

ROMANIA | Private Equity Funds | FP/ LI | Market Cap USD2.1billion |
10 December 2015

BUY

Target price USD11.24
Publication price USD9.95

Fondul Proprietatea – Initiation

The biggest CEF you've never heard of



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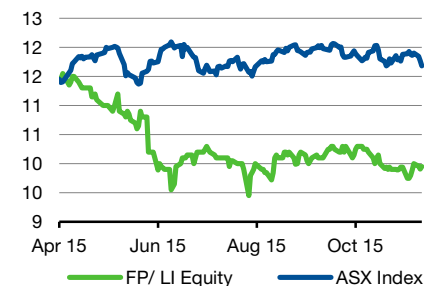
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Fondul Proprietatea is one of the largest funds listed in the LSE (via GDRs) with a NAV of \$3 billion. Franklin Templeton has managed the Romanian closed-end fund (CEF) since September 2010 delivering distributions of €1.44 billion (40% of Dec 2010 NAV). The portfolio includes holdings in 49 companies operating in a high-growth environment. Our estimated total shareholder return for 2016 is 13% and for 2017 it is 20% with a yield of 6%. **BUY**

Next events

November NAV	15/12/2015
December NAV	15/01/2016

Stock performance



Summary financials & valuation (m)

December year-end

	2014A	2015E	2016E	2017E
Market Cap (USD) - GDRs	-	2,100	2,100	2,100

Valuation	2014A	2015E	2016E	2017E
Prem / Disc (%)	-26%	-30%	-26%	-21%
Div Yield (%)	6.5%	6.2%	6.0%	6.0%
Tender Yield (%)	8.2%	0.0%	5.2%	5.1%
Total Shareholder Yield (%)	15.1%	-1.9%	13.0%	20.1%
Share Buybacks	4.1%	4.7%	2.4%	2.5%
Yield (%)				

Financials	2014A	2015E	2016E	2017E
NAV (USD)	3,351	3,007	2,839	2,665
NAV-per-share (USD)	0.307	0.287	0.292	0.297

Source: Liberum, Bloomberg

Cash & Capital

p13 »

USD 2.1bn mkt cap fund, managed by Franklin Templeton, in a high growth environment with potential for significant shareholder returns, through dividends and buybacks.

Catalysts

p12 »

Strategy to tighten the discount by privatising Hidroelectrica and disposing of unlisted energy and gas distribution companies, accounting for 48% of the total NAV.

GDP Growth in EU

p42 »

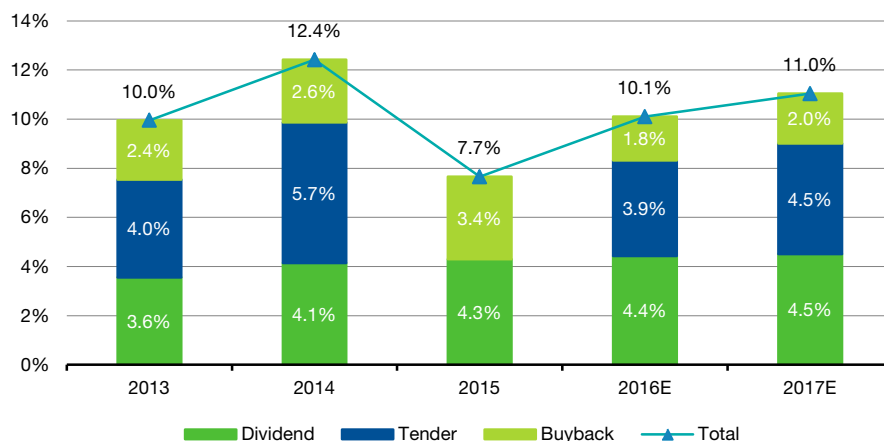
Romania is a country member of the EU, scheduled to join the Eurozone in 2019. The projected GDP growth for 2015 and beyond is one of the highest in the group, around 3.5%.

Total Return

p40 »

We are estimating a total shareholder return of 13% in 2016 and 20% in 2017, including a dividend yield of 6%, each year.

Annual Distributions as % of the NAV



Source: Liberum, Fondul Proprietatea

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Company dashboard

What it does



Fondul Proprietatea is a Romanian closed-end investment company, managed by Franklin Templeton Investment Management since September 2010. It is the fifth largest fund in the LSE in terms of total NAV as at 30 September 2015. The underlying portfolio includes listed and private companies operating in oil and gas, energy production and distribution, banking, transportation and other sectors.

Bull case



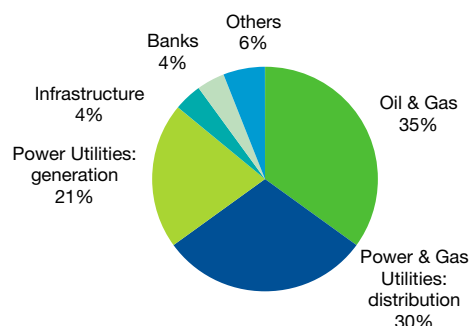
- Attractive dividend yield
- Material total shareholder return potential
- Experienced management team
- Operating in high growth environment
- Opportunities for NAV growth
- Diversified portfolio
- Strong balance sheet

Bear case

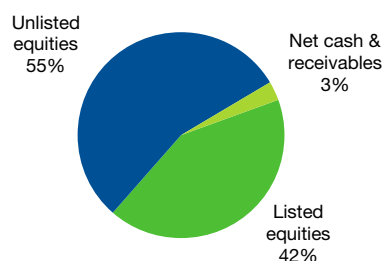


- Global economic slowdown
- Slower GDP growth in Romania
- Economic and market regulation delays
- Significant oil price decrease
- Weak energy prices
- Currency risk
- Privatisation delays

Portfolio sector split



Listed vs Unlisted



Key Sensitivities

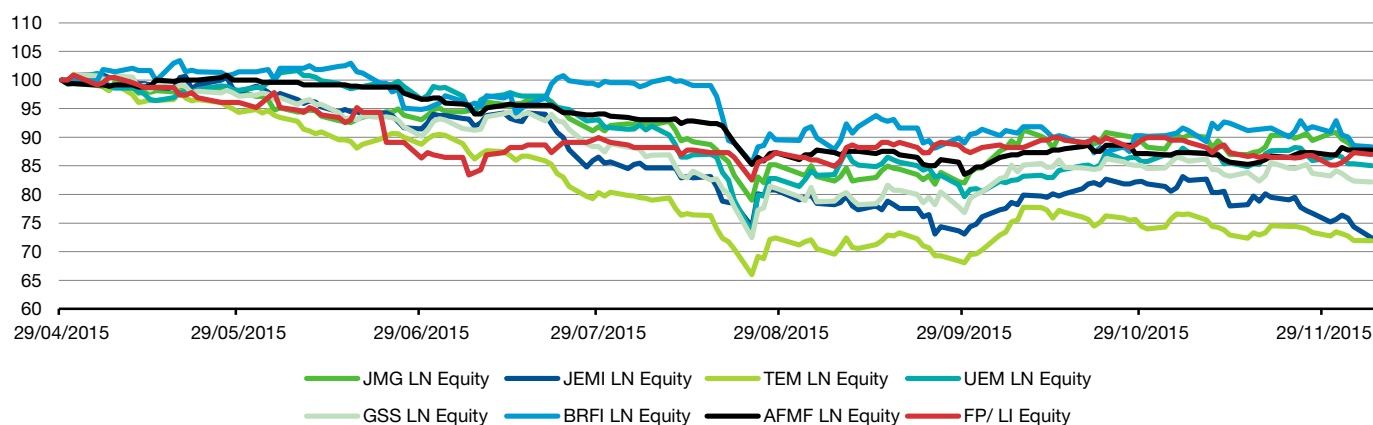
Driver	Change+/-	Δ
2016		13%
Tender 2016 (1)	-100%	-1%
Avg Discount % (2)	±5%	7% to -7%
(1) and (2)		6% to -8%
Valuation Uplift	2%	2%
2017		20%
Tender 2017 (3)	-100%	-1%
Avg Discount % (4)	±5%	6% to -6%
(3) and (4)		6% to -7%
Valuation Uplift	2%	2%

Fondul Proprietatea GDRs and peers on the LSE (rebased)

	Ticker	Listing Currency	*Market Cap in millions	NAV	Discount / Premium 12m average	*Dividend Yield	NAV date
Fondul Proprietatea (GDRs)	FP	USD	2,100	2,958	-29%	6.15%	Oct-15
JPMorgan Emerging Markets	JMG	GBP	702	616	-10%	1.10%	Nov-15
JPMorgan Global Emerging Markets	JEMI	GBP	250	92	0%	5.76%	Nov-15
Templeton Emerging Markets Investment Trust	TEM	GBP	1,250	477	-11%	2.01%	Nov-15
Uitlico Emerging Markets	UEM	GBP	350	180	-7%	3.77%	Nov-15
Genesis Emerging Markets	GSS	GBP	616	512	-10%	0.00%	Nov-15
BlackRock Frontiers Investment Trust	BRFI	GBP	153	106	-2%	4.17%	Nov-15
Advance Frontier Markets Fund	AFMF	GBP	87	55	-8%	0.00%	Nov-15

Source: Liberum, Morningstar, Fondul Proprietatea * 7 December 2015

Fondul Proprietatea GDRs and peers group price (rebased)



Source: Liberum, Bloomberg

Investment summary

- **Attractive yield** – Fondul Proprietatea distributes 100% of the dividends received from the underlying assets and interest on cash after operating expenses. The yield has been higher than 6% since 2011. The nine-month yield as at 30 September 2015 was 5.9%. We are expecting a 6% dividend yield in 2016 and 2017, with low oil and energy prices mostly priced in and strengthening renewables, banking and transportation.
- **Track record of distributing capital** – Fondul Proprietatea has completed five share buybacks and two tender offers and currently has two more share buybacks in progress. The past two tenders were done on significant discount to NAV-per-share and a premium to the share price.

The Fund has no debt and the share buybacks are funded by disposals. The tender yield in 2013 and 2014 was 6.7% and 8.2%, respectively.

We are expecting an additional cash distribution equivalent to approximately RON 500m (USD 127m) in 2016 and 2017 from tender offers funded by asset disposals.

- **Experienced management team** – Franklin Templeton Investment Management (FTIML) has managed Fondul Proprietatea since September 2010. In this time, FTIML has:
 - increased the EBITDA of the 20 largest holdings by 51% and net profits by 22%
 - grown NAV cumulatively by 21%
 - reduced the share price discount to NAV from an average of 56% in 2011 to 28% in October 2015
 - distributed EUR 1.44 billion (40% of the December 2010 NAV) through cash distributions and buyback programs
 - completed five buyback programs, is currently having a sixth running and a seventh share buyback program approved
 - seen a cumulative share price return in the Bucharest Stock Exchange (BVB) from 25 January 2011 to 31 October 2015 of 73%

The Manager communicates with shareholders and potential investors frequently via roadshows, conferences, conference calls and meetings. There were 8,376 shareholders as at 30 November 2015 and Elliott Associates was the largest shareholder with a 21% stake, as at October 2015.

- **High-growth environment** – Fondul Proprietatea's underlying assets operate in Romania, a member of the European Union that is expected to have one of the highest GDP growth rates in Europe, around 3.5% for 2015. In a global environment of slowing economies, Romania has the ability to provide growth, given specific political, economic and market factors.

In October 2015, Goldman Sachs estimated 3.7% and 5.2% GDP growth rates in 2015/16, respectively for Romania, based on fiscal stimulus.

-
- **NAV growth with potential for discount compression** – We believe Fondul Proprietatea's portfolio has potential for NAV growth, while narrowing the discount with:
 - NAV-accretive disposals of profitable, unquoted gas and energy distribution companies
 - privatisation of profitable state-owned companies, especially Hidroelectrica that represents around 18% of the Fund's NAV, the Bucharest airport, the sole salt producer in Romania and other profit-generating companies
 - improving operations, processes, governance and cost structures of the listed companies in the portfolio
 - **Diversified portfolio** – Fondul Proprietatea's portfolio includes large positions in major industry sectors resilient to variable economic and market conditions. The main sectors are oil and gas production, energy and gas distribution and energy generation. Banking and transportation/infrastructure also have a slice of the portfolio. Future events with positive impact may come from:
 - global economic factors, such as expected increase of interest rates which should benefit the banking sector
 - regional specific factors, such as Europe's focus and investment funding towards renewable energy production
 - country specific factors, for instance Romania's need for infrastructure improvement and economic expansion of tourism and exports
 - **Strong balance sheet** – There is no debt on the balance sheet. Fondul Proprietatea distributes 100% of the dividend income from the underlying assets and the interest on cash after operating expenses and is using disposals to fund the share buyback programs.

Risks

- **Global economic slowdown and markets** – The global economy slowed down in 2015 and it is generally projected to continue slowing in 2016. Consumer sentiment was sensitive throughout 2015, driving significant market volatility on headlines alone.

Interest rate rises in the US and the UK may create some unrest in 2016 and require some adjustment by the markets, even though the Federal Reserve and the Bank of England have repeatedly announced their intention to raise the rates.

Romania and the companies in FP's portfolio will naturally be affected by shocks in the global economy and markets but perhaps less than those in the epicentre of change.

Fondul Proprietatea, following the markets, will be impacted by global trends but we believe the portfolio is diverse enough to absorb some of the volatility.

- **Slower than expected GDP growth** – Romania's 2016 and 2017 expected GDP growth is sensitive to local political, economic and market factors. Failure to implement fiscal reforms and economic policies underlined by the IMF and the EU, lax corporate governance, weak monetary policy in light of VAT and other tax cuts, political instability and delays of privatisation plans can all hurt Romania's development.

Fondul Proprietatea's management team is working with all the branches of the Romanian government to support positive change, especially around corporate governance and privatisations.

- **Regulation delays** – Romania has a new government, following the resignation of the previous administration, and 2016 is an election year. Important political decisions tend to be delayed in election years and the decision to proceed with the privatisation of transportation and energy producing state-owned enterprises (SOEs) could be one of them.

The Manager is taking all the necessary steps to move forward with the execution of privatisation plans already approved. These include the Ministry of Transportation initiative to list 25% of the shares of the Bucharest airport, the Constanta port and other SOEs in transportation/infrastructure and the Ministry of Finance's decision to privatise coal-fired power producer CE Oltenia and salt extraction company Salrom.

- **Significant oil price decrease** – In 2015, oil prices declined by about 50% causing sharp decreases of share prices and valuations of oil and gas companies. Oil production is expected to stay high and even increase if not controlled, while demand will be relatively flat and dependent on China's growth, which is expected to be slow. As a result, 2016 oil prices are forecasted to stay low and perhaps decrease some more, but we think movements will be gradual and less sharp and shocking.

Fondul Proprietatea is exposed to oil prices via its stakes in OMV Petrom, Romgaz and the energy and gas distribution companies (56% of NAV). Lower oil prices are already included in the valuations and, provided any movements are relatively controlled, should be anticipated.

- **Energy prices weakness** – Similarly to oil prices, energy prices declined in 2015 due to increased supply and flat demand. At the same time, the energy production sector is transforming to become decarbonised and environmentally friendly benefiting companies operating in the renewable energy production field.

Fondul Proprietatea is exposed to multiple sources of energy production including hydro generation that represents 18% of the total September 2015 NAV. In 2015 Hidroelectrica partially compensated for the loss in dividend income from low oil prices.

- **Currency risk** – Historically, emerging market currencies are thought to be negatively impacted by a strong US dollar. While this is true for some currencies, recent Deutsche Bank analysis showed that the Romanian currency is the second least-vulnerable currency to US dollar moves. The RON looks relatively stable and is trending closer to the EUR. Romania is scheduled to join the Eurozone (nominal convergence) in 2019.

Fund Introduction

Fondul Proprietatea (“FP” or “Fund”) was a Romanian restitution fund established in 2005 to compensate individuals that lost assets through confiscation in the communist era. The Fund was seeded by the Romanian state with state-owned or former state-owned companies and its shares were distributed to claimants as compensation for their lost property.

Today, FP is a closed-end investment company managed by Franklin Templeton Investment Management Limited (“FTIML” or “Manager”) since September 2010.

FP has been listed on the Bucharest Stock Exchange (“BVB”) since 2011. In April 2015, the Manager completed the secondary listing of the fund on the London Stock Exchange (LSE) through Global Depositary Receipts (“GDRs”). The Bank of New York Mellon (“BNY Mellon”) was appointed as the Fund’s depository bank. Under Romanian regulations, the GDR facility is limited to one third of FP’s subscribed share capital or 74,622,820 GDRs after 15 August 2015, each representing 50 shares. On 17 August 2015, the GDRs had reached the limit. The GDRs’ currency is US dollar.

A Global Depositary Receipt (GDR) or international depository receipt (IDR) is a certificate issued by a depository bank, which purchases shares of foreign companies and deposits it on the account. GDRs are based on the American Depositary Receipts. They are a negotiable certificate issued against a certain number of shares held in custody but traded on the stock exchange of another country.

GDRs entitle the shareholders to all dividends and capital gains associated, and can be bought and sold like other securities. They allow investors in any country to buy shares of a company in another country without losing the income or trading flexibility.

On 17 August 2015, the Fund’s management observed that overall liquidity had improved not only with the addition of the GDRs on the LSE but on the BVB as well, with July 2015 being the most liquid month in the Fund’s history.

For the period from 5 January 2015 to 20 November 2015 in BVB and 29 April 2015 to 20 November 2015 in LSE, the average daily turnover was EUR 1.9m and EUR 1.6m, respectively.

Narrowing discount

The Fund’s NAV-per-share has shown some volatility in 2015 mainly due to the lower valuation of the listed oil and gas companies in the portfolio on the back of the oil price decline. The oil and gas sector is the largest in FP’s portfolio representing 35% of the total NAV.

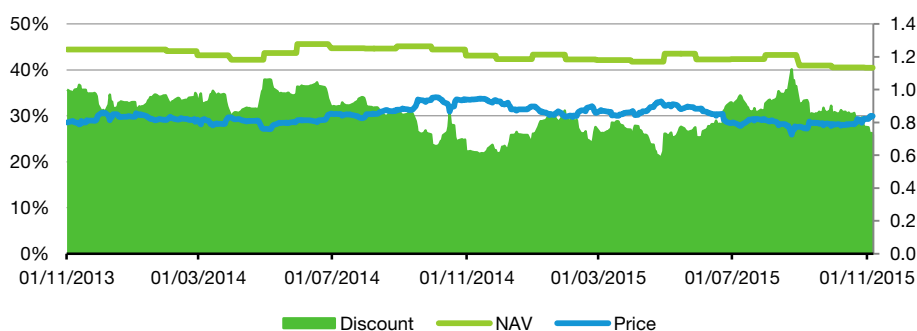
On the other hand, banks and renewable energy producers and distributors had strong results and partially offset the adverse oil and gas results.

