

# Fondul Proprietatea – Investment Strategy and alternatives

February 2018



## Objectives under IPS

- Maximization of returns to shareholders
- Increase of Net Asset Value per share
- Via investments in Romanian equities and equity linked securities

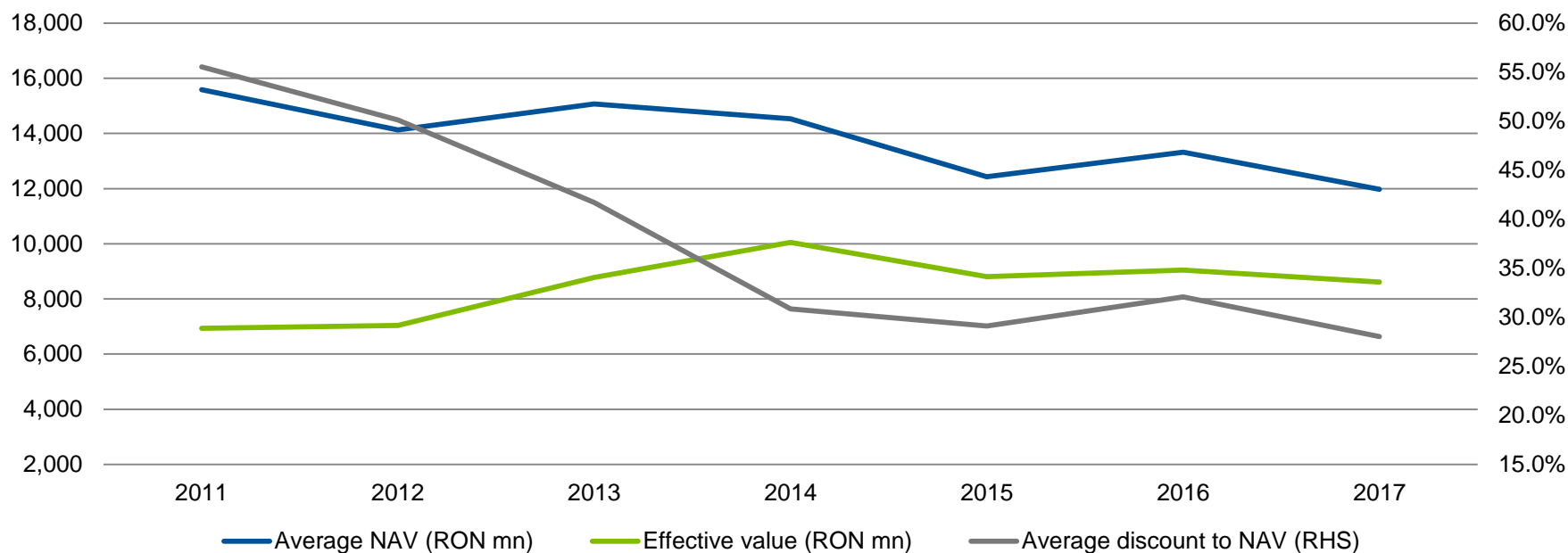
## IPS limits with regards to equity investments

- Up to 10% in listed shares in one single issuer
- Up to 20% in unlisted securities with the exception of government securities and other cases permitted by law
- No less than 20% in listed securities

# Relative investment performance

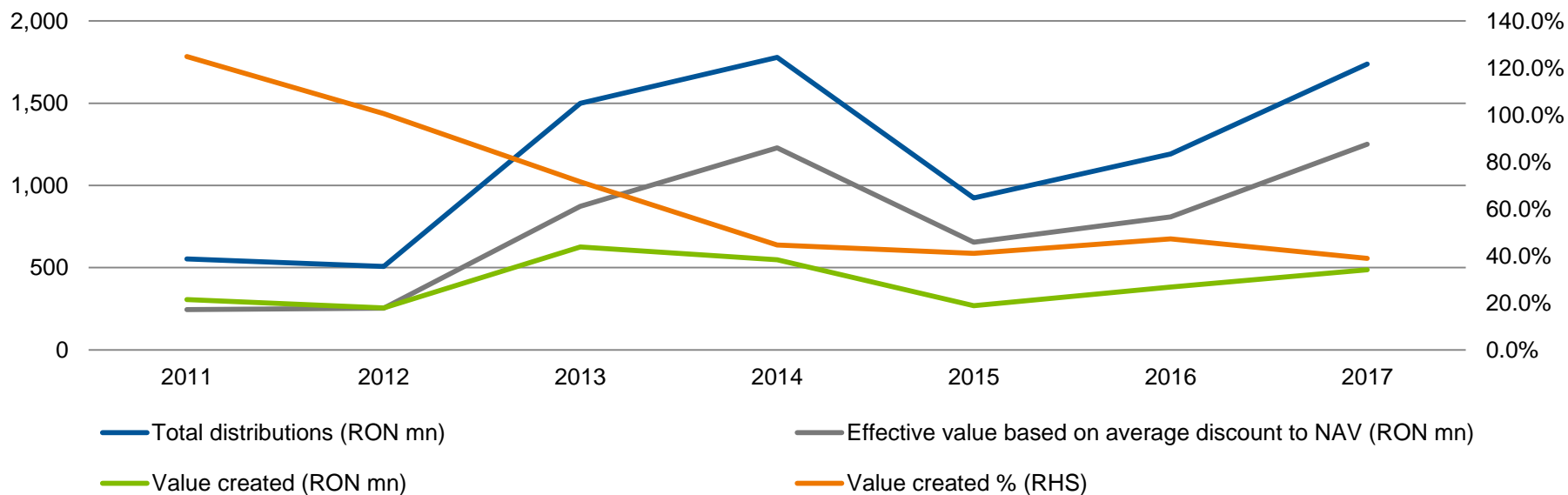
	2011	2012	2013	2014	2015	2016	2017
<b>Average NAV (RON mn)</b>	15,590	14,126	15,069	14,532	12,429	13,322	11,970
<b>Average discount to NAV</b>	55.67%	50.09%	40.74%	30.87%	29.12%	32.08%	28.05%
<b>Effective value (RON mn)</b>	6,911	7,050	8,930	10,046	8,810	9,048	8,612
<b>Total distributions (RON mn)</b>	553	508	1,499	1,779	924	1,191	1,744
<b>Effective value based on average discount to NAV (RON mn)</b>	245	254	888	1,230	655	809	1,255
<b>Value created (RON mn)</b>	308	254	611	549	269	382	489
<b>Value created %</b>	125.58%	100.36%	68.75%	44.65%	41.08%	47.23%	38.99%
<b>BET Index performance</b>	(22.90)%	24.70%	31.20%	14.50%	3.10%	9.70%	19.10%
<b>Difference</b>	147.8%	75.9%	40.4%	30.2%	38.0%	37.5%	19.9%
<b>BET XT Index Performance</b>	(19.0)%	30.5%	31.7%	9.5%	4.0%	7.2%	22.6%
<b>Difference</b>	143.9%	70.1%	39.9%	35.2%	37.1%	40.0%	16.4%
<b>MSCI Romania</b>	(19.5)%	28.3%	27.4%	11.7%	14.4%	18.5%	16.1%
<b>Difference</b>	144.4%	72.3%	44.2%	33.0%	26.7%	28.7%	22.9%

