value with local currency denominated sovereign debt ("EM local markets") adding a further 13.5% of debt related exposure, while equity exposure represented 22.6% of book value. These positions sum to 101.1% of book value indicating a small amount of investment gearing. Currency exposures beyond those from the equity portfolio (see below) were not significant; long positions in the Turkish lira and South African rand stood at 6.5% and 5.5% of book value, respectively.

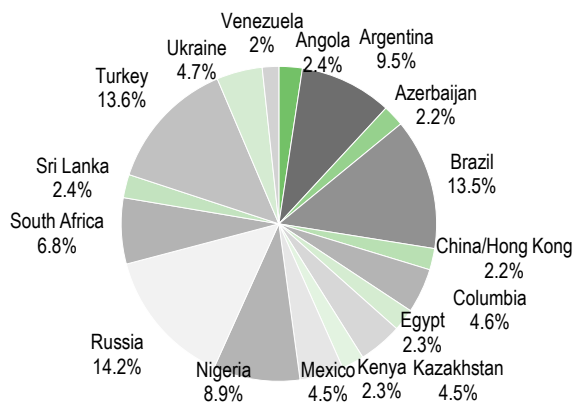
Exhibit 1: Portfolio breakdown as % book value as at 30 June 2017

Credit & government bonds	55.0%
EM local markets	13.5%
Equities	22.6%
Cash	10.0%
Total	101.1%

Source: APQ

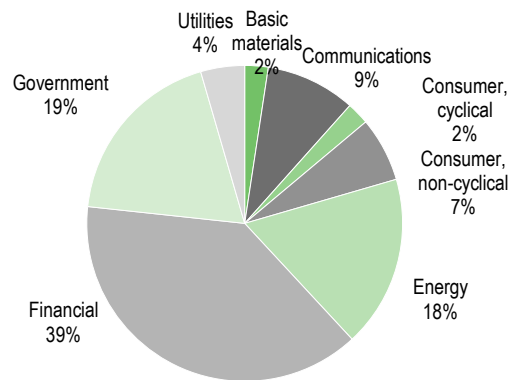
The credit exposure is highly diversified by borrower, geography, and sector, with the intention of smoothing out volatility and providing stable income. The largest single exposure is to VTB Bank (a leading Russian universal bank) at 1.1% of book value. The country and sector credit exposures are shown in Exhibits 2 and 3 below.

Exhibit 2: Credit exposure by country as at 30 June 2017



Source: APQ

Exhibit 3: Credit exposure by sector as at 30 June 2017



Source: APQ

Geographically, the largest exposures are in Russia (14.2%) and Brazil (13.6%), and sector-wise, credit exposure is concentrated in government entities, banks and corporations in the energy and materials sectors.

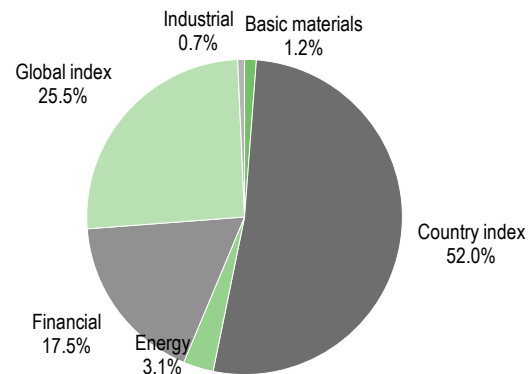
In Exhibit 4 we show the top 10 equity holdings. The list includes “strategic” holdings in City of London Group and Anglo Pacific (see below).

Exhibit 4: Top 10 equity exposures as at 30 June 2017

Exposure as % of book value	
MSCI EM Index	5.1%
Russian Depository Index USD	4.6%
City of London Investment Group plc	3.5%
Anglo Pacific Group plc	0.9%
Gazprom PJSC	0.6%
Anglo American plc	0.4%
Cemex SAB de CV	0.1%
Petroleo Brasileiro SA	0.1%
Vale SA	-0.4%
Rio Tinto plc	-0.6%
Total top 10	14.3%
Other	8.3%
Total equity exposure	22.6%

Source: APQ

Exhibit 5: Equity exposures by sector as at 30 June 2017 (% of book value)



Source: APQ

Leaving aside these strategic holdings, the largest EM equity positions remain concentrated in Russia, reflecting management’s positive view on commodities/oil prices and the potential for Russian-US political relations to improve to the benefit of Russian trade. From a sector perspective and taking into account the index exposures in Russia, India, and global EM, the main equity exposures are to industrials and financials.