Figure 1: Discount evolution

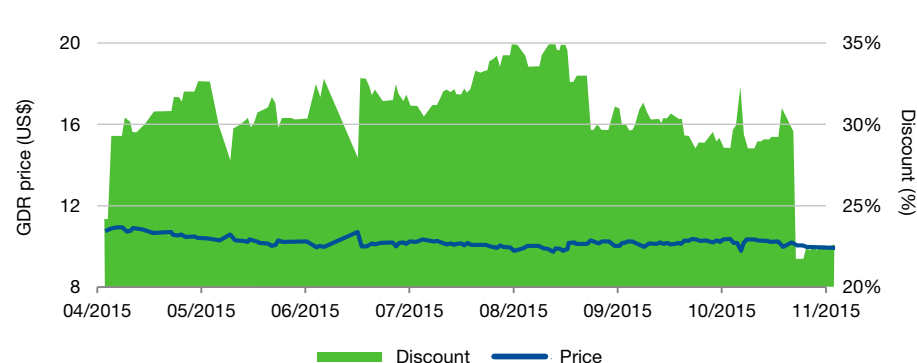
	Current share price discount	Current GDR price discount	YTD*	2014	2013	2012	2011
Average annual discount	27.75%	27.40%	29.09%	30.57%	41.30%	50.20%	55.67%
* Jan 5 to 20 November 2015, ** 20 November 2015							

Source: Liberum, FP

As at 7 December 2015, the share price discount in BVB was 28.2% and in the LSE for the GDRs was 27.3%.

Figure 2: Share price discount to NAV (BVB)

Source: Liberum, Bloomberg

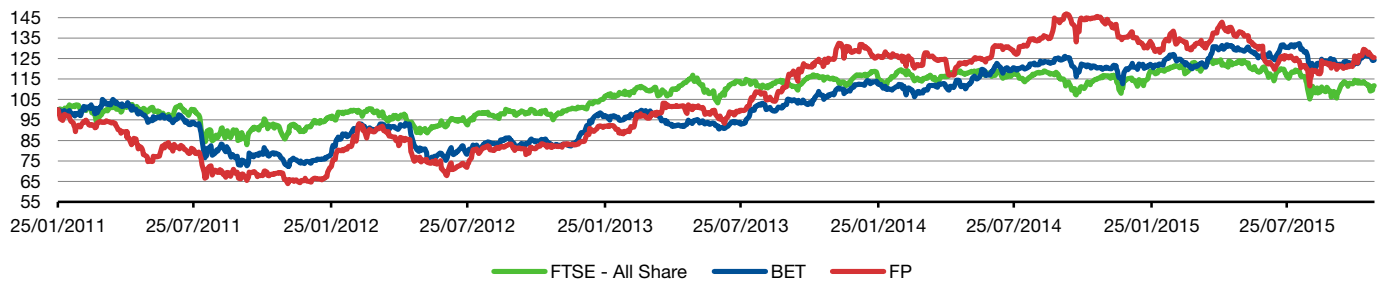
Figure 3: GDR discount to NAV (LSE)

Source: Liberum, FP

The Manager is focused on discount narrowing and NAV growth. Since 2011, FTIML has completed five share buybacks and two tenders that resulted in the cancellation of 22% of its shares. The sixth buyback program is currently running and will buy back 8% of the existing shares. The seventh buyback program that was approved in October 2015 is planned to buy back no more than 10% of the existing shares.

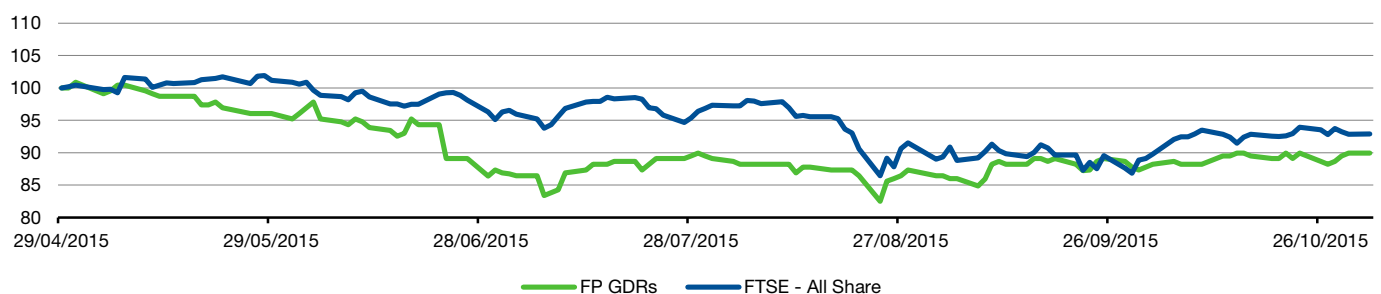
FP's portfolio includes 55% of unquoted holdings. The Manager is aiming to list or dispose most or all the private companies to tighten the discount, increase transparency and governance and enhance value.

Figure 4: FP vs BET* vs FTSE – All Share



Source: Liberum, Bloomberg *BET is the Bucharest Stock Exchange Index

Figure 5: GDRs and FTSE – All Share price



Source: Liberum, Bloomberg

Franklin Templeton Investment Management Ltd UK

Since taking over the management of the Fund, FTIML has focused on creating shareholder value by increasing the NAV-per-share and reducing the discount to NAV.

The cumulative NAV-per-share increase in the period 31 December 2010 – 31 October 2015 is 21.4% and the cumulative share price return since the Fund's listing on the Bucharest Stock Exchange on 25 January 2011 – 31 October 2015 is 73%.

The Manager is actively involved in the Fund's portfolio companies to improve their corporate governance, operational efficiency and ultimately their profitability.

Compared to 2010, the EBITDA of the Fund's top 20 largest holdings had increased by 51% in 2014, while net profits had increased by 22% (down from an increase of 74% until 2013 due to lower profits of the Fund's largest holding, OMV Petrom in 2014).

FTIML was able to reduce the Fund's discount to NAV every year from an average of 55.67% in 2011 to an average of 29.13% YTD by completing five buyback programs in which it repurchased approximately 22% of the Fund's outstanding shares and currently is executing a sixth program for 8% of the outstanding shares, having already gained approval to continue with a seventh share buyback program for up to 10% of the outstanding shares.

FTIML has distributed EUR 1.44 billion (40% of the December 2010 NAV) through cash distributions and buybacks since starting to manage the Fund in 2010.

Incentivised to return capital and narrow the discount

In September 2014, FP's shareholders approved a new Management Agreement (IMA) which included the provision for distribution fees to the Manager. According to the IMA, the distribution fee of 2% (in the period 30 September 2014 - 31 October 2015) and 1% (in the period 1 November 2015 - 30 September 2016) would be applied on the value of non-dividend distributions and would be payable to the Manager.

However, the Romanian Financial Supervisory Authority (FSA) did not initially approve the IMA. The approval came in January 2015 without retrospective application for fees amounting RON19m (or USD 5m, FX rates as at 30 September 2015), approximately.

On 29 October 2015, the shareholders approved a new IMA for two years starting on 1 April 2016. Based on the new IMA, the Manager is eligible to a Base Fee and a Distribution Fee.

The Base Fee is calculated as 0.6% of the market cap, adjusted depending on the discount to NAV.

For each day in the calculation period the discount is between 15% - 20% another 5 basis points are added to the calculation of the Basis Fee (65 basis points per year).

For each day in the calculation period the discount is below 15% then an additional 5 basis points are added to the calculation of the Basis Fee (70 basis points per year).

The Distribution Fee was introduced by the IMA as a reward to the Manager for the reductions to market capitalization from distributions beneficial to the shareholders. It is calculated as 200 basis points of the total non-dividend distributions made available up to and including 31 March 2017, 150 basis points from 1 April 2017 to and including 30 September 2017 and 100 basis points from 1 October 2017 to and including 1 April 2018.

Both fees are payable on a quarterly basis. The IMA also provides for an annual continuation vote, each October.

Shareholder structure

As at 21 October 2015, Elliott Associates' stake in FP was 21.06% and as at 30 November 2015 the total number of shareholders was 8,376.

Figure 6: % of voting rights (30 November 2015)

	% of voting rights
The Bank of New York Mellon (depository bank for GDRs)	34.53%
Foreign institutional investors	25.82%
Romanian private individuals	22.04%
Romanian institutional investors	13.25%
Foreign private individuals	4.32%
Romanian State	0.04%

Source: Liberum, FP

Corporate Governance

The Manager is working closely with the Romanian state to improve corporate governance in its underlying assets including the state-controlled companies. The goal is to enhance transparency, accountability, independence and

integrity in order to provide future organic growth and stronger performance from the portfolio companies.

The Manager uses a checklist to follow the improvement of three key factors for corporate governance: the listing status, the existence of independent board and of professional management.

Figure 7: Corporate Governance & Listing checklist

30 September 2015 Statements / 30 November 2015 data	# of companies	% of NV*
Listing status	5	13%
Independent board	6	13%
Professional management	6	13%
*out of total 43% of NAV		

Source: Liberum, FP

Shareholder friendly structure

On 29 October 2015, the shareholders approved a Discount Control Mechanism (DCM) as part of the new IMA. Narrowing the discount is one of the Fund's and the Manager's performance objectives. Academic research has shown there is a positive correlation between DCMs and narrow discount in funds when the DCM is applied with sufficient rigor (Hard DCM).

Under FP's DCM, the Manager will call a Board of Nominees (BoN) meeting on discount control strategy if the discount stays above 15% for more than half of the trading days in any financial quarter. If the discount stays above 15% for any two successive financial quarters, the Manager will call a General Shareholder Meeting (GSM). In the GSM, the Manager should put forward for approval proposals on specific DCM measures approved by the BoN and in line with the investment policy.

Potential DCM techniques include:

- Share and GDR buyback programs and tender offers
- Special cash distribution by reducing the nominal value of shares
- Increase investor demand by improving transparency, performance and reducing the portfolio percentage in unquoted assets
- Continuation of the IMA vote

The Manager has executed five share buybacks, two tender offers, decreased the nominal value and has paid annual cash distributions even before the DCM addition. In 2013, the discount was decreased by 34% and in 2014 by 24%. In October 2015 the discount was approximately 28%, due to the oil price drop and the lowered valuation of the oil and gas portfolio holdings.

Based on the DCM, a GSM will take place each year in October, starting from October 2016, to review the Manager's performance. The Manager should submit a performance report to the BoN no later than 30 days before the legal deadline for the publication of the GSM documentation.

The performance report should include information on fulfilment of the discount objective, the NAV objective, the obligations related to the DCM, explanations on regulatory and market conditions affecting the performance and any other relevant information necessary.

The BoN prepares a review report that along with the performance report are submitted for shareholders' consideration in October. The agenda of each October GSM will allow the shareholders to vote for continuation or termination of the IMA and the selection of the sole director and manager.

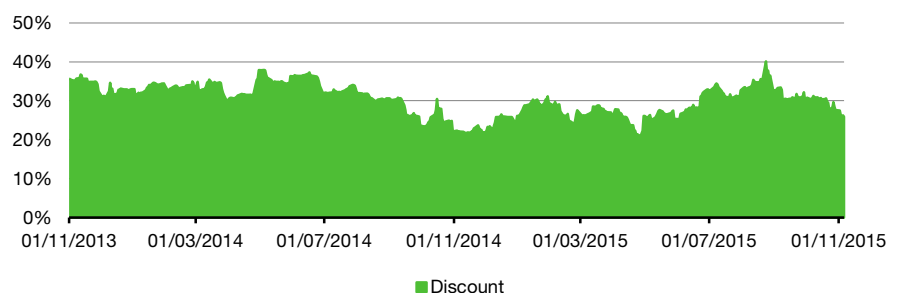
Fund strategy

The Fund's investment objective is the maximisation of returns and capital appreciation from investing mainly in Romanian equities and equity-linked companies. FP's performance objectives are:

- to keep the discount against NAV at 15% or less for at least two thirds of trading days between 1 July 2015 and 30 June 2016; and
- to achieve higher adjusted NAV-per-share at 30 June 2016 than the NAV-per-share reported at 30 June 2015 (RON 1.1851 per share)

In the long-run and in order to satisfy the objectives FP plans to hold 100% listed companies in its portfolio therefore the Fund is planning to list or dispose of unquoted holdings.

Figure 8: FP share price historic discount NAV



Source: Liberum, Bloomberg

FP has not made new investments and is not looking to invest in new holdings until the discount narrows.

Accretive Buyback programs

The fifth share buyback program was completed in July 2015 and the cancelation of the related shares was approved at the 29 October 2015 GSM. The sixth program to buyback 8% of the existing shares was approved by shareholders in April 2015 and the seventh in October 2015.

In total, the Fund has bought back and cancelled close to 22% of its shares and the sixth program share cancellation will take that percentage to 30%, approximately. To complete each of the buy backs, FP purchases the allowed maximum of 25% of the daily traded volume every day for the duration of each program from the market (for ordinary shares and GDRs).

Since GDRs are technically similar to the ordinary shares to which they correspond, for the number of shares used in the NAV calculation at any NAV reporting date, GDRs are deducted from the number of shares issued and paid-in.

The past tenders were done at a discount to NAV and a premium to the prevailing price. The 2013 tender offer represented a discount to the September 2013 NAV-per-share of 14%, approximately, and a premium

against the average monthly price of 26% (at the tender period). The 2014 tender offer was done at an 8% discount to October 2014 NAV and 21% premium to the average monthly price (at the period of the tender offer).

Figure 9: Share buyback programs

Program	Date Completed	Status	No of shares to be repurchased	% of the Fund's share capital	Shares status	Average share price (RON/ share)	Total value of the buyback program (RON m)	Broker
First buyback	September 2011	Completed	240,300,000	1.74%	Cancelled	0.4994	RON120.3 OR US \$30.5	Wood & Co
Second buyback (incl. tender)	December 2013	Completed	1,100,950,684	8.20%	Cancelled	0.8743	RON 962.6 OR US \$ 243.7	Wood & Co, BCR Erste
Third buyback	July 2014	Completed	252,858,056	2.02%	Cancelled	0.8125	RON 205.5 OR US \$ 52.0	Raiffeisen
Fourth buyback (incl. tender)	February 2015	Completed	990,855,616	7.32%	Cancelled	1.0557	RON 1,046.1 OR US \$ 264.8	Raiffeisen
Fifth buyback	July 2015	Completed	227,600,000	1.89%	Cancelled	0.8501	RON 200.3 OR US \$ 50.7	Wood & Co
Sixth buyback		Approved April 2015	990,855,616	7.54%				Wood & Co, Goldman Sachs
Seventh buyback		Approved October 2015		Max 10%				

Source: Liberum, FP

FP distributes 100% of the dividends received from the portfolio companies and the buybacks are funded by disposals.

To temporarily fund distributions and the daily buyback trading, the Fund took out a bridging facility of up to RON500m (or USD126m, approximately, at 30 September 2015 FX rate) credit line from Citibank Europe Plc, Dublin – Romania Branch. In October 2015, the Fund repaid the amount that had previously drawn.

In addition to the bridging facility, on 19 October 2015, FP announced the launch of an accelerated book-build offering of up to 14,582,000 shares and GDRs in Romgaz S.A., an equivalent of 37.83% of the Fund's holding in Romgaz as at that day.

On 20 October 2015, FP announced the agreement to sell 14,715,000 of shares and 1,285,000 of GDRs (a total of 16,000,000) in Romgaz S.A., approximately 10% higher than the original target of 14,582,000. The shares were priced at RON 28.5 and USD 7.32 and the gross proceeds were RON 456m or USD 117m.

Gross dividend income

FP's gross dividend income has grown year-over-year with the exception of 2015 due to the impact of low oil and gas prices on the results of OMV Petrom and Romgaz, partially offset by the dividend income from Hidroelectrica. The Manager is working closely with the Romanian state that is the main shareholder of a number of underlying assets, to improve the value of these assets and their returns.

Figure 10: Gross dividend income as at 30 June 2015

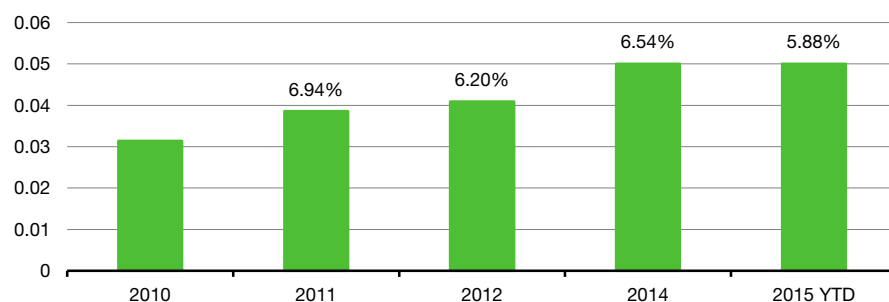
In millions	2015* RON	2015 Contribution USD**	FP stake %	2014 RON	2013 RON
OMV Petrom	120.5	30.5	21%	19%	331.4
Hidroelectrica	128.9	32.6	23%	20%	319.0
Romgaz	121.4	30.7	21%	10%	148.5
Enel Distributie Banat	20.7	5.2	4%	24%	158.9
Electrica Distributie Muntenia Nord	24.7	6.3	4%	22%	16.2
GDF Suez Energy Romania	24.0	6.1	4%	4%	33.6
Enel Distributie Dobrogea	10.5	2.7	2%	24%	22.8
CN Aeroporturi Bucuresti	10.2	2.6	2%	20%	12.3
Electrica Distributie Transilvania Sud	17.6	4.5	3%	22%	9.1
Nucearelectrica	6.9	1.7	1%	9%	12.7
Electrica Distributie Transilvania Nord	16.7	4.2	3%	22%	27.9
Societatea Nationala a Sarii Salrom	10.2	2.6	2%	49%	11.7
CN Administratia Porturilor Maritime	6.5	1.6	1%	20%	19.8
Electrica Furnizare	38.3	9.7	7%	22%	9.3
Other	10.3	2.6	2%		10.1
Total	567.4	143.6		682.1	649.7

Source: Liberum, FP *Financial statements as at 30 June 2015 **FX as at 30 September 2015

Cash and total distributions

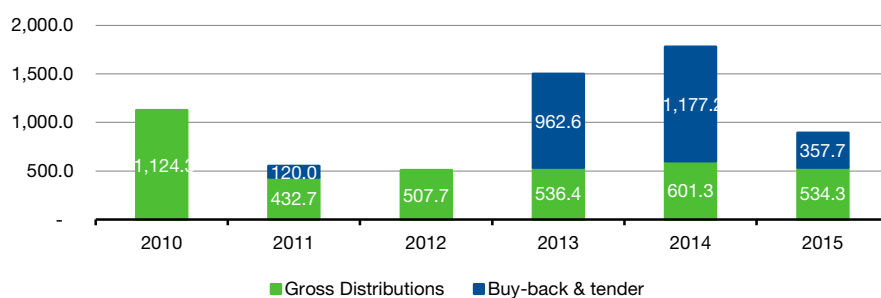
In January 2015, FP's GSM approved the payment of a cash distribution to the shareholders of RON 0.05 per share by reducing the nominal value of its shares from RON 0.95 to RON 0.90 per share. The share capital decrease was completed on 21 May 2015.

Shareholders registered with the Central Depository on 24 June 2015 were eligible to receive the cash distribution and the payment started on 29 June 2015 and by 30 September 2015, 95% or RON 534m (or, USD 135m, at 30 September 2015 FX rates) of the distribution was collected.