Stress-testing the portfolio

Although APQ moved quickly to deploy the IPO proceeds after launch, sensitivity data produced by management indicate that it did so in a way that kept the overall market risk exposure low and this has been maintained. Although management is very optimistic about the medium-term prospects for emerging markets, it is wary of the potential for global political uncertainties and the tightening in US interest rates to create near-term volatility and more attractive investment opportunities.

APQ's cautious near-term stance can perhaps best be highlighted by reference to the results of management's stress testing analysis, which suggest an overall low sensitivity of book value to market moves. The stress test, conducted internally and unaudited, takes into account the portfolio positioning as at 30 June 2017 as well as historical correlations between asset classes. The analysis indicates that if the S&P 500 equity index were to decline by 10%, the impact on book value would actually be positive (+0.28%). The main reasons for this positive outcome is hedges that APQ has in place against a fall in the S&P500. Exhibit 6 also shows the outcomes predicted by the stress test for an increase of 10% in the level of credit spreads (over LIBOR) and an overall increase in yields of 1%. The predicted impact of the latter on book value is also positive (+2.58%) due to a short position in

Exhibit 6: Management stress test results	
Scenario	Predicted change in book value
Equity stress test (S&P 500 -10%)	0.28%
Credit stress test (credit spreads +10%)	-0.62%
Interest rate stress test (yields + 1%)	2.58%
Source: APQ	

Strategic positions

Equity and credit exposures amounting to 12.0% of book value have been identified by management as strategic. As referred to above, these strategic holdings include City of London Group (CLIG, 3.5% of book value) and a small stake that APQ has begun to build in Anglo Pacific (APF, 0.9% of book value). APQ is attracted by CLIG's traditional expertise in EM closed-end funds and attractive dividend yield (c 6%) and considers the business to be prudently managed. APF is a natural resources royalties group based and listed in London and APQ participated in a rights issue to fund a new royalty agreement with a Canadian mining company. APQ also holds positions, 3.3% of book value and 4.2% of book value, respectively, in two publicly traded emerging debt funds (EMD US and EDD US). Both funds have dividend yields of more than 8% and trade at a discount to NAV. As listed funds (albeit credit funds) these holdings are also included within the 22.6% equity exposure referred to above. Given that the underlying exposures of these "equity" vehicles is credit we have followed APQ's convention of not including them with the top 10 equity holdings above.

Management and governance

Management team

The APQ management team brings considerable emerging markets experience and have worked together for a number of years. They all joined the company through the acquisition of APQ Partners LLP, of which they were all co-founders in 2013, and which was acquired by APQ Global in January 2017. Before jointly founding APQ Partners LLP, they worked together at GLG. The key members of the team are:

- **Bart Turtelboom (CEO).** Bart was chief investment officer of APQ Partners LLP and was previously co-head of the emerging markets business at GLG and co-portfolio manager of the GLG emerging markets funds. Prior to that, he was 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. Before 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 began his career as an economist for the International Monetary Fund in Washington DC from 1994 until 1997.
- **Lennart Kaltenbach.** Lennart was a senior portfolio manager at APQ Partners LLP and was previously 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, becoming an emerging markets asset manager in July 2011. Prior to joining GLG he worked at Dresdner Kleinwort in several risk management roles.
- **Maria O'Connor.** Maria served as legal counsel and chief compliance officer for APQ Partners LLP and was previously in the legal department of GLG Partners LP from 2011 to 2013. Before joining 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 2006-07 as legal counsel for the MAP Platform. Maria started her career at Barclays Bank PLC in 2004-06 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.
- **Tal Sandhu.** Tal served as a senior portfolio manager at APQ Partners LLP and was previously 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.