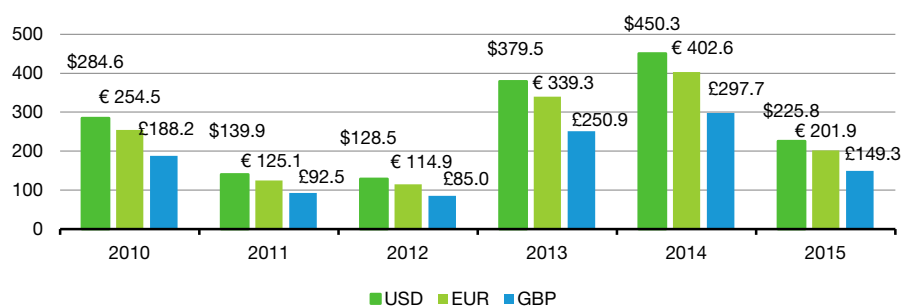
Figure 11: Cash distributions to shareholders (%yield) RON/share

Source: Liberum, FP

The 2015 YTD yield is 5.88%, 10% lower than FY 2014 mainly due to the effects of low oil prices on OMV Petrom's earnings only partially offset by Hidroelectrica earnings.

Figure 12: Annual distributions to shareholders RON m (as at 20 November 2015)

Source: Liberum, FP

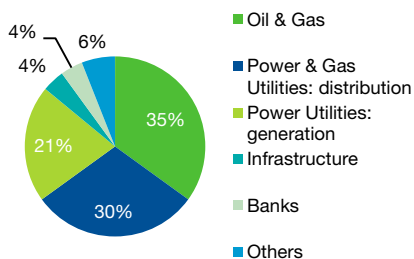
Figure 13: Annual total distributions USD, EUR, GBP* (m)

Source: Liberum, FP *FX 30 September 2015

Portfolio

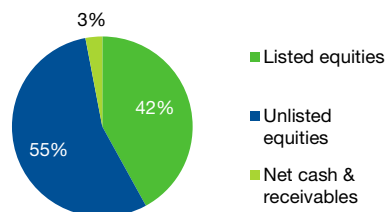
As at 30 October 2015, FP's portfolio includes stakes in 49 companies of which 14 are listed, representing 42% of the NAV as at 30 September 2015, and 35 are unlisted. The state-controlled entities represent 43% of the portfolio that is heavily weighted to oil, gas, energy generation and distribution sectors. Banking and transport sectors complete the portfolio.

Figure 14: Structure by Sector as at 30 October 2015



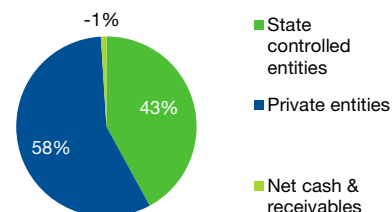
Source: Liberum, FP

Figure 15: Structure by Asset Type as at 30 October 2015



Source: Liberum, FP

Figure 16: Structure by Controlling Ownership as at September 2015



Source: Liberum, FP

Portfolio valuation methodologies

The valuation methods FP is using varies based on the entities' characteristics:

Listed on regulated markets

The Fund values the securities on the portfolio that are listed on regulated markets at the closing market prices, or at the reference prices if listed on an Alternative Trading System ("ATS"), on Rasdaq market or on special sections of the BVB.

Illiquid or unlisted

If the securities are illiquid or unlisted they are valued using either the value of shareholders' equity, based on the latest available annual financial statements, or according to fair value under International Valuation Standards.

Treasury shares

The treasury shares acquired through buy-backs are excluded from the number of shares used in the NAV-per-share computation.

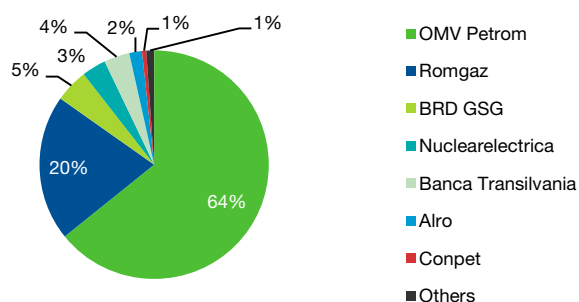
The Fund will start reporting financial statements under International Accounting Standards (IFRS) from 1 January 2016, and has used IFRS for the computation of the non-portfolio items in the monthly financial statements from January 2015 to April 2015 and under Romanian Accounting Regulations from May 2015 to the end of the year, due to changes in regulations.

Figure 17: Top 20 Portfolio Holdings – 30 June 2015

Top 20 Holdings	Status	% Stake	% of 30 June 2015 NAV	Net Debt/Equity	P/BV	EV/EBITDA	P/E	Dividend Yield	Valuation Methodology
OMV Petrom SA	Listed	19	32.1%	0.08	0.81	3.40	12.69	3.15%	CP
Hidroelectrica SA	Unlisted	20	17.2%	0.00	0.62	4.80	11.20	5.92%	FV
Romgaz SA	Listed	10*	11.1%	-0.20	1.43	4.57	9.96	9.58%	CP
ENEL Distributie Banat SA	Unlisted	24	5.1%	-0.42	1.07	5.00	15.41	3.23%	FV
ENEL Distributie Muntenia SA	Unlisted	12	3.7%	-0.45	0.94	4.56	16.12	-	FV
GDF Suez Energy Romania SA	Unlisted	12	3.6%	-0.05	1.04	4.37	8.75	5.20%	FV
E.ON Distributie Romania SA	Unlisted	18	3.5%	0.05	0.74	10.49	29.27	-	FV
ENEL Distributie Dobrogea SA	Unlisted	24	3.1%	-0.29	1.04	4.94	18.78	2.65%	FV
CN Aeroporturi Bucuresti SA	Unlisted	20	2.6%	-0.03	0.40	5.43	12.16	3.07%	FV
BRD Groupe Societe Generale SA	Listed	4	2.2%	N/A	1.33	N/A	120.55	-	CP
Electrica Distributie Muntenia Nord SA	Unlisted	22	1.9%	-0.14	0.68	3.11	7.63	10.48%	FV
Electrica Distributie Transilvania Sud SA	Unlisted	22	1.6%	0.08	0.81	4.25	9.38	8.52%	FV
Nuclearelectrica SA	Listed	10	1.6%	0.05	0.28	4.58	15.99	5.40%	CP
Electrica Distributie Transilvania Nord SA	Unlisted	22	1.6%	0.04	0.79	3.79	9.61	8.28%	FV
Banca Transilvania SA	Listed	3	1.3%	N/A	1.45	N/A	2.87	-	CP
Societatea Nationala a Sarii Salrom SA	Unlisted	49	1.1%	-0.07	1.08	5.33	11.89	7.14%	FV
E.ON Energie Romania SA	Unlisted	13	1.1%	-0.06	1.24	8.50	10.63	-	FV
CN Administratia Porturilor Maritime SA	Unlisted	20	1.0%	-0.29	1.45	4.63	13.06	4.90%	FV
Electrica Furnizare SA	Unlisted	22	1.0%	-1.17	1.66	0.74	2.81	30.31%	FV
Complexul Energetic Oltenia SA	Unlisted	22	0.9%	0.39	0.11	11.49	-0.73	-	FV
			97.3%	-0.13	0.94	5.12	11.92	7.70%	

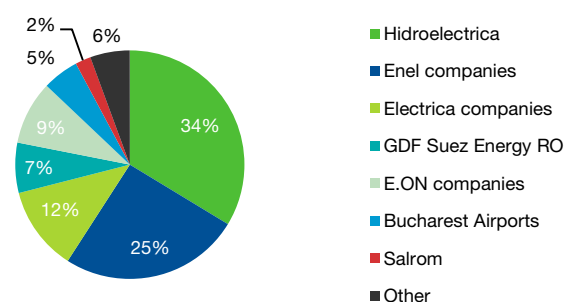
Source: Liberum, FP *as at October 2015, Romgaz's stake is 5.8%, CP = closing price, FV = fair value (independent report)

Figure 18: Listed companies as at 30 September 2015



Source: Liberum, FP

Figure 19: Unlisted companies as at 30 September 2015



Source: Liberum, FP

Oil, gas and electricity

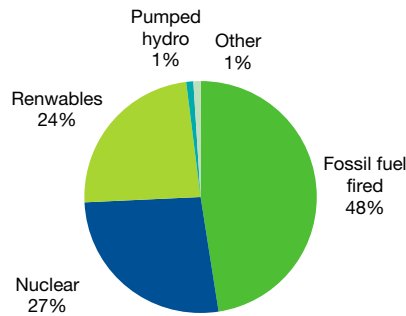
Energy production: Gas – Hydro – Nuclear

The global energy production industry has been undergoing a transformation for the past few years, from coal-based to gas-based generation. In the US, 2015 is reported as the first year in history that gas overtook coal as the biggest electricity producer.

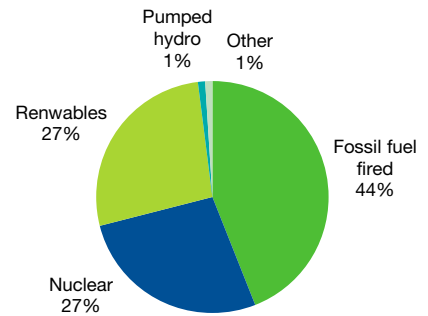
According to ExxonMobil, 135% more electricity will be produced from natural gas by 2040 against 2010 and nuclear capacity will increase by 90%, even though the US is reducing nuclear programs in favour of alternative sources and the EU is reducing nuclear-based energy production. In 2013, nuclear-produced electricity dropped by 13% against 2004, but still represents around 27% of the electricity produced in EU plants.

Since 2009, the EU has adopted the 20-20-20 energy and climate policy aiming to decarbonise the European economy and fight global warming.

The International Energy Agency is estimating EUR 1.3 trillion in investment is needed by 2025 to decarbonise the European economy.

Figure 20: 2012 Electricity production by primary energy - EU 28

Source: Liberum, EURELECTRIC

Figure 21: 2013 Electricity production by primary energy - EU 28

Source: Liberum, EURELECTRIC

While the EU is working towards an integrated energy market with a focus on increasing renewables, Romania is one of the five countries to absorb the majority of the new EU renewable energy capacities in 2013. In absolute numbers the Romanian capacity is still small compared to the developed countries but the year-over-year increase was 90%.

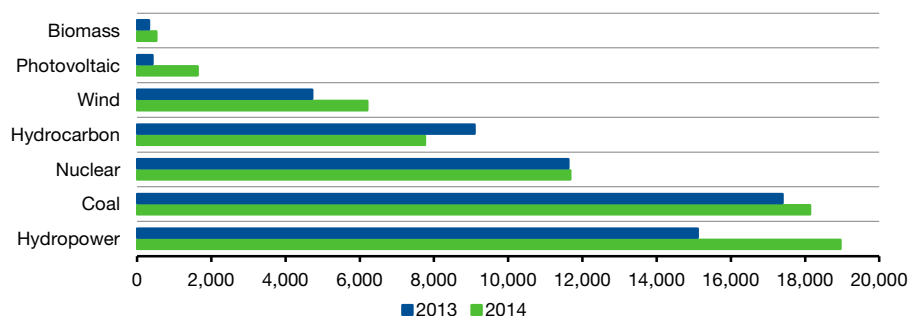
Two thirds of all new EU installations in renewable energy were in five countries in 2013 and Romania was one of them, following Germany, Italy and the UK, and ahead of France.

Figure 22: Countries with the largest variable renewable capacity increase in 2013

	2012 (MW)	2013 (MW)	% of total EU new renewable capacities
Germany	74,281	81,270	31%
Italy	43,183	45,947	12%
UK	15,551	17,507	9%
Romania	1,947	3,752	8%
France	33,833	35,269	6%

Source: Liberum, EURELECTRIC

In Romania, hydro generated power is a large percentage of the total generated power, representing 29%.

Figure 23: Romania power generation by type (GWh)

Source: Liberum, Hidroelectrica, National Energy Dispatcher

Energy prices were volatile during 2015 and several European companies underperformed but the expectation of recovery has kept the valuations high. The high yielding renewable energy assets are viewed as an attractive investment in the current environment of continuously low interest rates.

In Romania, the energy sector is regulated by the Romanian National Energy Regulatory Authority (ANRE). ANRE's mission is to "create, approve and monitor the mandatory regulatory framework to ensure the proper functioning of the electricity, heat and gas markets, in terms of efficiency, competition, and transparency and consumer protection and to implement and monitor energy efficiency measures at national level".

ANRE recently established two competition based gas markets, the Electricity and Natural Gas Markets Operator (OPCOM) and the Romanian Commodities Exchange.

In 2014, ANRE completed the 100% liberalization of the non-household electricity market and plans to gradually complete the 100% liberalization of the household electricity market by the end of 2017, from 50% in H2 2015.

Oil

In 2015, the oil industry worldwide was challenged with low oil prices dictated by oversupply in the market. The oil companies are now looking to re-allocate their assets and adjust to a future of lower oil prices. Maintaining the reserves and a positive reserve replacement ratio is crucial and companies are led to acquisition or intensification of existing discoveries.

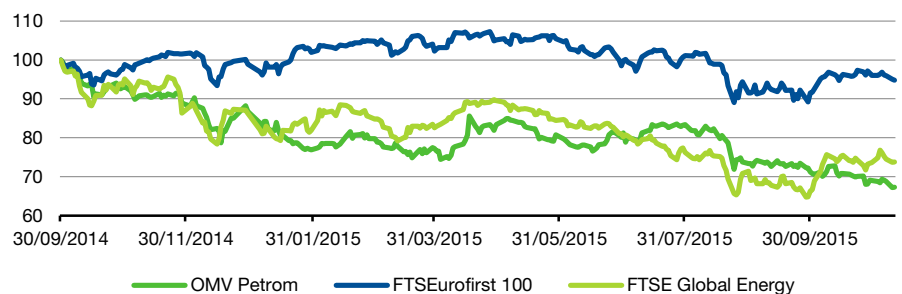
Independent oil-producing companies, like OMV Petrom, are more flexible than the state-owned/controlled companies that represent the majority of the global oil production. OMV Petrom has already taken adjusting actions by re-prioritizing projects and cutting spending.

OMV Petrom SA

OMV Petrom is the largest oil and gas group in south-eastern Europe with activities in the business segments of upstream, downstream gas and downstream oil. OMV Petrom operates in the distribution market for oil products in Romania, the Republic of Moldova, Bulgaria and Serbia, through a network of approximately 800 filling stations and under two brands, Petrom and OMV.

OMV Petrom listed on the BVB in 2001 and its shareholders have approved a dual listing in the LSE via GDRs.

Figure 24: 12 months share price OMV Petrom – FTSEurofirst 100 – FTSE Global Energy



Source: Liberum, OMV Petrom

FP currently holds a 19% stake in OMV Petrom and intends to reduce it to 15%. The Manager believes that OMV Petrom's valuation has been depressed in recent years and expects to deliver a re-rating of the stock by

increasing liquidity. The sale of the stake will take place via a secondary listing in the LSE, approved by the shareholders in September 2015.

Figure 25: Shareholder structure

	# of shares	Share capital	%
OMV AG	28,894,467,414	2,889,446,741	51.01%
Romanian State	11,690,694,418	1,169,069,442	20.64%
Fondul Proprietatea	10,758,648,186	1,075,864,819	18.99%
Natural & Legal Persons	5,300,298,317	530,029,832	9.36%
	56,644,108,335	5,664,410,834	

Source: Liberum, OMV Petrom

OMV Petrom invested EUR11 billion in the last 10 years to consolidate its position in the oil and gas market. On the back of those investments, OMV Petrom's "strategy for 2021" revolves around maximizing the portfolio value in upstream, increasing the asset allocation towards upstream to 80% by 2021 (was 77% in 2014) and optimizing downstream value of equity gas and oil.

Figure 26: OMV Petrom and peers

Ticker	Name	Market Cap (RON m)	P/E	P/BV	EV/EBITDA	Exploration & Production activities %	Refining & Marketing activities %
SNP RO	OMV PETROM SA	19,542	10.45	0.7	3.71	51%	49%
TATN RM	TATNEFT-CLS	40,382	6.04	1.1	3.70	42%	50%
INARA CZ	INA INDUSTRIJA NAFTE DD	19,119	6.52	2.7	9.2	73%	27%
MOL HB	MOL HUNGARIAN OIL AND GAS PL	19,111	7.16	0.7	5.15	10%	86%
LKOH RM	LUKOIL PJSC	115,893	5.60	0.3	2.16	5%	93%
OMV AV	OMV AG	30,790	8.70	0.6	3.28	4%	77%
PKN PW	POLSKI KONCERN NAFTOWY ORLEN	31,520	6.72	1.5	4.40	-	100%
LTS PW	GRUPA LOTOS SA	5,730	7.27	0.6	5.66	1%	99%
	Average	32,645	7.39	1.1	4.01	27%	73%
	Median	19,542	7.16	0.70	3.71	10%	82%

Data as at 22 September 2015

Source: Liberum, Bloomberg

OMV Petrom's financial results were materially affected by the drop in oil prices. The oil demand in Europe remained flat and the oil price in Q3 2015 dropped approximately 48% against Q3 2014, due to oversupply in the market paired with the slowdown of the Chinese economy.

In Q3 2015, the upstream production of hydrocarbon dropped by 3% to an average of 174kboe/day, approximately. On the other hand, the refining margins improved significantly for downstream oil and higher sales volumes and lower storage expenses in downstream gas partially compensated for the upstream decrease.

Figure 27: OMV Petrom Financials (IFRS)

in millions	9m/15 EUR*	9m/15 USD*	9m/15 GBP*	9m/15 RON	9m/14		Q1/15	Q2/15	Q3/15	2014	2013
EBIT Group	296	330	220	1,315	3,449	-62%	494	786	34	3,338	5,958
Clean EBIT Group	467	520	347	2,073	4,060	-49%	502	704	867	4,930	5,991
Special items	-171	-190	-127	-759	-611	24%	-8	82	-833	-1,592	-33
thereof: Personnel and restructuring	-14	-16	-11	-64	-78	-18%	-8	-15	-41	-104	-21
Unscheduled depreciation	-179	-199	-133	-794	-495	60%	-3	-5	-786	-1,412	-66
Other	23	25	17	100	-38	-363%	3	102	-5	-76	54
CCS effects: Inventory holding gains /(losses)	-54	-60	-40	-238	-116	105%	-92	47	-194	-272	-24
Clean CCS EBIT	521	580	387	2,312	4,176	-45%	594	657	1,061	5,202	6,015
Clean CCS net income attributable to stockholders	390	435	290	1,733	3,096	-44%	433	481	820	3,764	4,869
	0	0	0								
EPS	0.004	0.004	0.003	0.018	0.043	-59%	0.006	0.012	-0.001	0.037	0.085
Clean CCS EPS	0.007	0.008	0.005	0.031	0.055	-44%	0.008	0.009	0.015	0.067	0.086
Cash flow from operations	941	1,048	700	4,179	4,979	-16%	791	1,660	1,729	6,830	8,048
CFPS	0.017	0.019	0.012	0.074	0.088	-16%	0.014	0.029	0.031	0.121	0.142
Net debt	282	314	210	1,253	1,062	18%	1,528	1,990	1,253	890	332
Gearing (%)	1	1	1	5	4	25%	6	7	5	3	1
Capital expenditures	675	752	502	2,997	4,480	-33%	1,062	1,007	928	6,239	5,303
OMV Petrom Group employees at the end of the period	3,652	4,068	2,715	16,217	18,210	-11%	16,726	16,450	16,217	16,948	19,619
	9m/15	9m/15	9m/15	9m/15	9m/14		6m/15	Q2/15	Q3/15	2,014	2,013
ROFA (%)	3.5	3.5	3.5	3.5	15.2	-77%	7.5			10.3	19.7
ROACE (%)	2.5	2.5	2.5	2.5	13.2	-81%	6.1			7.6	19.0
Clean CCS ROACE (%)	8.4	8.4	8.4	8.4	15.7	-46%	9.7			13.6	19.2
ROE (%)	2.5	2.5	2.5	2.5	13.3	-81%	6.5			7.8	19.4

Source: Liberum, OMV Petrom * FX prices as at 30 September 2015

The Black Sea exploration with Neptum Deep, a 50/50 JV structure between OMV Petrom and ExxonMobil, is expected to double the gas production for OMV Petrom with four wells finalized this year and a fifth started drilling.

The outlook for 2015 is similar to the past nine months with oil prices expected to remain low. OMV Petrom will continue the Neptum Deep exploration and the capex and expense adjustments, prioritizing projects and cost controls.

Hidroelectrica SA

Hidroelectrica SA holds a key position in the Romanian energy market with an average output of more than 17 TWh in a hydrological year, generated in its subsidiaries located throughout Romania. Hidroelectrica provides 30% of the country's total energy production and 90% of the ancillary services required for the operation of the National Power System.

FP holds 20% of Hidroelectrica's share capital and the Romanian state is holding 80%.

The company's two fields of activity are power generation and power supply. Hidroelectrica owns 104 dams and as at April 2015 had a total installed capacity of 6.4MW. As a power supplier, the company complies with the prices and volumes required by ANR that for 2015 was 4.16TWh at an average price of 120.17 RON/MWh (USD 30.42/MWh, FX rates as at 30 September 2015), against an average price of 119.83 RON/MWh in 2014.

Hidroelectrica used to be one of the least profitable and inefficient companies in the portfolio due to lack of governance and political interference in the management. Under the supervision of a Judicial Administrator, Hidroelectrica improved financial results, grew its value and distributed dividends. In the first half of 2015, Hidroelectrica's operating profit was 50% higher compared to 2014 mainly due to increased realised electricity prices, lower quantities delivered on the regulated market and the reduction of the 2015 infrastructure tax. As at 30 June 2015, Hidroelectrica had provided the

shareholders with a gross dividend of RON 129m (or USD 33m, FX rates as at 30 September 2015), representing 6% of the value of the FP stake in the company in December 2014.

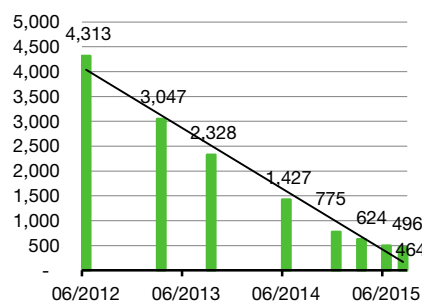
Figure 28: Financial performance

	H1 2015				H1 2014	Δ%	2014		2013
	RON m	EUR m	USD m	GBP m			RON m	RON m	
Sales	1,852.0	419.2	468.9	310.0	1,554.0	19%	3,406.0	3,083.0	
Operating profit/(loss)	734.0	166.2	185.8	122.9	495.0	48%	1,208.0	1,016.0	
Net profit	597.0	135.1	151.1	99.9	409.0	46%	941.0	719.0	
Dividends	NA	NA	NA	NA	NA		129.0	-	

Source: Liberum, FP

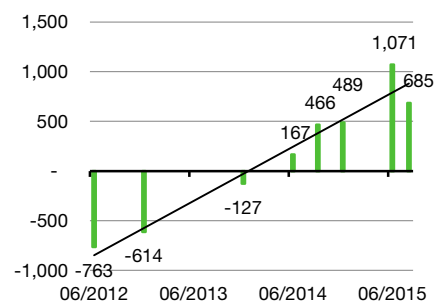
Hidroelectrica entered a reorganization plan in 2012 and by June 2015 repaid in its entirety the creditors list. By August 2015, the amounts due to creditors had decreased by 89%, compared to 2012.

Figure 29: Amounts due to creditors



Source: Liberum, Hidroelectrica

Figure 30: Net cash position



Source: Liberum, Hidroelectrica

Even though Hidroelectrica is profitable and distributes dividends, it is under a state of technical insolvency. The administrator cancelled or re-negotiated all long-term electricity contracts signed by the previous management. The company was expected to exit insolvency at the beginning of 2015 but due to legal challenges with energy traders not included on the current creditors' list, the process is delayed.

Hidroelectrica is expected to exit insolvency in May 2016, after the courts have decided on its litigations. The maximum potential liability is RON 1.5 billion (or USD 380m, FX rates as at 30 September 2015).

As at 25 November 2015, there were nine pending lawsuits out of a total of seventy five, sixty six of which have been irrevocably decided in favour of Hidroelectrica.

Figure 31: Hidroelectrica & Listed Peers

Ticker	Name	Mkt Cap (RON m)	P/B	P/E	EV/EBITDA
	Hidroelectrica	N/A	0.6	12.00	5.00
PGE PW	PGE SA	28,160	0.7	8.11	3.83
ENA PW	ENEA SA	6,109	3.2	7.52	4.10
CEZ CP	CEZ AS	44,223	1.0	9.99	6.00
RWE GR	RWE AG	27,380	0.7	5.57	3.36
VER AV	VERBUND AG	17,878	0.8	17.77	9.78
IBE SM	IBERDROLA SA	163,551	1.0	15.40	8.12
EDF FP	EDF	134,638	0.8	8.13	3.24
HYDR RM	RUSHYDRO PJSC	13,833	0.4	5.68	4.51
EDL LS	EDL-GENERATION PCL	2,950	1.3	8.48	10.78
GETI4 BZ	AES TIETE SA-PREF	5,290	3.4	8.8	5.2
	Average	44,107	1.26	13.40	6.26
	Median	22,629	0.80	8.48	6.00

Data as at 30 September 2015

Source: Liberum, Bloomberg

Hidroelectrica is expected to be listed on the BVB at the latest in the first half of 2017. FP values Hidroelectrica on earnings-multiple (EV/EBITDA) basis with the application of a discount estimated at around 20%.

Romgaz SA

Romgaz is listed on the BVB and on the LSE via GDRs, a listing that was headed by Goldman Sachs in 2013.

Romgaz has a long history in gas exploration and production going back to 1909 with the discovery of the first gas reservoir in the Transylvanian Basin. Romgaz is the largest natural gas producer in Romania with more than 140 commercial gas fields and 50% market share of the Romanian gas, exploration and production market. Romgaz is also one of the largest gas suppliers with 46% market share in Romania and is dominating the underground storage market with 90% market share.

In 2013, Romgaz took over the Iernut thermoelectric power station and began to produce and supply electric power.

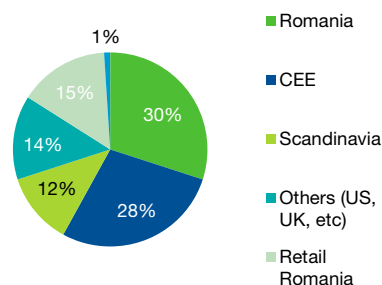
Figure 32: Romgaz SA & Peers

Ticker	Name	Market Cap (RON m)	P/B	P/E	EV / EV/Sales EBITDA	
SNG RO	ROMGAZ SOCIETATEA NATIONALA DE GAZE	11,717	1.3	8.00	3.29	1.80
OMV GR	OMV AG	31,074	0.6	8.79	4.65	0.59
REP SM	REPSOL SA	63,201	0.5	8.84	6.47	0.72
MOL HB	MOL HUNGARIAN OIL AND GAS PL	19,111	0.7	7.16	5.15	0.61
STL NO	STATOIL ASA	185,639	1.1	16.62	2.56	0.89
PGN PW	POLSKIE GORNICTWO NAFTOWE	39,648	1.2	12.20	5.56	1.07
ELPE GA	HELLENIC PETROLEUM SA	6,120	0.9	6.80	5.9	0.36
	Average	50,249	0.90	9.76	4.41	0.86
	Median	31,074	0.90	8.79	4.28	0.72

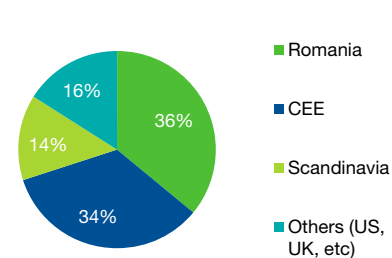
Data as at 23 September 2015

Source: Liberum, Bloomberg

On 20 October 2015, FP announced the completion of the sale of 16 million existing shares of which 14.7 million was in shares and 1.3 million in GDRs. The size of the transaction was approximately 10% higher than the original target and the gross proceeds amounted to RON456m or USD117.4m. The share price of the transaction was RON28.5 and USD7.32, representing a 6% discount to the 19 October 2015 price of RON30.45 and USD7.8.

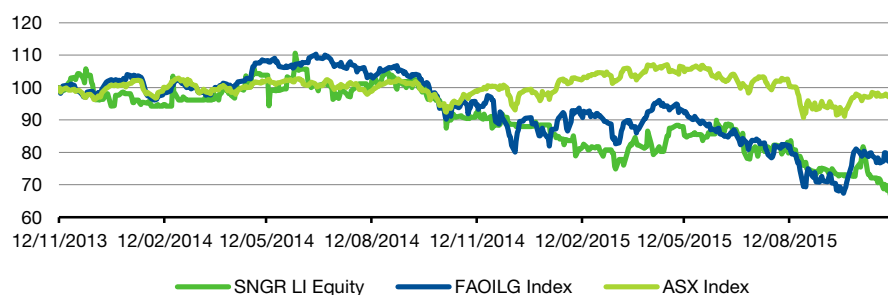
Figure 33: Retail & institutional demand by location

Source: Liberum, Fund

Figure 34: Institutional demand by location

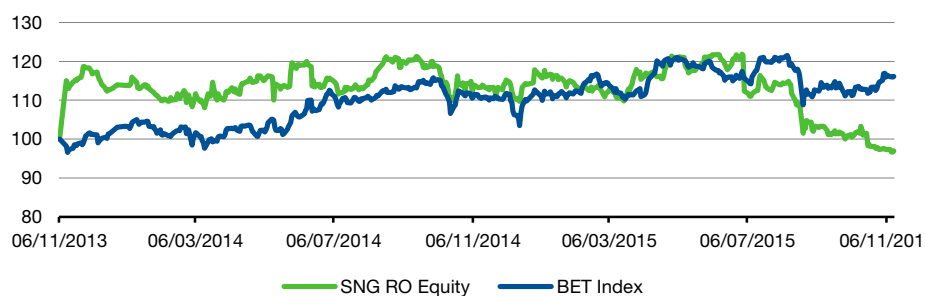
Source: Liberum, Fund

The price of Romgaz's GDRs on the LSE followed the trend of the LSE listed oil and gas companies and declined in 2015 as the oil price remained low.

Figure 35: Romgaz GDR price - FTSE oil & gas - FTSE All Share

Source: Liberum, Bloomberg

The Romgaz share price on BVB showed less volatility against the general index and the drop was smoother and more contained, due to limited exposure to foreign currencies and other external economic factors.

Figure 36: Romgaz share price on BVB

Source: Liberum, Bloomberg

Following the October 2015 transaction, FP's stake in Romgaz decreased to 5.85% against the 10.0% stake reported in June 2015. The majority shareholder is the Romanian State with a 70% stake.

Figure 37: Shareholder structure

	30 September 2015	20 October 2015
Romanian state	70.00%	
Fondul Proprietatea	10.00%	5.85%
Free float	20.00%	24.15%

Source: Liberum, Romgaz

In October 2015, Romgaz announced a significant discovery of a large deep-water offshore gas field with Lukoil and PanAtlantic. Romgaz's share in the project is 10% for a gas field that can potentially reach 39km² and reserves of 30bcm. Drilling and other works will start in 2016.

Gas sales were down in the nine-month period ended 30 September 2015 mainly due to weak Romanian consumption in the first half of the year and partially offset in Q3 2015 on weak hydro generated energy and a hot summer. The margins on EBITDA, EBIT and profit were strong and mostly flat against the relative period in 2014.

Figure 38: Financial performance

	9M 2015	9M 2015	9M 2015	9M 2015	9M 2014	Δ%	Q3' 2015	Q3' 2014	2014	2013
	RONm	USDm*	EURm*	GBPm*	RONm		RONm	RONm	RONm	RONm
Revenue from Gas Production	2,389	605	541	400	2,584	-8%	460	569	3,553	2,808
Revenue from Gas Resale	14	4	3	2	115	-88%	4	8	131	461
Revenue from Services	276	70	62	46	330	-16%	68	100	455	394
Revenue from Energy	238	60	54	40	243	-2%	161	79	336	207
Revenues	2,933	743	664	491	3,287	-11%	698	760	4,493	3,894
EBITDA	1,689	428	382	283	1,918	-12%	465	503	2,490	1,960
EBITDA margin	58%	58%	58%	58%	58%	-1%	67%	66%	55%	50%
EBIT	1,160	294	263	194	1,349	-14%	233	301	1,713	1,177
EBIT margin	40%	40%	40%	40%	41%	-4%	33%	40%	38%	30%
Net profit	975	247	221	163	1,114	-12%	209	243	1,410	996
Net margin	33%	33%	33%	33%	34%	-2%	30%	32%	31%	26%
Dividends									1,214	991
CAPEX	653	165	148	109	751	-13%	173	219	1,085	848

*FX as at 30 September 2015

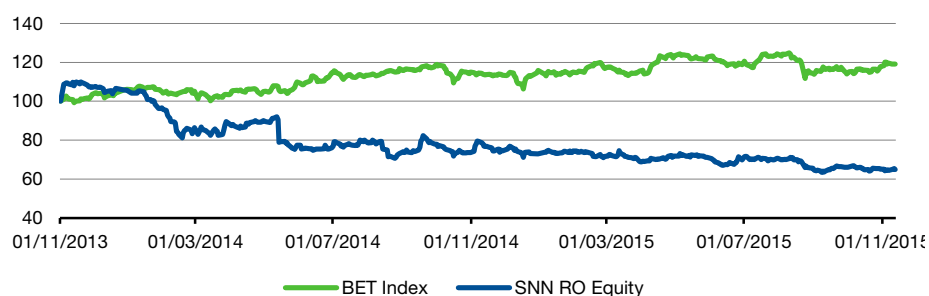
Source: Liberum, Romgaz

In 2015 and beyond, Romgaz is planning to intensify recovery of existing fields, continue the discovery and exploration of new resources, including unconventional and deep sea reservoirs, optimize internal operations, systems and policies and work to enhance gas trading capabilities.

SN Nuclearelectrica SA

Nuclearelectrica owns the two Romanian nuclear reactors generating about 20% of the country's total electricity. The company was established in 1998 to operate the nuclear units of Cernavoda 1 and later Cernavoda 2 with CANDU technology and 700 MW installed capacity each. The construction of nuclear units 3 and 4 is approved and a Memorandum of Understanding was signed with China General Nuclear Power Corporation (CGN).

Figure 39: Nuclearelectrica stock price



Source: Liberum, Bloomberg

On 4 November 2013, Nuclearelectrica listed 10% new shares on the BVB. In April 2015, the company completed a capital increase of 23.9 million shares, of which 19.4 million shares, or 81.27% were offered at a transaction that amounted to RON194.4m or EUR43.2m.

Figure 40: Shareholder structure

	Shares (m)	%
Romanian State	248.4	82%
Fondul Proprietatea	27.4	9%
Free Float	25.3	8%
	301.1	

Source: Liberum, Nuclearelectrica

After ANRE announced its intention to change the electricity transport regional tariffs, the market slowed down and only a few contracts were signed at low prices and auctions cancelled.

At the same time, energy prices dropped due to increased production from renewable energy producers.

Nuclearelectrica's profitability is affected by the low electricity prices in the competitive markets in 2015 and the infrastructure tax imposed since 2014. Historically, Nuclearelectrica is impacted by the state regulated prices and quantities.

Even though electricity sales were flat, in the first half of 2015, Nuclearelectrica's net profit dropped by 81% due to unfavourable FX movements from loans and deposits in foreign currencies, lower interest income from deposits and an increase in depreciation due to new assets put in operation in the period.

Figure 41: Financial performance

	H1 2015	H1 2015	H1 2015	H1 2015	H1 2014	Δ%
Quantity of energy sold (Mwh)	5,179,858	NA	NA	NA	5,181,064	0%
	RON	USD	EUR	GBP	RON	
Sales of electricity	791,793	200,459	179,236	132,553	783,094	1%
EBITDA	248,913	63,018	56,346	41,670	204,724	22%
EBIT	15,072	3,816	3,412	2,523	-17,735	-185%
Net profit	2,902	735	657	486	15,446	-81%
Basic EPS (per share)	0.01	0.003	0.002	0.002	0.05	-80%

*FX as at 30 September 2015

Source: Liberum, Nuclearelectrica

On 10 November 2015, Nuclearelectrica's management signed the Memorandum of Understanding for the development, construction, operation and decommissioning of Cernavoda NPP Units 3 and 4 with China General Nuclear Power Corporation (CGN). The projects will double the installed capacity with the two reactors of 700MWe each and a life of 30 years.

CE Oltenia

CE Oltenia is a coal-fired power producer in Romania that also sells coal to third parties. The coal is extracted from the CE Oltenia owned lignite mining basin in Oltenia.

CE Oltenia entered a five-year restructuring plan in 2015, after its Supervisory Board was revoked, replaced and five new members were appointed. In June 2015, 2,000 employees were collectively dismissed in an effort to reduce operating costs.

The sales of electricity in TWh terms increased by 7.6% and the revenue by 2% approximately, however the expenses related to CO² certificates have not been fully recognized and they are expected to impact CE Oltenia's results.

Figure 42: Financial performance

	H1 2015	H1 2015	H1 2015	H1 2015	H1 2014	Δ%	2014	2013
	RONm	USDm	EURm	GBPm	RONm		RONm	RONm
Sales	1,929	488	437	323	1,899	2%	4,105	4,278
Operating profit/(loss)	95	24	21	16	-157	-160%	-639	-28
Net profit/(loss)	1	0.2	0.2	0.1	-194	-100%	-694	5

*FX as at 30 September 2015

Source: Liberum, FP

CE Oltenia is one of the companies included in the privatisation plan of the Ministry of Finance.