Global International Advisory Council

In February 2017, APQ launched its International Advisory Council, comprising a geographically spread group of emerging markets specialists. The purpose of this advisory body is to assist the management of APQ by providing valuable insights and market intelligence from around the world. 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 creation of the council and the deep industry contacts that its members bring will help to raise the market profile of the company. In addition to Bart Turtelboom, the initial members of the APQ International Advisory Council, announced in February, were:

- **Tania Rotherwick – Chair.** Tania has 16 years of experience in financial markets gained as an equity derivative broker (in London with Hoare Govett and in Paris with Meeschaert Rouselle, and ODB), followed by five years with a Swedish derivative trading software firm (Orc

Software), where she headed its UK operations. Most recently, Tania has played an active role in running the family estate in Oxfordshire, which includes focusing on the marketing and management of the commercial and residential property portfolio.

- **Wesley Davis (Russia, CIS, Nigeria).** Wesley has over two decades' 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, and has covered some of the largest hedge funds and institutional investors in emerging markets.
- **Sait Erda (Central Europe, Turkey, Middle East).** Sait's investment 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.
- **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 as well as 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.
- **Mazen Nomura (CIS, Middle East).** Mazen is a Jordanian-Japanese national with 20 years of experience in global emerging markets including as an active venture capital and angel investor in the Middle East. Mazen will assist the company in his advisory capacity with managing its exposure in the CIS and the Middle East. He was most recently managing director and head of global markets at Sberbank CIB, where he managed a 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.

In July 2017, two further appointments were announced as follows:

- **Jared Carney (Global markets).** Jared brings more than 25 years' experience as an international expert in private investment. He was chief strategy and marketing officer at the financial think-tank, and spent nearly 10 years at the Milken Institute, before founding Lightdale LLC, a global holding and strategic advisory firm in 2012 where he is CEO. He is also 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 a former senior special writer for the Wall Street Journal and author of numerous business books. He works with small and entrepreneurial businesses and business groups and organisations to help them better understand their financial information needs and develop financial and investor profiles. He is a graduate of Harvard College and a Walter Bagehot Fellow in Business and Economics Journalism at Columbia University, New York.

APQ indicates that the IAC is already assisting the management team with the provision of local insights across emerging markets, and is helping to shape the global business strategy.

The board and governance

The company's board of directors consists of four members, two of whom are executive directors (the CEO and CFO) and two of whom are non-executive. Biographies are provided on page 13.

The board is responsible for setting corporate strategy and oversees the implementation of that strategy, while the day to day running of the company's business is carried out by a management team.

We note that as a Guernsey incorporated company there are some differences in terms of the rights of shareholders compared with shareholders in a UK incorporated company. There is no applicable regime of corporate governance to which the directors must adhere over and above the general fiduciary duties and duties of care, diligence and skill imposed on such directors under Guernsey law. However, recognising the importance of sound corporate governance the board intends to ensure that the company complies with the UK Code on Corporate Governance to the extent appropriate and taking into account its size and the nature of its business. We note that the company has adopted a share dealing code (as required by the AIM Rules) and 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. The company is subject to the UK City Code on Takeovers and Mergers.

Financials

As a newly incorporated entity, there is limited financial and operating data upon which to comment at this stage. APQ began trading on 11 August 2016 and recently published annual results for the short year to 31 December 2016 and summarised in Exhibit 7. We have not attempted to forecast the future development of the business at this stage and our forecasts shown on page one reflect only management's target for the full year dividend.

The company was formed by the issue of 78.055m shares at £1 per share, raising initial equity of £76.8m net of equity issuance costs. Of the shares issued, 17.1m (valued at £17.1m) were issued to APQ Alexandria in return for the transfer of its net assets to APQ. The other 60.9m shares were issued for cash to new investors in APQ and the £59.7m proceeds (net of costs) were substantially deployed (£58.5m) in portfolio investment through the wholly owned subsidiary APQ Cayman Limited (the renamed APQ Alexandria), other than a small cash balance to cover group level expenses. The fair value gain reported in respect of APQ Cayman during the reporting period was £966k or 1.28% of the initial investment (an annualised 3.28%).

The company expenses reported during the period are equivalent to c 1.4% of average net assets. From our discussion with management we believe that there were potentially distortions created by the shortened reporting period, company formation and IPO-related costs, and subsequent corporate activity and that the rate may fall slightly moving forwards based on a similar level of net assets. If APQ decides to proceed with a convertible bond issue, this should have no impact on the cost/net asset ratio (convertible treated as debt), but it should benefit both the cost/asset ratio and the cost/income ratio.