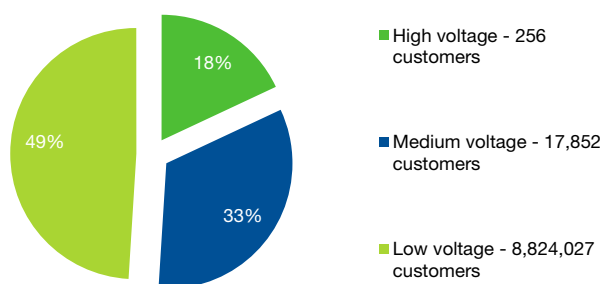
Energy distribution

The energy distribution market within the EU countries is generally similar in characteristics. However in Romania, the industry is regulated by ANRE and there are eight main Distribution System Operators (DSOs) that serve around 9 million customers domestically and in 2013 reportedly distributed over 41,010 TWh. ENEL, Electrica and E.ON distribution companies in FP's portfolio are regulated DSOs.

ANRE is responsible for defining the methodology DSOs are using to compute the allowed revenues and approving them. As a result, the regulatory model is incentive-based and price-capped, where the DSO estimates the tariff according to the approved methodology and the regulator fixes and approves the final tariffs.

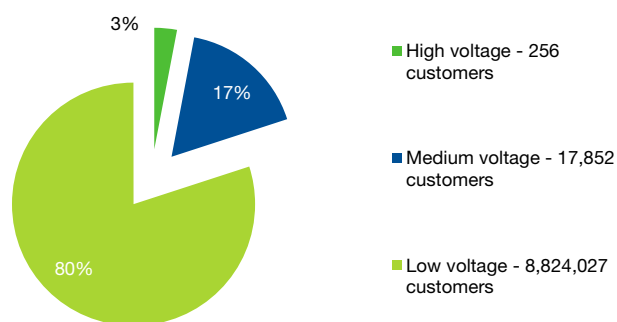
Based on the 2013 report of the European Commission's Internal Energy Market, the revenue of distribution activities in Romania was EUR 1.14 billion mainly deriving from the low voltage, consumer base. In Romania, consumer categories are defined by voltage level: high, medium and low.

Figure 43: Energy share by voltage category in 2013



Source: Liberum, European Commission

Figure 44: Revenue share by voltage category in 2013



Source: Liberum, European Commission

One of the incentives the Romanian regulator has adopted is the quality improvement where allowed revenues are increased or decreased based on DSO's performance on predetermined quality targets.

Figure 45: ANRE tariff changes in May 2015

	E.ON Distributie Romania	ENEL Distributie Muntenia	ENEL Distributie Banat, Dobrogea	*GDF Suez Energy Romania
High to low voltage	-0.2% to -2.3%	0.6%	-0.2% to -2.5%	-6%

Source: Liberum, FP *Tariff for supply

Future developments in the energy distribution sector relate to the increase of renewable energy production and smart metering.

Enel Distribution Companies

Distribution companies in Romania have a significant turnover but the profit margin is relatively small and regulated by ANRE (as shown above). In July 2014, Enel Italy announced its intention to withdraw operations in Romania and in February 2015 suspended the sale of distribution and supply operations in the country.

FP has tag-along rights for its shares in Enel Distributie Muntenia SA and Enel Energie Muntenia SA. The potential disposal of the Enel distribution companies is one of the potential options for liquidity and discount decrease for FP.

Figure 46: Enel companies NAV as at 30 September 2015

	FP stake	NAV EURm	NAV USDm	NAV GBPm	% of NAV
Enel Distributie Banat (EDB)	24%	145.0	162.0	107.1	5.3%
Enel Distributie Muntenia (EDM)	12%	105.5	117.9	77.9	3.9%
Enel Distributie Dobrogea (EDD)	24%	89.9	100.4	66.4	3.3%
Enel Energie (EE)	12%	16.8	18.8	12.4	0.6%
Enel Energie Muntenia (EEM)	12%	14.7	16.4	10.9	0.5%

*FX as at 30 September 2015

Source: Liberum, FP

E.ON Companies

The Fund initiated court actions against the Board and managers of the E.ON group of companies for the recovery of damages from entering service agreements with E.ON Romania SRL, the majority shareholder of the E.ON portfolio companies.

The Manager estimates that these agreements amounted to RON34.4m (or USD9m, approximately at 30 September 2015 FX rates) for the year 2014. As a result of the challenging relationships between the Fund and the majority shareholder, disposal of the stake in these companies looks to be a probable step towards reducing the unlisted percentage of holdings in the portfolio.

Figure 47: E.ON companies NAV as at 30 September 2015

	FP stake	NAV	NAV	NAV	% of NAV
		EURm	USDm	GBPm	
E.ON Distributie Romania	18%	101.0	112.8	74.6	3.7%
E.ON Energie Romania	13%	30.3	33.9	22.4	1.1%

*FX as at 30 September 2015

Source: Liberum, FP

Electrica subsidiaries

Electrica is another one of Romania's large companies operating in distribution, sourcing and other energy-related services. FP and Electrica have entered negotiations for the sale of FP's stake in the four Electrica subsidiaries to Electrica in the past.

Even though negotiations had failed before, Electrica announced on 10 November 2015 that the Extraordinary Meeting of Shareholders mandated the Board to restart negotiations with FP in order to acquire the 21.99% stake in Electrica Distributie Muntenia Nord, 22% stake in Electrica Distributie Transilvania Nord, 21.99% stake in Electrica Distributie Transilvania Sud and 22% stake in Electrica Furnizare.

The negotiations must be completed by 31 March 2016. If negotiations fail, an Extraordinary Shareholders General Meeting will decide on the acquisitions and the terms.

Figure 48: Financial performance

	EBITDA H1 2015				EBITDA H1 2014	Δ%
	RON m	EUR m	USD m	GBP m	RON m	
Electrica Distributie Muntenia Nord SA	146.3	33.1	37.0	24.5	122.3	20%
Electrica Distributie Transilvania Sud SA	159.0	36.0	40.2	26.6	140.7	13%
Electrica Distributie Transilvania Nord SA	155.2	35.1	39.3	26.0	131.4	18%
Electrica Furnizare SA	77.2	17.5	19.5	12.9	144.3	-47%
	537.6	121.7	136.1	90.0	538.6	-0.2%

	Net profit H1 2015				Net profit H1 2014	Δ%
	RON m	EUR m	USD m	GBP m	RON m	
Electrica Distributie Muntenia Nord SA	83.1	18.8	21.0	13.9	75.8	10%
Electrica Distributie Transilvania Sud SA	77.3	17.5	19.6	12.9	66.5	16%
Electrica Distributie Transilvania Nord SA	80.0	18.1	20.3	13.4	61.1	31%
Electrica Furnizare SA	66.2	15.0	16.8	11.1	130.6	-49%
	306.7	69.4	77.6	51.3	334.1	-8%

*FX as at 30 September 2015

Source: Liberum, FP

On 30 September 2015, FP reported higher valuation of the Electrica subsidiaries due to stable improved performance in 2015.

Figure 49: Electrica subsidiaries' valuation update

	Holding value as at 30 October 2015	Holding value as at 30 September 2015	Holding value as at 30 September 2015	Holding value as at 30 September 2015	Holding value as at 30 September 2015	Difference
	RON m	EUR m	USD m	GBP m	RON m	RON m
Electrica Distributie Muntenia Nord SA	253.9	57.5	64.3	42.5	235.6	18.3
Electrica Distributie Transilvania Sud SA	215.6	48.8	54.6	36.1	201.6	14.0
Electrica Distributie Transilvania Nord SA	222.3	50.3	56.3	37.2	206.5	15.8
Electrica Furnizare SA	149.6	33.9	37.9	25.0	126.37	23.2
	841.4	190.5	213.0	140.9	770.07	71.3

*FX as at 30 September 2015

Source: Liberum, FP

On 26 November 2015, ANRE suggested that the tariff decrease expected in 2016 for Electrica will be higher from 8% initially suggested to 8% - 10%.

Gas distribution – GDF Suez Energy Romania

GDF Suez Romania is a group of companies that supplies gas and electricity, distributes natural gas and provides technical support and services to gas plants and power generators. It employs 3,800 staff and serves 1.5 million customers.

Figure 50: Financial performance

	H1 2015			H1 2014		V%	2014	2013
	RON m	EUR m	USD m	GBP m	RON m		RON m	RON m
Turnover	2,536.7	574.2	642.2	424.7	2,332.7	9%	4,337.2	4,127.1
Operating profit	426.7	96.6	108.0	71.4	416.9	2%	560.9	518.7
Net profit	351.3	79.5	88.9	58.8	346.7	1%	443.1	447.1
Dividends	NA	NA	NA	NA	NA		200.0	280.0

*FX as at 30 September 2015

Source: Liberum, FP

GDF Suez Romania acquired an 85.8% stake in Congaz SA, the gas distribution company in Constanta in July 2014 and increased it to 99.72% in April 2015. Congaz SA owns 850 km of gas network and serves over 57,000 clients. GDF Suez Energy Romania is another one of the unlisted companies in the portfolio that could be disposed of rather than an exit via listing.

Figure 51: NAV as at 30 September 2015

	FP stake	NAV EURm	NAV USDm	NAV GBPm	% of NAV
GDF Suez Energy Romania	12%	104.4	116.6	77.1	3.8%

*FX as at 30 September 2015

Source: Liberum, FP

Banking

The banking sector worldwide has been challenged since the 2008 financial crisis. The Financial Stability Review for EU banks issued in May 2015 concludes that the European banks have turned the page towards a positive outlook after some significant balance sheet repair that allowed them to focus on growth and shareholder returns.

The European Central Bank (ECB) played an important role in the improvement of the banks' health, especially since 2012 providing liquidity through long-term refinancing operations, sovereign quantitative easing (QE) and other measures.

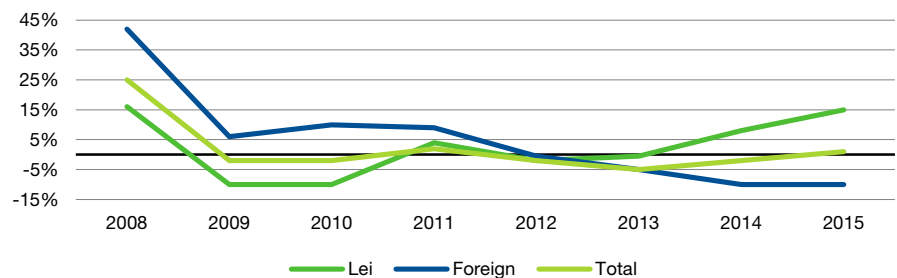
Romania's financial sector is bank-based and the majority of the banks are foreign. In 2013, foreign owned banks accounted for 80% of the total sector, mainly Austrian, followed by French and Greek banks. The Romanian banking

system did not suffer from the Greek bank problems in 2015 since they are Romanian entities under the regulations of the National Bank of Romania (NBR) and not branches.

The seven largest banks in Romania hold approximately 70% of the total assets in 2015. The three largest banks hold 40% between them.

In 2015, foreign financing decreased from 13% in 2008 to approximately 8%, due to the increase of domestic sources. Lending in local currency picked up in the private sector, even though corporate loans' growth was still weak and lagging household loans.

Figure 52: Annual growth rate of loans to the private sector



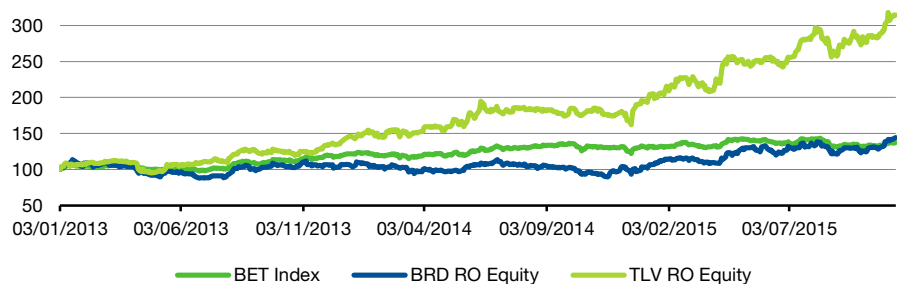
Source: Liberum, National Bank of Romania

As with most European banks, Romanian banks improved their loan portfolio quality by removing the provisioned non-performing loans from their balance sheet. The NBR is reporting that in August 2015, non-performing loans were 12.6% of the total portfolio of the bank against 20.4% in March 2014. At the same time, the non-performing loan coverage was 69.2%, much higher than Italy's June 2014 coverage of 45% and on a par with Poland's September 2014 coverage of 69%.

In January 2014, Romanian banks implemented the Capital Requirements Directive IV regulatory framework to strengthen the capital position according to EU regulations. In June 2015, NBR reported of total capital ratio of 18% and Tier 1 capital ratio 16.8%.

Romanian analysts believe that the banking sector is ready to grow again and follow the macroeconomic outlook of the country, especially the banks in FP's portfolio, Banca Transilvania and BRD GSG

Figure 53: BRD GSG and Banca Transilvania stock price



Source: Liberum, Bloomberg

BRD Groupe Societe Generale

The bank has operated in Romania for the past 90 years and serves 2.3 million customers from 900 branches, online and on mobile. BRD GSG serves individual loans and cards, SMEs and corporates.

BRD GSG also provides specialized services, including leasing, fleet management, consumer finance, securities, insurance, pensions and others. The bank employs 8,800 professionals in 915 units across Romania. Loans and advances to customers were RON 24.5m (or USD 6m, at 30 September 2015 FX rates).

Figure 54: Ratings assigned to BRD GSG

Fitch ratings (9 December 2014)		Rating
Foreign currency short term issuer default rating		F2
Foreign currency long term issuer default rating		BBB+
Support rating		2
Moody's ratings (16 September 2015)		Rating
Global local currency short term deposit		Not Prime
Global local currency long term deposit		Ba1
Foreign currency short term deposit		Not Prime
Foreign currency long term deposit		Ba1

Source: Liberum, BRD GSG

The net profit in the nine-month period ended 30 September 2015 was RON380m (or approximately USD96m, at 30 September 2015 FX rates) against RON38m the corresponding period of 2014, a very significant increase, mainly due to declining cost of risk and strict cost management.

Figure 55: Financial performance

	9M 2015			9M 2014		Δ%	2014	2013
	RON m	EUR m	USD m	GBP m	RON m		RON m	RON m
Net banking income	1,860.1	421.1	470.9	311.4	1,966.1	-5%	2,620.5	2,850.6
Net operating income	906.2	205.1	229.4	151.7	1,006.2	-10%	1,295.3	1,491.3
Net cost of risk	454.3	102.8	115.0	76.1	967.7	-53%	1,215.4	2,130.8
Net profit/(loss)	380.1	86.0	96.2	63.6	33.6	Very high	63.1	-387.5

*FX as at 30 September 2015

Source: Liberum, FP

In September 2015, the non-performing loans (NPLs) ratio decreased by approximately 12% against the ratio in September 2014, while the NPL coverage ratio provisions increased by 6%, approximately.

The capital adequacy ratio was 17.2% as at 30 September 2015.

BRD GSG expects the positive environment and the improvement in individual loans demand to continue for the rest of 2015, provided the local mortgage market does not slow down drastically.

Banca Transilvania

Banca Transilvania is the third-largest bank in Romania in terms of assets. It was established in 1994 by local business professionals and operates in corporate, SME and retail financing. Banca Transilvania employs 6,000 staff in 550 units in Romania and Italy.

The bank listed on the BVB in 1997.

The bank's strategy is supported by strong shareholders, such as the European Bank for Reconstruction and Development (EBRD), with 15% of shared capital, and IFC – the investment arm of the World Bank.

The bank acquired 100% of Volksbank Romania in April 2015 for RON360m (EUR81m). Given Romanian banking sector's positive outlook, more acquisitions and dividend distribution are expected from Banca Transilvania.

Figure 56: Financial performance

	YTD Sep 2015				YTD Sep 2014	V%
	RON m	EUR m	USD m	GBP m	RON m	
Operating income	1,453.6	329.0	368.0	243.3	1,430.9	2%
Gross profit before provisions	735.9	166.6	186.3	123.2	817.8	-10%
Net income	313	70.9	79.2	52.4	322.6	-3%
EPS	0.104	0.024	0.026	0.017	0.108	-4%
Cost of risk (%)	1.9%				2.9%	-34%
NIM (%)	2.9%				3.4%	-15%
ROE (%)	11.2%				13.3%	-16%
Cost to income ratio (%)	49.4%				42.8%	15%
Gross loans to customers	23,848.5	5,398.5	6,037.7	3,992.4	20,020.0	19%
Deposits from customers	32,527.2	7,363.1	8,234.9	5,445.3	30,045.5	8%
Loans to deposits ratio	73.3%				66.6%	10%
NPL ratio	9.5%				10.9%	-13%
Total equity	3,860.5	873.9	977.4	646.3	3,702.0	4%
Tier 1 capital ratio (profit included)	14.9%				15.5%	-4%
Total capital ratio (profit included)	16.1%				17.3%	-7%

*FX as at 30 September 2015

Source: Liberum, FP

The bank's P&L was hit by two one-off expenses related to the integration of Volksbank and the change of booking methodology of the Deposit Guarantee Fund contributions.

The capital adequacy ratio was 16.1% in the nine month period that ended 30 September 2015 and the NPL ratio was the lowest in four years at 9.5%. The NPL coverage ratio provision was 77%, down from 81% in 2014.

The expectation for the rest of 2015 is that the lending growth will continue and cost-to-income will decrease as the bank plans to improve its operations.

Transportation

The transportation sector is critical to Europe's sustainable growth strategy as it relates to the movement of people, goods and services. The European Commission reports that the transport sector accounts for 3.7% of European GDP and 5.1% of employment in the EU.

Figure 57: EU 28 External trade Sea and Air – 2012 in billion Euro

	Imports		Exports		Total	
Sea	826.6	49%	965.4	54%	1,792	51%
Air	430.4	26%	348.8	19%	779	22%
Total	1,683.1		1,798		3,481	

Source: Liberum, Eurostat

FP holds stakes in four airports including the main Bucharest airport and all Romanian ports on the Black Sea and the Danube.

The Romanian transport sector has seen growth in recent years and is expected to expand with the focus of national economic efforts on tourism and exports.

C.N. Aeroporturi Bucuresti

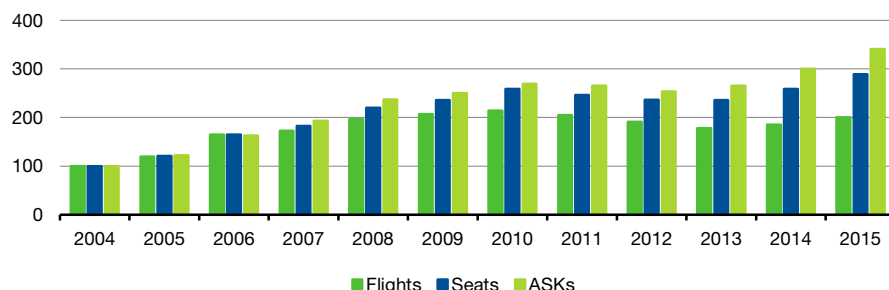
The Bucharest airport has shown significant year-over year-growth and is expected to be included in the Ministry of Transports listing program to IPO 25% of its shares.

Figure 58: 2011 transport turnover between Sea and Air

	Total transport 2011 turnover EUR m	Sea transport	%	Air transport	%
Romania	11,642	79	0.7%	509	4.4%
UK	164,404	8,481	5.2%	25,350	15.4%
Poland	39,173	345	0.9%	1,423	3.6%
EU - 28	1,320,000	105,786	8.0%	127,394	9.7%

Source: Liberum, Eurostat

The number of flights, paid seats and prices has increased more than 100% in the period from 2004 to 2015.

Figure 59: Bucharest Airport data 2004 - 2015

Source: Liberum

Additionally, for budget airline companies such as Wizzair, the Bucharest airport is an opportunity to increase their market share as the propensity for air travel is growing.

Figure 60: Financial performance

	H1 2015				H1 2014	Δ%	2014		2013
	RON m	EUR m	USD m	GBP m	RON m		RON m	RON m	
Total revenue	361.7	81.9	91.6	60.6	316.7	14%	689.7	641.4	
Operating profit	106.7	24.2	27.0	17.9	60.8	75%	124.4	91.0	
Net profit	90.4	20.5	22.9	15.1	52.6	72%	98.8	69.0	
Dividends	NA	NA	NA	NA	NA		51.2	61.6	

*FX as at 30 September 2015

Source: Liberum, FP

Total passenger traffic increased by 11.8% in the first eight months of 2015 and reached 6.1 million people.

CN Administratia Porturilor Maritime SA

The company manages four ports - three freight ports and one for private boats. Collectively, the ports have shown material year-over-year growth and the Fund anticipates a government decision to potentially list 25% of the company's shares based on the Ministry of Transports privatisation program.

Figure 61: Financial performance

	H1 2015				H1 2014		Δ%	2014	2013
	RON m	EUR m	USD m	GBP m	RON m	RON m		RON m	
Total revenue	157.1	35.6	39.8	26.3	140.7	12%	305.2	302.4	
Operating profit	70.7	16.0	17.9	11.8	50.9	39%	83.8	76.6	
Net profit	61.4	13.9	15.5	10.3	41.8	47%	70.3	65.0	
Dividends	NA	NA	NA	NA	NA		32.3	50.6	

*FX as at 30 September 2015

Source: Liberum, FP

The past eight months were very productive for the port with a traffic increase of around 13%, or 39 million tons additional to same period in 2014.

Other

Societatea Nationala a Sarii SA (Salrom)

Salrom is the sole licensed salt extraction company in Romania, basically a monopoly, with a 20-year concession agreement to operate five underground salt mines and four brine fields from 1998–1999, with possible five-year extensions.

Salrom is one of the SOEs included in the privatisation plans of the Romanian Ministry of Finance.

Figure 62: Financial performance

	H1 2015				H1 2014		Δ%	2014	2013
	RON m	EUR m	USD m	GBP m	RON m			RON m	RON m
Operating revenue	154.2	34.9	39.0	25.8	133.9	15%		297.6	326.9
Operating profit	35.0	7.9	8.9	5.9	17.6	99%		31.8	48.8
Net profit	29.4	6.7	7.4	4.9	13.4	119%		24.5	42.8
Dividends	NA	NA	NA	NA	NA			20.9	40.4

*FX as at 30 September 2015

Source: Liberum, FP

The improved performance is due to sale increases and cost controls.

Other listed companies

FP holds stakes in seven listed companies that account for 1.5% of the total net assets, valued at RON184m, approximately (or USD47m, FX as at 30 September 2015).

There's also a small stake in three listed companies with limited liquidity that, as at 30 September 2015, had not traded in the past 30 days. They represent a 0.09% of the total net assets, valued at approximately RON 11m (or USD 3m, FX rates as at 30 September 2015).

Figure 63: Other investments - listed

Listed shares traded in the last
30 trading days

Issuer	Symbol	Date of the last trading session	No. of shares held	Share value	Total value RON	Stake in the issuer's capital	Stake in FP net assets	Evaluation method
Alro Slatina S.A.	ALR	30-Sep-15	72,884,714	1.39	101,309,752	10.21%	0.84%	Closing price
Conpet S.A.	COTE	30-Sep-15	524,366	67.8	35,552,014	6.05%	0.30%	Closing price
IOR SA	IORB	01-Sep-15	2,622,273	0.3002	787,206	2.81%	0.01%	Reference price - Average price
Oil Terminal S.A.	OIL	30-Sep-15	36,796,026	0.0994	3,657,524	6.31%	0.03%	Closing price
Palace S.A.	PACY	02-Sep-15	5,832,482	0.3129	1,824,983	15.42%	0.02%	Reference price - Average price
Primcom S.A.	PRIB	28-Sep-15	1,427,188	12.4	17,697,131	76.03%	0.15%	Reference price - Average price
Romaero S.A.	RORX	29-Sep-15	1,311,691	17.5	22,954,592	20.99%	0.19%	Reference price - Average price
Total					183,783,205		1.53%	

Listed shares but not traded in
the last 30 trading days

Issuer	Symbol	Date of the last trading session	No. of shares held	Share value	Total value RON	Stake in the issuer's capital	Stake in FP net assets	Evaluation method
Alcom S.A.	ALCQ	27-Jul-15	89,249	116.6335	10,409,423	71.89%	0.09%	Fair value / share as of 31 December 2014
Mecon S.A.	MECP	14-Jul-15	60,054	4	240,216	12.51%	0.00%	Fair value / share (last trading price)
Romplumb S.A.	ROMR	05-Oct-01	1,595,520	0	0	33.26%	0.00%	Priced at zero (company in insolvency)
Total					10,649,639		0.09%	

Source: Liberum, FP

Other unlisted companies

FP is holding stakes in seventeen unlisted companies that represent 1% of the total net assets and are valued at RON 123m (or USD 31m, FX as at 30 September 2015).

Figure 64: Other investments - unlisted

Issuer	Acquisition price	Total value RON	Stake in the issuer's capital	Stake in FP net assets	Company status	Evaluation method
Aeroportul International Mihail Kogalniceanu - Constanta S.A.	1,490,898	2,279,998	20.00%	0.02%	Unlisted companies, in operation	Fair value / share as at 31 March 2014
Aeroportul International Timisoara - Traian Vuia S.A.	2,652,588	3,934,913	20.00%	0.03%	Unlisted companies, in operation	Shareholders' equity as of 31 December 2014/ share
BAT Service S.A.	656,686	0	33.00%	0.00%	Dissolution	Priced at zero
Cetatea S.A.	118,840	336,886	20.43%	0.00%	Unlisted companies, in operation	Shareholders' equity as of 31 December 2014/ share
CN Administratia Canalelor Navigabile S.A.	15,194,209	16,474,345	20.00%	0.14%	Unlisted companies, in operation	Fair value / share as of 31 December 2014
CN Administratia Porturilor Dunarii Fluviale S.A.	675,810	0	20.00%	0.00%	Unlisted companies, in operation	Fair value/share: Nil
CN Administratia Porturilor Dunarii Maritime S.A.	1,706,051	1,158,329	7.70%	0.01%	Unlisted companies, in operation	Fair value / share as of 31 December 2014
Comsig S.A.	132,633	1,720,901	69.94%	0.01%	Unlisted companies, in operation	Shareholders' equity as of 31 December 2014/ share
Gerovital Cosmetics S.A.	340,996	0	9.76%	0.00%	Dissolution	Priced at zero
Petrotel - Lukoil S.A.	2,787,316	0	0.97%	0.00%	Unlisted companies, in operation	Priced at zero
Plafar S.A.	3,160,329	1,833,999	48.99%	0.02%	Unlisted companies, in operation	Fair value / share as at 30 September 2014
Posta Romana S.A.	84,664,380	55,894,725	25.00%	0.47%	Unlisted companies, in operation	Fair value / share as at 30 September 2014
Salubriserv S.A.	207,601	0	17.48%	0.00%	Insolvency	Priced at zero
Simtex S.A.	3,059,858	0	30.00%	0.00%	Juridical reorganisation	Priced at zero
World Trade Center Bucuresti S.A.	42,459	0	19.90%	0.00%	Insolvency	Priced at zero
World Trade Hotel S.A.	17,912	0	19.90%	0.00%	Unlisted companies, in operation	Priced at zero
Zirom S.A.	48,138,072	39,337,751	100.00%	0.33%	Unlisted companies, in operation	Fair value / share as at 30 September 2014
Total		122,971,852.58		1.0%		

Source: Liberum, FP

Portfolio Expectations

FP's long-term investment objective is to hold a portfolio comprised entirely of listed companies. A number of IPOs and privatizations are anticipated and dependent on the government's approval.

Figure 65: Future IPOs & Privatizations

Company	Official Timeline	FP Expectations	Offering Size %	Seller
Hidroelectrica	IPO - Jun 2014	H2 2016/2017	15	New shares
CE Oltenia	Approved	Suspended	12.0/15.3	New shares
Posta Romana	Not Approved	2016/2017	>50.0	New shares
Constanta port	Not Approved	2016/2017	No info	No info
Bucharest's airports	Not Approved	2016/2017	No info	No info
Societatea Nationala a Sarii Salrom SA	Not Approved	2016/2017	No info	No info

Source: Liberum, FP

On 19 August 2015, FP announced its intention to reduce the stake in OMV Petrom SA from 19% to 15% via a GDR issuance. The Manager believes that the Company's valuation has been depressed in prior years and is anticipating a re-rating. In light of the significant drop in oil prices, FTIML will delay the sale until market conditions are more favourable.

In the meantime, the Fund announced the agreement to sell 14,715,000 of shares and 1,285,000 of GDRs (a total of 16,000,000) in Romgaz S.A., approximately 10% higher than the original target of 14,582,000. The shares

were priced at RON28.5 and USD7.32 and the gross proceeds were RON456m or USD117m.

FP intends to dispose unlisted power and gas distribution companies (Enel, Electrica, E.ON and GDF Suez Energy Romania) that account for 29% of the Fund's NAV as at 30 September 2015. The BVB listing of 15% of new Hidroelectrica shares is also an important event for the portfolio, expected to go through in the middle of 2017.

Figure 66: Portfolio liquidation options (as at 30 September 2015)

Issuer	No. of shares held	Date of acquisition	Acquisition price	Share value	Total value	Stake in the issuer's capital	Stake in Fondul Proprietatea total asset	Stake in Fondul Proprietatea net asset
Cetatea S.A.	354,468	19/07/2005	118,840	0.9504	336,886	20%	0%	0%
E.ON Distributie Romania S.A.	56,749,014	19/07/2005	169,541,165	7.8577	445,916,727	18%	4%	4%
E.ON Energie Romania S.A.	9,903,524	19/07/2005	45,765,358	13.5204	133,899,606	13%	1%	1%
Electrica Distributie Muntenia Nord S.A.	7,796,022	19/07/2005	165,221,141	30.2205	235,599,683	22%	2%	2%
Electrica Distributie Transilvania Nord S.A.	8,167,813	19/07/2005	113,299,904	24.6822	201,599,594	22%	2%	2%
Electrica Distributie Transilvania Sud S.A.	9,327,282	19/07/2005	125,918,629	22.1393	206,499,494	22%	2%	2%
Electrica Furnizare S.A.	1,366,412	22/07/2011	17,819,672	92.4816	126,367,968	22%	1%	1%
Enel Distributie Banat S.A.	9,220,644	19/07/2005	141,578,929	69.4627	640,490,828	24%	5%	5%
Enel Distributie Dobrogea S.A.	6,753,127	19/07/2005	114,760,053	58.772	396,894,780	24%	3%	3%
Enel Distributie Muntenia S.A.	3,256,396	19/07/2005	107,277,263	143.032	465,768,833	12%	4%	4%
Enel Energie Muntenia S.A.	444,054	19/07/2005	2,833,769	146.7028	65,143,965	12%	1%	1%
Enel Energie S.A.	1,680,000	19/07/2005	26,124,808	44.272	74,376,960	12%	1%	1%
GDF Suez Energy Romania S.A.	2,390,698	19/07/2005	62,610,812	192.9649	461,320,801	12%	4%	4%
Plafar S.A.	132,784	28/06/2007	3,160,329	13.8119	1,833,999	49%	0%	0%
Posta Romana S.A.	14,871,947	19/07/2005	84,664,380	3.7584	55,894,726	25%	0%	0%
Societatea Nationala a Sarii S.A.	2,005,884	28/06/2007	76,347,715	71.2314	142,881,926	49%	1%	1%
Zirom S.A.	4,835,083	28/06/2007	8,138,072	8.1359	39,337,752	100%	0%	0%
Total			1,305,180,839		3,694,164,527		30%	31%

Source: Liberum, FP

Model

The two main catalysts to FP's NAV and distribution growth are the disposal of unquoted oil and gas distribution companies and the privatisation of Hidroelectrica via an IPO. Additionally, and as shown in Figure 66, the option to IPO Salrom, the Bucharest airport and the Constanta port are less likely to happen before the mid of 2017.

The Manager has two main objectives based on the IMA:

- narrow the discount and
- increase the adjusted NAV-per-share in 30 June 2016 above the adjusted NAV-per-share in 30 June 2015 of RON 1.1855 per share

From 2011 to 2014, FP's dividend yield exceeded 6%. YTD 2015, the dividend yield is 5.9%, due to lower dividends received from the oil and gas producers and distributors in the portfolio. At the same time, the Manager has completed five share buybacks and two tender offers and has two new share buyback schemes in progress.

We estimated that both tender offers were done at a significant premium to the average monthly closing price.

2016 Expectations

We believe that in 2016 the Manager will indeed dispose of some of the Electrica, E.ON and perhaps Enel distribution companies and GDF Suez Energy Romania.

We expect FTIML will continue the share buyback programs and perhaps use a tender offer in 2016 as an acceleration mechanism. We are assuming a 500 million shares tender offer in 2016 at a 20% discount to the average monthly NAV-per-share, RON 500m (or USD 127m) in total, approximately. Additionally, we estimate another 250 million shares to be bought back.

Our model does not include any NAV uplift, but in our sensitivity analysis we observed a 2% total return increase for a 2% NAV uplift.

Based on a yield of 6% and adding the impact of the aforementioned tender offer, we are estimating a total shareholder return of 13% for 2016, provided the assumptions regarding discount evolution, number and price of shares in buybacks and the tender offer are met.

The discount evolution and the number of shares and prices in the buybacks and tender offers can change the return scenarios significantly.

Figure 67: Estimates – 2016

2016			
Starting Value			
# of Shares		Price	Market Cap
209		\$10.51	\$2,201
Distributions (Tender + Divi)			
Dividends			\$131
Tender			\$115
Ending Value			
# of Shares	Buyback # of shares	Price	Market Cap
194	5	\$11.24	\$2,242
2016 TSR			13.0%

Source: Liberum

2016	# of shares	Price	
Tender	10	\$0.230	
	% of tender to total shares	Tender premium to share price	Shareholder %
	4.7%	9.6%	0.5%
Dividend yield			6.0%
Price change			6.6%
2016 TSR			13.0%

Source: Liberum

2017 Expectations

The privatisation of Hidroelectrica will be a significant event for the Fund. The Manager of the Fund and the Administrator of Hidroelectrica are expecting the company to exit the technical insolvency in May 2016. The company is already profitable and has been distributing dividends and the hope is that it will be privatised by H1 2017.

We are assuming the Manager will continue using share buybacks to control the discount and a tender offer could be used as an acceleration mechanism. We are again assuming a tender offer of 500 million shares at a 20% discount to the average monthly NAV-per-share, RON 500m (or USD 127m) in total, approximately. We estimate an additional 250 million shares to be bought back.

Our model does not include any NAV uplift, but in our sensitivity analysis we observed a 2% total return increase for a 2% NAV uplift.

We are assuming that the yield will be 6% in 2017, on the back of growth in Romania and within the portfolio. We are estimating that the total shareholder return including the tender offer will be about 20% provided the assumptions regarding discount and number of shares and prices of the buybacks and the tender offer are met.

Figure 68: Estimates – 2017

2017			
Starting Value			
# of Shares		Price	Market Cap
194		\$11.24	\$2,186
Distributions (Tender + Divi)			
Dividends			\$126
Tender			\$117
Ending Value			
# of Shares	Buyback # of shares	Price	Market Cap
179	5	\$12.92	\$2,383
2017 TSR			20.1%

Source: Liberum

2017	# of shares	Price	
Tender	10	\$0.234	
	% of tender to total shares	Tender premium to share price	Shareholder %
	5.1%	4.2%	0.2%
Dividend yield			5.8%
Price change			14.2%
2017 TSR			20.1%

Source: Liberum

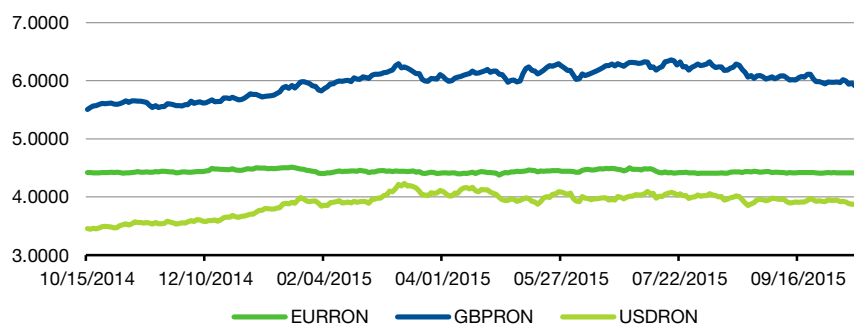
Romania

Currency

FP's reporting currency is the Romanian Leu (RON).

Romania is expected to join the Eurozone in 2019. In the meantime, the RON is stable against the main currencies, especially against the Euro.

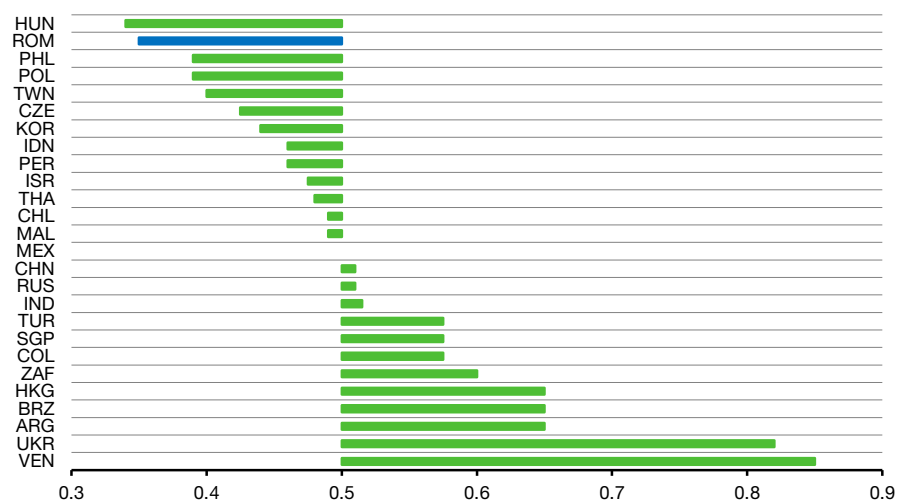
Figure 69: Spot rates of EURRON, GBPRON and USDRON in the past 12 months



Source: Liberum, Bloomberg

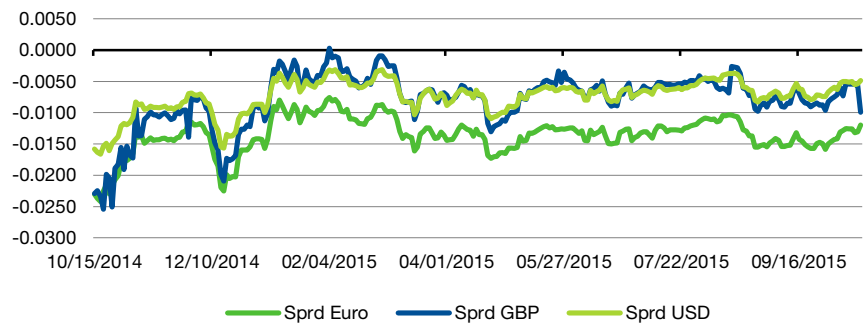
Deutsche Bank recently published a vulnerability monitor of emerging market currencies, measuring the correlations among the countries and the beta to the US dollar that historically was thought to be significant. The Romanian currency shows very low vulnerability, with Venezuela, Brazil, Argentina and Ukraine topping the scale.