After expenses, APQ reported PBT of £553k and with no Guernsey tax liability in respect of income and gains, a similar amount of net income. No dividend was paid during the year but as we note above, a 0.5p per share dividend was declared in January 2017 in respect of the short 2016 year and paid in February.

Exhibit 7: Summary of 2016 (part-year) financials	
£000s unless otherwise stated	11 August – 31 December 2016
INCOME STATEMENT	
Net gains on investment	965.5
Expenses	(412.5)
Profit before tax	552.9
Tax	0.0
Net attributable profit	552.9
Closing shares in issue	78.1
Average shares in issue	78.1
EPS (p)	0.71
DPS (p) – paid basis	0
BALANCE SHEET	
Investments at fair value through p&l	76,595.7
Cash & equivalents	913.5
Total assets	77,509.2
Payables	(116.6)
Net assets	77,392.6
NAV per share (p)	99.2
CASH FLOW	
PBT	552.9
Adjust for:	
Net gain on investments	(965.5)
Increase in creditors	116.6
Cash flow from operating activity	(295.9)
Acquisition of investments	(58,500.0)
Cash flow from investing activity	(58,500.0)
Proceeds from initial share issue	60,924.8
Cost of equity issuance	(1,215.4)
Net cash flow from financing activity	59,709.4
Net change in cash	913.5
Opening cash	0.0
Closing cash	913.5
Source: APQ	

EPS of 0.71p benefited the opening NAV per share of 100p, but after share issuance costs of £1.2m or 1.56p per share the year end closing NAV per share was 99.15p.

Performance and valuation

The targeted dividend yield in respect of the current year of 6.0% on the 100p issue price, if achieved, would put APQ on a prospective 5.7% dividend yield based on the current 103p share price. Management has indicated that the company is currently comfortably on track to meet the target, with dividends well covered by its estimate of economic income. Economic income is a forward-looking measure with income expectations based on current bond and equity yields as well as more complex measures such as the notional yield embedded within FX forward contracts and hedges. APQ indicates that equity positions account for c 2.3p of dividend funding, credit positions 2.1p, and currency exposure 1.7p, with the remainder, including sufficient income to cover admin expenses, coming from the strategic and government bond portfolios. The equity contribution is high relative to the current 22.6% (of book value) equity exposure and benefits from a number of high yielding positions as well as income from option writing.

The most recent NAV per share of 97.82p (cum-dividend) as at the end of June 2017 puts the company on a P/NAV of 1.07x.

At this stage in the company's development, we believe that investors are likely to draw comparison with emerging markets in general and the emerging markets fund sector, focusing on book value performance and yield. Using Morningstar data for a grouping of more than 20 EM closed-end

funds in the global categories of EM equity and EM fixed income, the average price discount to NAV is c 9.0% with an average yield of 1.4%. However, we note that APQ's strategy positions it quite differently to both the index and the EM fund sector; in particular we would note:

- APQ's focus on targeting an attractive and growing income stream from investment in emerging market businesses with no consideration given to emerging markets indices.
- APQ's unconstrained investment flexibility across asset classes, long and short, with only prudential limits on gearing. In particular we note APQ's ability to undertake direct lending.
- APQ's intention to make direct investments, potentially consolidating these into the group financial statements.

For these reasons, we would caution against judging APQ's success by comparison with any particular EM index or the EM fund sector, particularly over shorter time periods.

Going forward, as APQ's plans to selectively acquire management control in emerging markets focused companies begin to take shape, there is likely to be increasing focus on a broader range of operating metrics and particularly the potential for these investments to enhance group cash generation. Over time, as APQ's track record builds it will become possible for investors to assess the success of the corporate strategy in terms of delivering good levels of (emerging market) growth in book value, while mitigating the traditional emerging markets volatility, and delivering an attractive and progressive stream of dividend income.

For now, in Exhibit 8 we show the monthly NAV (total return) performance from inception up to and including June 2017. The monthly returns are stated after adding back dividends paid.

Exhibit 8: Monthly change in APQ NAV per share (adding back dividends)													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Ytd
2016									1.46%	-0.43%	-1.22%	-0.59%	-0.80%
2017	-1.25%	0.24%	-0.48%	-2.12%	3.15%	1.17%							0.63%

Source: APQ, Edison Investment Research

In part reflecting the cautious approach taken by management, we estimate that 2017 year to date NAV total return performance is 0.63% (-1.48% in Q1 and +2.14% in H2). By way of comparison, in Exhibit 9 we show the H117 performance calculated in sterling for a range of global equity indices and iShares EM bond ETFs.