Figure 70: Vulnerability monitor



Source: Liberum, Deutsche Bank

Based on the forward bid price of EURRON, GBPRON & USDRON in the period from 2015 to 2019, the RON is projected to remain stable for the rest of 2015 and start to gradually get slightly stronger in 2016 and 2017 against all the base currencies (USD, GBP and EUR) as the country is moving towards nominal convergence.

Figure 71: Spread between spot FX rate and 3M Forward rate for EURRON, GBPRON and USDRON in the past 12 months

Source: Liberum, Bloomberg

Romania macroeconomics

Overall

Romania is a country and an economy on the rise and aiming to catch up with its peer European Union (EU) member countries. Romania is a member of the EU pending nominal convergence. The plan is to become a full member and adopt the Euro in 2019.

In recent years Romania has achieved robust and sustainable GDP growth. For the year 2015, the growth is estimated at 3.5% and believed to be higher in 2016 and beyond. Goldman Sachs, on a presentation regarding the Romanian economy, during FP's 2015 investor and analyst days, estimates a 3.7% and 5.2% growth acceleration in 2015/16, based on fiscal stimulus.

At the same time, foreign direct investment (FDI) and the exports of goods and services have also shown growth and are expected to continue to improve.

For Romania to sustain the aforementioned growth it needs to:

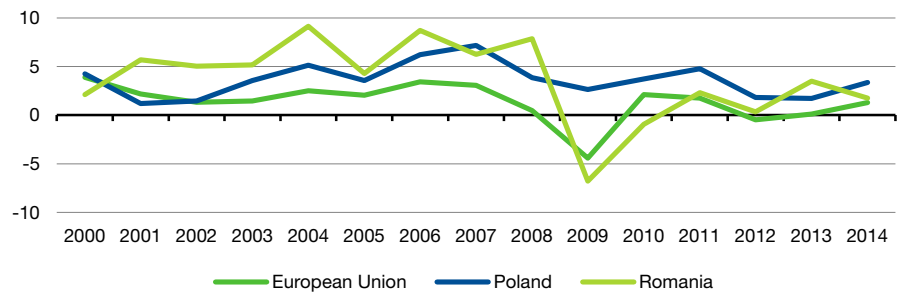
- continue to implement the economic policies underlined by the EU and the Investment Monetary Fund (IMF)
- continue to implement the financial and monetary policies necessary to sustain the expected rate of growth while the output gap is closing, the VAT is reducing and the wages are growing
- foster political stability and sustain the structural reform momentum before and after the 2016 parliamentary elections
- address the infrastructure gap and slow rate of absorption of EU funds that have negative effect to the growth rate. Establishing good governance principles and corporate governance on State Owned Enterprises (SOEs) should help close the gap
- implement privatisation plans for energy, transportation and other sectors to reinvigorate the capital markets and private capital participation
- apply EU regulations on the energy market, tax reform, procurement rules and capital markets
- enforce protection measures against external risk and high volatility from global and Eurozone shocks with adequate fiscal and foreign exchange reserves, strong public and private balance sheets

Specifics

The GDP growth of Romania has improved significantly after the 2009 crisis and was in 2013 one of the highest in EU. The EC, the Central Bank (CB) and the NBR have forecasted around 3.5% GDP growth in 2015, higher than the expected EU average.

The rate of growth depends on whether the economic and financial policies are sustained and structural reform is continued, expanded and accelerated.

Figure 72: GDP growth (% annual) 2000 - 2014

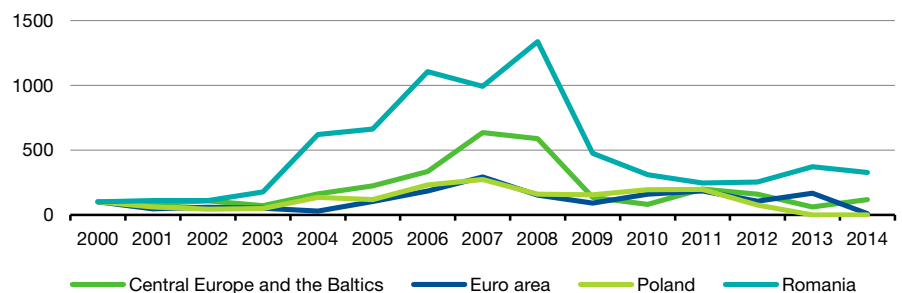


Source: Liberum, Central Bank

The improved macroeconomics and higher corporate profits caused the balance of primary incomes to increase in 2014 to -2.7% of GDP from -1.2% of GDP in 2010, showing a sharp increase in dividends and interest from foreign direct investment (FDI).

The EC is forecasting further increase of the foreign investment as the Romanian economy is expected to grow and catch-up with its peers.

Figure 73: Direct foreign investment, net inflows



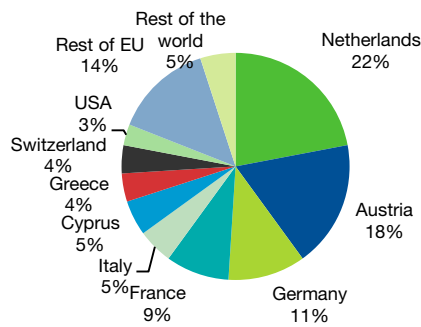
Source: Liberum, Central Bank

Inward foreign direct investment in Romania concentrates mainly in services due to the high level of foreign owned banks and manufacturing, more specifically in chemicals, transportation equipment and metal production.

Traditionally, the majority of foreign investment comes from EU and more specifically from the Netherlands, although this can be misleading due to the high number of international companies with European headquarters in that country. Austria and Germany follow with EU countries representing a total of 88%.

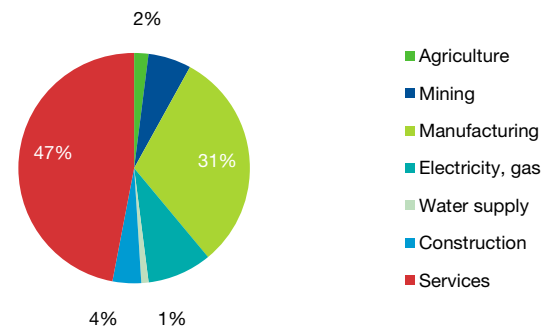
The growth in FDI is also largely dependent on continuing structural reform and the closing of the infrastructure gap.

Figure 74: Stock of FDI per country, 2013



Source: Liberum, Central Bank

Figure 75: Stock of FDI by sector, 2013

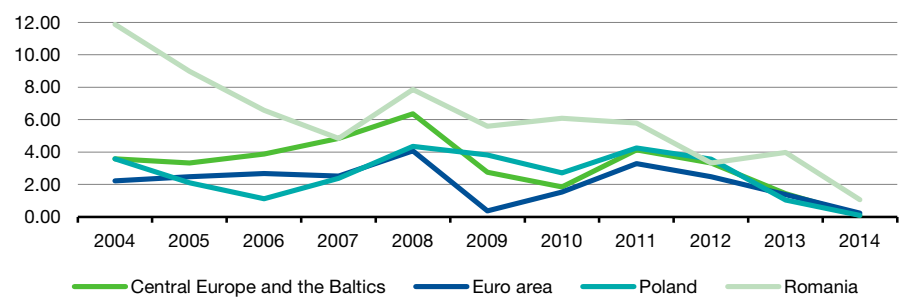


Source: Liberum, Central Bank

Romania's inflation has been historically high but decelerating sharply in recent years. A significant drop in 2008 – 2009 was partially reversed in 2011 due to an increase in indirect taxation. 2013 found Romania's inflation increasing against 2012 as food and administrative prices hiked.

In 2014 inflation in Romania dropped to 1.4% and the EC is estimating an average 1.2% in 2015, due to declining energy prices, VAT cuts and subdued inflation in the EU. Provided the domestic demand continues to grow, inflation in 2016 is expected to reach 2.5%.

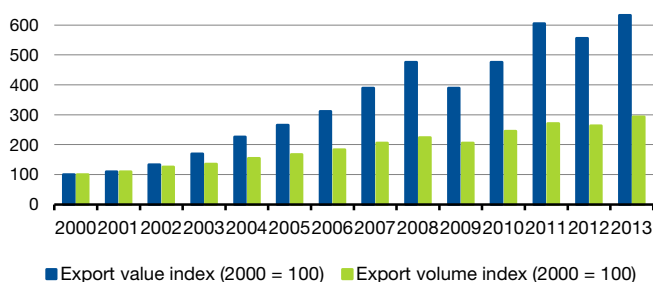
Figure 76: Inflation, consumer prices (annual %)



Source: Liberum, Central Bank

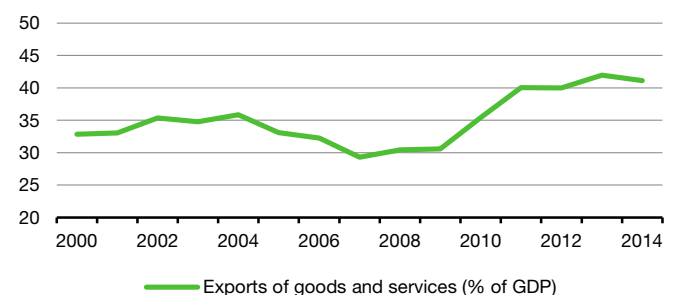
Exports are a significant driver for prosperity in Romania, especially in recent years. In 2013, they reached a record 41% of GDP as imports remained stable at 42% of GDP.

Figure 77: Exports value and volume index



Source: Liberum, Central Bank

Figure 78: Exports of goods and services as % of GDP



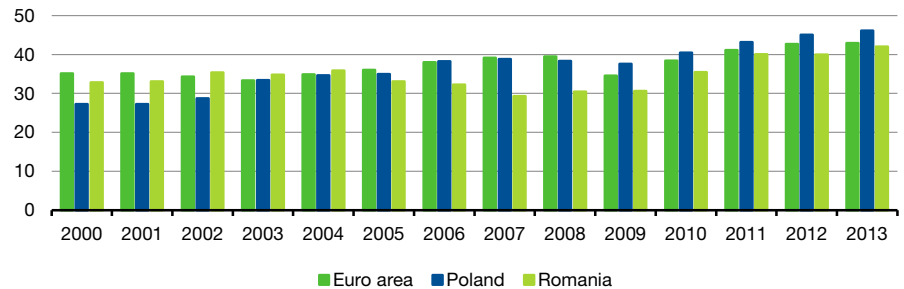
Source: Liberum, Central Bank

Romania is one of the best performers in terms of export market share between the EU member countries with a 4.6% average increase per year

from 2004 to 2013. Services and manufacturing were the main sectors contributing to the growth of export market share.

The EC expects the current account deficit to widen in 2015/2016 to around 1% of GDP due to strong domestic demand and imports' year-on-year growth at 9.6% against 9.1% of exports.

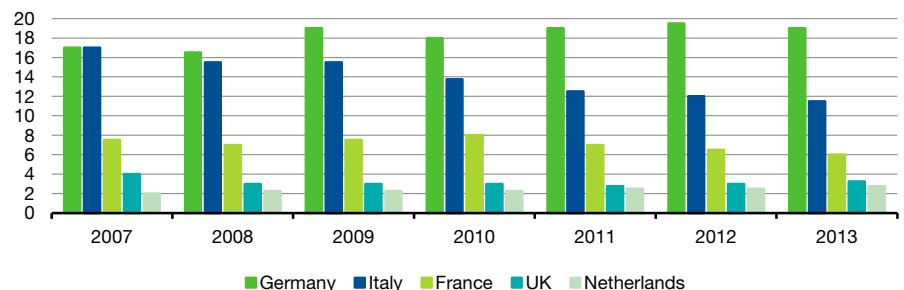
Figure 79: Exports of goods & services as % of GDP - comparison



Source: Liberum, Central Bank

Germany and Italy are the main countries receiving Romanian products. Exports to Germany have increased from 17% to 20%, approximately, mainly due to car spare parts, machinery, electrical equipment and chemicals. On the other hand, exports to Italy have declined due to a decrease of exports of clothing and footwear that were not replaced with other products.

Figure 80: Exports for selected destinations as % of Romanian exported goods



Source: Liberum, European Commission

The Romanian labour market has improved in recent years but it is still characterized by a low employment rate, around 67% at the end of 2014, below the European target of 70%.

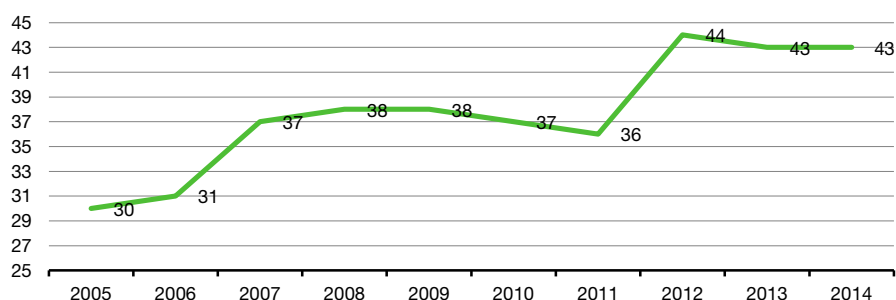
Gross external debt was about 66% at the end of 2013 and around one third of it was public debt. Romania's public debt was 40% of the GDP at the end of 2014 and it is projected to peak in 2015 at 40.4%. The debt is sustainable and well below the 60% threshold, as long as the economy delivers the projected GDP growth and the banking sector remains healthy.

National Anticorruption Agency (DNA)

Romania has taken a firm stand against corruption in recent years. The National Anticorruption Agency (DNA) has recently shown significant results fighting corruption, operating within the Prosecutor's Office attached to the High Court of Cassation and Justice.

Based on DNA's activity report, in 2014, 1,138 out of the 1,358 defendants against whom the courts ruled final decisions, were found guilty, representing an 84% conviction rate against 86% in 2013. Overall, 4,272 (2,691 in 2013) cases tried with the participation of the DNA prosecutors, increased by 59% mainly due to the significantly larger number of defendants taken under pre-trial detention during the year.

Figure 81: Romania Corruption Perception Index (0 – highly corrupt, 100 – very clean)



Source: Liberum, Transparency International

Transparency International (TI) reports a 43 Corruption Perception Index (CPI) for Romania, the lowest in EU and western Europe and at the same level as Italy, Greece and Bulgaria (UK's CPI is 78 and Denmark's 92, the highest in the group).

The crack down on government corruption is considered to be one of the drivers of the slow absorption of available EU funds for improvement of infrastructure, especially as the 2016 parliament elections are approaching.

From Frontier market to Emerging

Romania is currently classified as a frontier market (FM) and is estimated to achieve emerging market (EM) status by Q3 2016.

Romanian capital market's liquidity is limited but the privatisation of the SOEs and change in regulations should bring liquidity back or close to pre-crisis levels. On the other hand, volatility in BVB is less than in the developed capital markets and in other emerging capital markets due to lower currency volatility and correlations with other EM/FM countries.

From a credit rating stand point, Romania is eligible to join the EM group of countries with a stable rating of "lower medium" from all three main credit rating agencies.

Figure 82: Long term credit rating

Long term credit ratings		S&P		Moody's		Fitch		
	Romania	BBB-	Stable	Baa3	Stable	BBB-	stable	Lower medium grade
Emerging markets	Poland	A-	Positive	A2	Stable	A-	stable	Upper medium grade
	Hungary	BB+	Stable	Ba1	Stable	BB+	positive	Non-investment grade
	Czech Republic	AA-	Stable	A1	Stable	A+	stable	Upper medium grade
Developed markets	EU	AA+	Negative					High grade
	UK	AAA	Negative	AA1	Stable	AA+	stable	High grade
	Germany	AAA	Stable	Aaa	Stable	AAA	stable	Prime

Source: Liberum, Bloomberg

While the Romanian economy satisfies the EM status requirements, there is no company listed on the BVB that consistently fulfils the MSCI criteria. The potential candidates are BRD GSG, Electrica, Romgaz, OMV Petrom and Banca Transilvania (all FP portfolio companies).

Figure 83: MSCI criteria for achieving EM status

MSCI Criteria	Emerging market	Romania status
Sustainability of economic development		√
Size & Liquidity requirements		
Number of companies meeting the following standard index criteria	3	
Company size (full market cap)	\$1,260m	
Security size (float market cap)	\$630m	
Security liquidity	15% ATVR*	
Market accessibility criteria		
Openness to foreign ownership	Significant	√
Ease of capital flows / outflows	Significant	√
Efficiency of the operational framework	Good and tested	√
Stability of the institutional framework	Modest	√

*ATVR: Annualized Traded Value Ratio

Source: Liberum, ASF

The definitions and the criteria of classification of a country under frontier or emerging status are not universally consistent and vary widely. Romanian Financial Supervisory Authority (ASF) has adopted the definition and criteria of MSCI that focuses on a country's economic development, size, liquidity and market accessibility.

The ASF has implemented a five-pillar action plan towards EM status. The pillars are:

- Review of primary and secondary legislation
- Consolidate and modernize the capital market's infrastructure
- Develop the bond market
- Increase the number of issuers and market liquidity
- Develop the retail market and provide financial education

Part of the plan is already completed and the rest is expected to be completed by H1 2016.

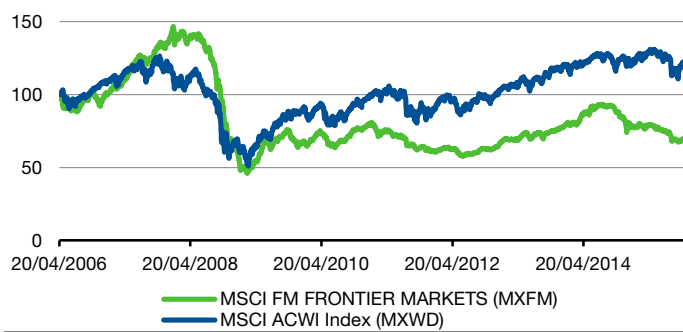
At the same time, the ASF is working to regulate securities lending, short selling and financial collateral.

A frontier market is, in general, a type of developing country which is more developed than the least developed countries and too small to be an emerging market country.

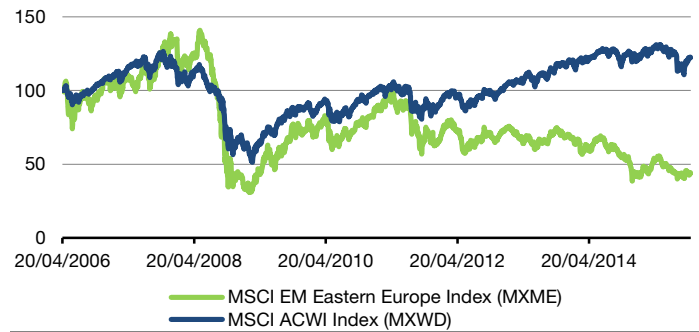
FMs tend to be heavy in commodities with large discounts on stock price levels even when valuations and growth potential are high.

An emerging market is, in general, a country that is progressing towards becoming a developed country with a market exchange and a regulatory body working to satisfy criteria of liquidity in local credit and equity markets.

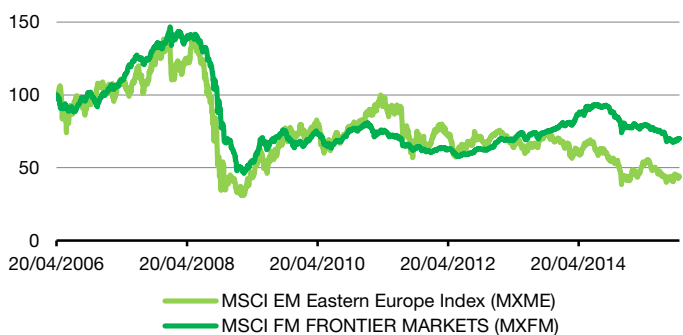
Romania seems to have resisted the recent slowing of the emerging and frontier markets and is expected to keep growing in 2015 and beyond.

Figure 84: FM Index vs. World Index

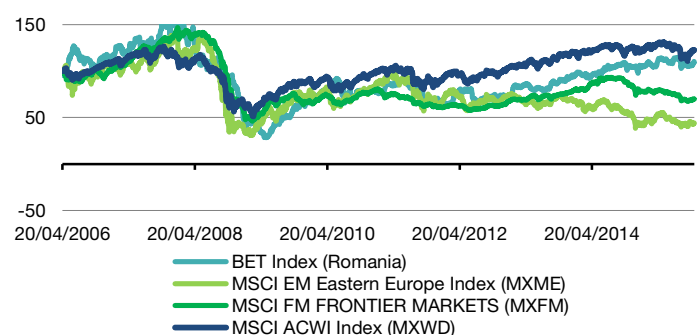
Source: Liberum, Bloomberg

Figure 85: Eastern Europe EM Index vs. World Index

Source: Liberum, Bloomberg

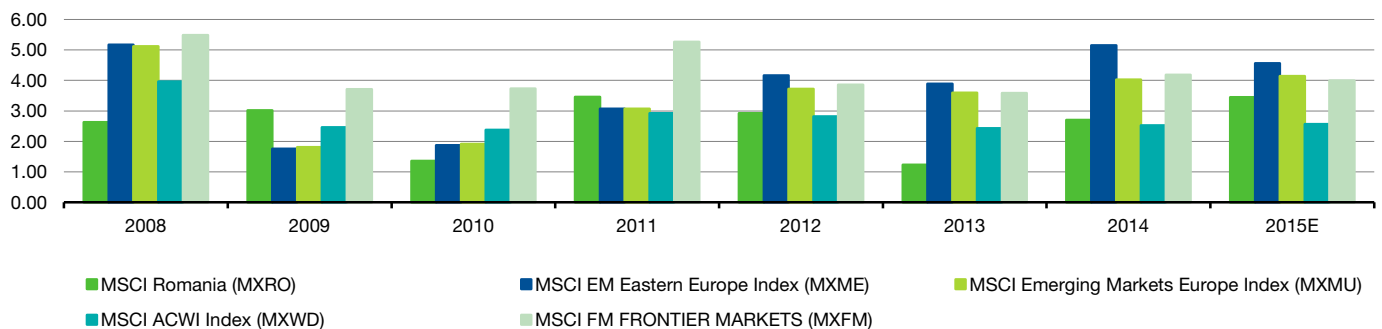
Figure 86: Eastern Europe EM Index vs. FM Index

Source: Liberum, Bloomberg

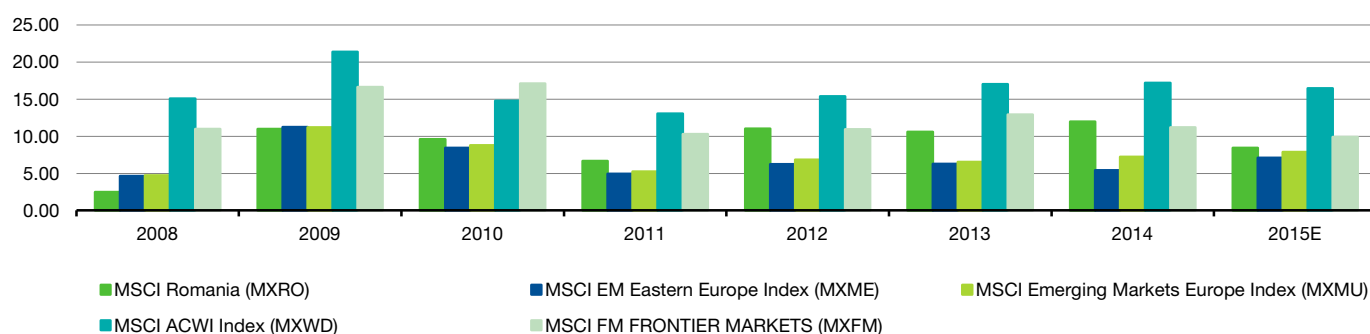
Figure 87: BET Index (Romania stock exchange) vs. Eastern Europe EM Index vs. FM Index vs. World Index

Source: Liberum, Bloomberg

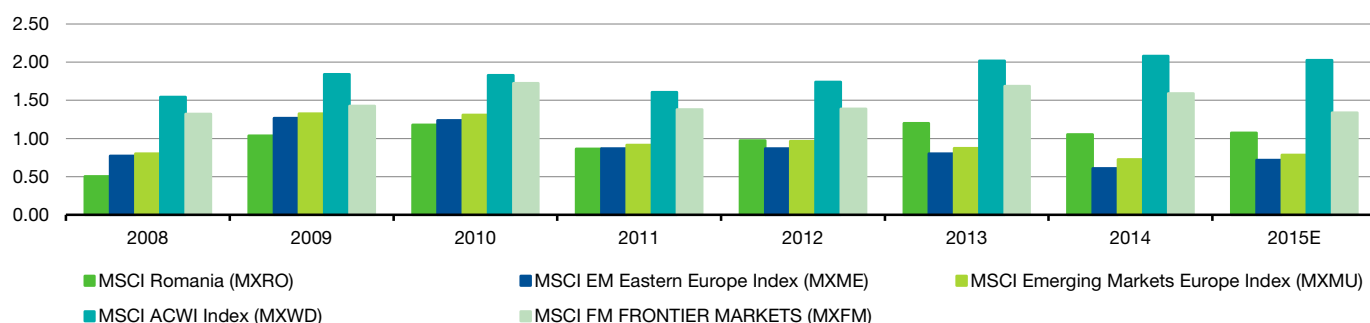
In the past, the high expected market returns in FMs derived from valuation gaps, but in recent years valuations have improved and although the entire economic growth of FMs cannot be passed down to the investors, they are still significant, especially in combination with the high discounts.

Figure 88: Yield: MSCI Romania vs. Eastern Europe EM Index vs. FM Index vs. World Index

Source: Liberum, Bloomberg

Figure 89: PE ratio: MSCI Romania vs. Eastern Europe EM Index vs. FM Index vs. World Index

Source: Liberum, Bloomberg

Figure 90: PB ratio: MSCI Romania vs. Eastern Europe EM Index vs. FM Index vs. World Index

Source: Liberum, Bloomberg

Without overlooking the risks involved in the FMs and the EMs, there is significant potential and opportunity for total return growth in selected companies and countries.

Taxes

Special Infrastructure Tax

In 2014, the Romanian government introduced a Special Infrastructure Tax to the amount of 1.5% of the value of companies' special infrastructure assets. The estimated impact of the infrastructure tax on FP's portfolio was approximately RON1 billion (or USD253m, using FX rates as at 30 September 2015). The tax was lowered to 1% of the special infrastructure assets in January 2015.

The Romanian parliament approved the elimination of the infrastructure tax from January 2017, as part of changes to the Fiscal Code.

VAT & other taxes

The VAT rate will be lowered from 24% to 20% in 2016 and further to 19% in 2017. These VAT cuts are less than initially proposed by the government after pressure from the IMF related to the effect of these cuts to the fiscal deficit.

Other tax cuts were delayed, including lowering excise duties for fuel and reduced levies on dividends.

The effective tax rate for the Fund is 16%, the same as the tax rate on dividends paid to Romanian companies and to non-resident companies.

Water tax

The Romanian government has imposed a significant tax on water used for agriculture and energy production. The tax represents EUR0.25 for every 1,000 cubic meters of water, while the same tax in France, for example, is 50 times lower at EUR0.05 per 1,000 cubic meters of water. There are only four countries in the EU with a tax on water used for energy production, France, Italy, Greece and Romania that has the highest rate.

Hidroelectrica is affected greatly from the water tax, representing 15%, approximately, of its total expenses.

Litigations

As at 30 September 2015, litigations, where the Fund is a defendant or a claimant, and may have significant effects on the Fund's position are:

- A former shareholder has filed litigations against the Fund on various grounds, including the cancellation of GSM decisions related to the Manager's appointment. New resolutions passed during subsequent GSMs and the Manager was appointed for a new two-year mandate, starting 30 September 2014.
- The Fund started a case against the aforementioned former shareholder and in 2014 the courts confirmed that the shareholder did not prove legitimate interest to promote certain annulment actions and one of these decisions was final. In December 2014 and February 2015, the courts decided that the shareholders' resolutions originally challenged, were legal and valid.
- In June 2007, the Authority for State Assets Recovery was stipulated to transfer to the Fund receivables related to the World Trade Centre Bucuresti SA to the amount of USD 68.8m. Until 30 September 2015, the Fund had received USD0.5m, but World Trade Center Bucuresti SA filed a claim against the Fund to pay back the amounts received. These amounts were accounted for by the Fund as contributions of the Ministry of Public Finance to the Fund's share capital. As a result, the Fund will be looking for the recovery of these amounts from the Ministry. The next hearing is on 11 December 2015.

Appendix - Biographies

Grzegorz Konieczny, CEO Romania / Director of Easter European Strategy, Franklin Templeton and Fund Manager of Fondul Proprietatea

Greg joined the Franklin Templeton organization in 1995 and has over 20 years of experience in investment and portfolio management. He has research and portfolio management responsibilities in Central and Eastern Europe.

Prior to joining Templeton, Greg was director of Capital Market Transactions at Bank Gdanski SA, one of the largest financial institutions in Poland at the time.

Greg earned a master's degree in economics and foreign trade from the University of Gdansk (Poland). In 1994, he obtained an investment advisor license from the Polish Securities and Exchange Commission

Oana Truță, Vice President / Investment Analyst in Franklin Templeton and Legal of Fondul Proprietatea

Oana, investment analyst, joined Franklin Templeton Investments in 2010 and currently has research responsibility for analysing listed and unlisted companies in Romania.

Prior to joining Franklin Templeton Investments, Oana worked for a local Romanian brokerage company as an investment analyst. Her research responsibilities involved companies listed on the Bucharest Stock Exchange. She also had responsibilities in corporate finance consultancy.

Oana holds a Master's degree in quantitative economics and finance from Babes Bolyai University in Cluj-Napoca, Romania.

Adrian Cighi, Vice President / Investment Analyst in Franklin Templeton and Legal of Fondul Proprietatea

Adrian joined the Templeton organization in 2010 in the Bucharest office and currently has research responsibility for analysing listed and unlisted companies in Romania.

Prior to joining Templeton, Adrian was an investment analyst and member of the investment committee for three years at BT Asset Management, one of the largest money managers in Romania. He also worked in credit risk management at Goldman Sachs and expense management while at Lehman Brothers in London.

Adrian holds a master's degree in accounting and finance from the London School of Economics and Political Science and a BA in finance from Richmond, the American International University in London.

Calin Metes, CFA, Vice President / Investment Analyst in Franklin Templeton

Calin joined Franklin Templeton in 2010 and he is responsible for the analysis of listed and unlisted companies from the Romanian market.

Prior to joining Franklin Templeton, Calin was a portfolio manager at Raiffeisen Asset Management, one of the biggest asset management companies in Romania. He also held the position of investment analyst at Finas Invest, a fast growing investment company in Romania.

Calin holds a master's degree in banking and capital markets and a bachelor degree in banking and stock exchanges from Babes-Bolyai University in Romania. He also earned a bachelor degree in political sciences from the same University and has participated in the Erasmus exchange program at the Free University of Brussels in Belgium. Mr. Metes is a Chartered Financial Analyst (CFA) Charter holder and is proficient in Romanian, English and French.

Dan Gheorghe, Vice President / Investment Analyst in Franklin Templeton

Dan joined the Templeton organization in 2010 in the Bucharest office and currently has research responsibility for analysing listed and unlisted companies in Romania.

Prior to joining Templeton, Dan was an investment analyst at EFG Eurobank Finance SA the Romanian investment banking arm of Eurobank EFG, the second largest Greek banking and financial group. He also worked as investment analyst for Wood & Company Financial Services SA a Central European investment banking house with headquarters in Prague.

Dan holds a B.A. in finance from the Academy of Economic Studies and a master's degree in financial management and capital markets from the same University

Daniel Naftali, Vice President / Investment Analyst in Franklin Templeton

Daniel joined Franklin Templeton Investments in 2010 and currently has research responsibility for analysing listed and unlisted companies in Romania.

Prior to joining Franklin Templeton Investments, Daniel worked for over three years on the Romanian capital market as research analyst, first in a local investment bank, then with Raiffeisen Asset Management Romania - one of the top players on the local asset management market. Daniel has also been involved in a number of advisory and corporate finance projects.

Daniel holds a Bachelor Degree in finance and banking from the Academy of Economic Studies in Bucharest. Also, Daniel graduated with distinction an MSc Degree in International Securities, Investment and Banking from ICMA Centre at the University of Reading (United Kingdom). Daniel holds the ICMA International Fixed Income and Derivatives Certificate and is also a full member of the local association of valuers.

Appendix – Base Fee

Base Fee calculation

The Base Fee is calculated by multiplying 60 basis points per year on the market capitalization and the number of calendar days of the respective calculation period, divided by 365.

The market capitalization is the number of paid shares, minus the weighted average of treasury shares, multiplied by the weighted average market price of the shares. If the number of shares is changing then the Base Fee will be an aggregation of each sub-period's calculation.

$$\frac{\text{Base Fee Rate} * \text{Market cap} * \text{Number of days in reporting period}}{365}$$

Financial model

Figure 91: NAV-per-share model

Actuals	Date	Shs (m)	NAV (RON)	NAV/sh (RON)	Price	GDR price (USD)	Discount	Buyback shs (m)	Buyback price	Tender offer shares (m)	Tender price (RON/sh)	RON from buyback & tender
Actuals	31-Oct-15	10,540	11,934	1.132	0.8188	\$10.30	-28%	40.3	0.795			32.02
Estimates	30-Nov-15	10,506	11,905	1.133	0.8272	\$10.47	-27%	33.8	0.846			28.57
Estimates	31-Dec-15	10,473	11,877	1.134	0.8302	\$10.51	-27%	33.8	0.838			28.29
Estimates	31-Jan-16	10,452	11,860	1.135	0.8420	\$10.66	-26%	20.8	0.833			17.34
Estimates	29-Feb-16	10,431	11,842	1.135	0.8424	\$10.66	-26%	20.8	0.833			17.36
Estimates	31-Mar-16	10,410	11,825	1.136	0.8429	\$10.67	-26%	20.8	0.832			17.33
Estimates	30-Apr-16	10,389	11,808	1.137	0.8524	\$10.79	-25%	20.8	0.830			17.29
Estimates	31-May-16	10,368	11,791	1.137	0.8529	\$10.80	-25%	20.8	0.826			17.21
Estimates	30-Jun-16	10,348	11,773	1.138	0.8533	\$10.80	-25%	20.8	0.824			17.16
Estimates	31-Jul-16	10,327	11,756	1.138	0.8652	\$10.95	-24%	20.8	0.828			17.26
Estimates	31-Aug-16	10,306	11,739	1.139	0.8657	\$10.96	-24%	20.8	0.833			17.35
Estimates	30-Sep-16	10,285	11,721	1.140	0.8661	\$10.96	-24%	20.8	0.840			17.50
Estimates	31-Oct-16	10,264	11,704	1.140	0.8780	\$11.11	-23%	20.8	0.847			17.64
Estimates	30-Nov-16	9,743	11,231	1.153	0.8876	\$11.24	-23%	20.8	0.852	500	0.91	472.74
Estimates	31-Dec-16	9,723	11,213	1.153	0.8880	\$11.24	-23%	20.8	0.854			17.80
Estimates	31-Jan-17	9,702	11,195	1.154	0.9001	\$11.39	-22%	20.8	0.861			17.95
Estimates	28-Feb-17	9,681	11,177	1.155	0.9121	\$11.55	-21%	20.8	0.866			18.05
Estimates	31-Mar-17	9,660	11,159	1.155	0.9241	\$11.70	-20%	20.8	0.872			18.17
Estimates	30-Apr-17	9,639	11,141	1.156	0.9246	\$11.70	-20%	20.8	0.879			18.31
Estimates	31-May-17	9,618	11,122	1.156	0.9251	\$11.71	-20%	20.8	0.885			18.43
Estimates	30-Jun-17	9,598	11,104	1.157	0.9371	\$11.86	-19%	20.8	0.891			18.56
Estimates	31-Jul-17	9,577	11,085	1.157	0.9491	\$12.01	-18%	20.8	0.898			18.70
Estimates	31-Aug-17	9,556	11,066	1.158	0.9612	\$12.17	-17%	20.8	0.905			18.85
Estimates	30-Sep-17	9,535	11,047	1.159	0.9732	\$12.32	-16%	20.8	0.913			19.02
Estimates	31-Oct-17	9,514	11,028	1.159	0.9852	\$12.47	-15%	20.8	0.922			19.20
Estimates	30-Nov-17	8,993	10,546	1.173	1.0085	\$12.77	-14%	20.8	0.931	500	0.93	481.89
Estimates	31-Dec-17	8,973	10,526	1.173	1.0207	\$12.92	-13%	20.8	0.941			19.60

Source: Liberum

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