Exhibit 9: Comparator bond and equity performance in 6 months to 30 June 2017	
iShares Emerging Markets Corporate Bond ETF	-2.66%
iShares US\$ Emerging Markets Bond ETF	-1.53%
iShares Local Currency Emerging Markets Bond ETF	3.16%
MSCI EM Index (total return)	12.82%
MSCI World Index (total return)	5.61%
FTSE All Share Index (total return)	5.50%

Source: Bloomberg. All Sterling equivalents

APQ has provided a breakdown of its performance by asset class, as shown in Exhibit 10, which shows a broad spread across the whole range of assets. The FX contribution was positive in Q2 but remains negative year to date. In Q1, the implied negative FX contribution reflects the weakness of emerging markets currencies in respect of exposures embedded within underlying assets exposures as well as well as well as stand-alone currency forward positions.

Exhibit 10: H117 APQ sources of performance by asset class		
	Q217	H117
Credit	14%	54.0%
Equity	40%	23.0%
FX	18%	-35.0%
Rates	28%	58.0%
Total	100%	100%

Source: APQ

The APQ Alexandria Fund

To provide more context to the longer-term track record of the APQ management team, we show the historical (monthly) performance for the old APQ Alexandria Fund in Exhibit 11. Similar to APQ, the fund invested in a broad range of stocks, bonds, foreign exchange, commodities, and derivatives across Asia, Latin America, Eastern Europe, the Middle East, Africa, and the developed markets.

Exhibit 11: Historical performance of 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%						32.07%

Source: APQ

APQ Alexandria outperformed the MSCI EM Index (total return) in two of the four years (2013 and 2016) and underperformed in two (in 2014 and slightly in 2015), but outperformed the MSCI EM Index overall with a cumulative total return of 11.8% compared with 8.4%.

Although less directly comparable with the strategy targeted by APQ, performance data relating to GLG funds previously managed by the APQ management team are also available on the company's website and are contained within its "2017 Outlook" document (page 31), which can be found at <http://apqglobal.com/outlook-2017/>.

Sensitivities

APQ is a newly formed company, with no historical trading record in its current form, and at an early stage of implementing its strategy. While the total return performance record generated by the same management team in respect of the APQ Alexandria Fund and earlier funds provides an indication of their experience and ability, it gives no guide as to future performance or future market conditions. In particular, the company's performance is subject to volatile markets in equities, bonds, currencies, interest rates, and derivatives. Emerging markets have traditionally shown greater volatility than developed markets and the valuation of the group's investment assets, which will determine the group's book value development, is largely out of the control of management. Management seeks to control this risk primarily through its positioning across a range of asset classes and the diversification of its holdings. We note that there is less volatility to expected income returns, at least over short time periods, and APQ's focus on generating a high proportion of the company's total returns through income may also mitigate the inherent volatility in markets. Management's plans to selectively invest directly in EM businesses, targeting sustainable cash generation and long-term growth, also has the potential to protect income and dividends from market volatility.

For a full disclosure of the main risks and uncertainties relating to APQ, we refer the reader to the relevant sections of the 2016 Annual Report on the company's website www.apqglobal.com.

Contact details	Revenue by geography
1st Floor, Tudor House Le Bordage St Peter Port Guernsey GY1 1DO Channel islands www.apqglobal.com	N/A

The Board

Chief Executive Officer: Bart Turtelboom
Prior to co-founding APQ Partners LLP where he was chief investment officer, 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 began his career as an economist for the International Monetary Fund in Washington DC from 1994 until 1997.

Non-Executive Chairman: Wayne Bulpitt
Wayne 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.
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 unlisted), overseeing a diverse range of investment activities.

Executive Director and Finance Director: Richard Bray
Richard 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. He 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.

Independent Non-Executive Director: Philip Soulsby
Philip 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.

Principal shareholders	(%)
Bart Turtelboom	28.2%
Vega Absolute Return Fund	28.2%
Old Mutual	23.1%
Merseyside Pension Fund	12.8%
TC Asset Management	3.5%

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