# NAV vs Effective value



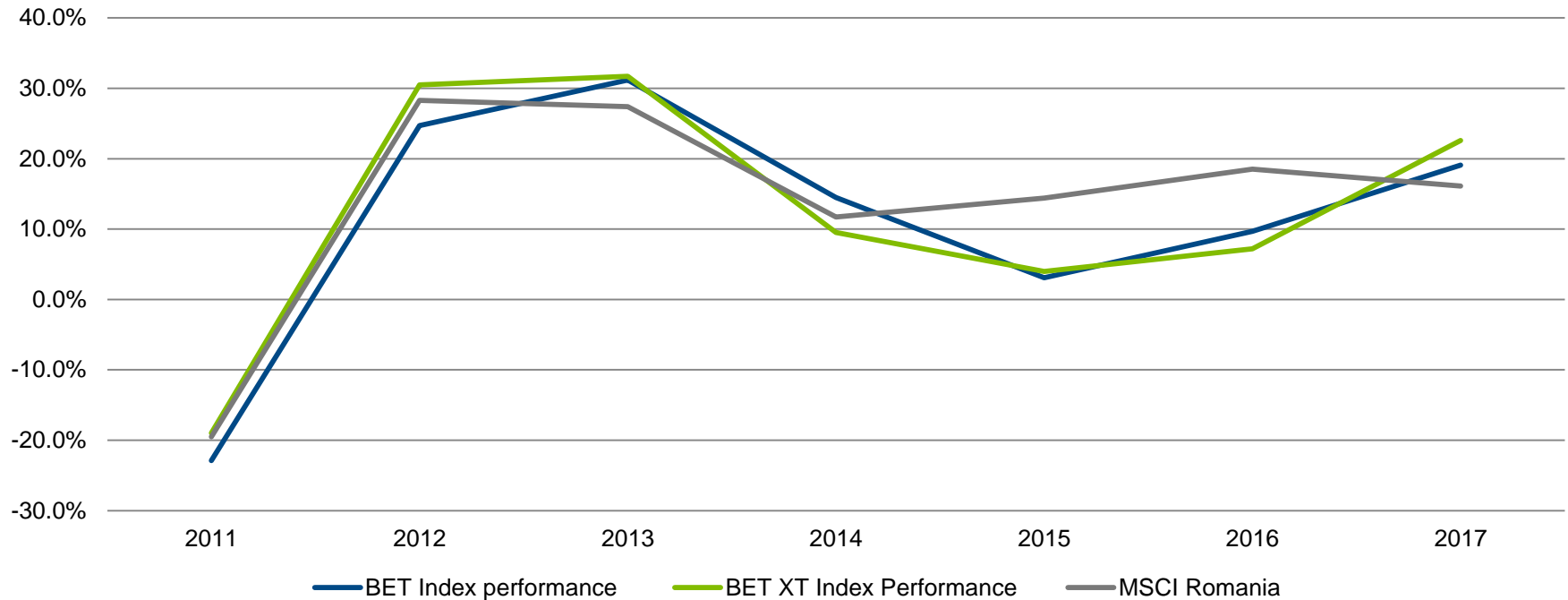
	2011	2012	2013	2014	2015	2016	2017
Average NAV (RON mn)	15,590	14,126	15,069	14,532	12,429	13,322	11,970
Average discount to NAV	55.67%	50.09%	40.74%	30.87%	29.12%	32.08%	28.05%
Effective value (RON mn)	6,911	7,050	8,930	10,046	8,810	9,048	8,612

# Value from Distributions



	2011	2012	2013	2014	2015	2016	2017
Total distributions (RON mn)	553	508	1,499	1,779	924	1,191	1,744
Effective value based on average discount to NAV (RON mn)	245	254	888	1,230	655	809	1,255
Value created (RON mn)	308	254	611	549	269	382	489
Value created % (RHS)	125.6%	100.4%	68.8%	44.7%	41.1%	47.2%	39.0%

# Investment alternatives



	2011	2012	2013	2014	2015	2016	2017
BET Index performance	(22.90)%	24.70%	31.20%	14.50%	3.10%	9.70%	19.10%
BET XT Index Performance	(19.0)%	30.5%	31.7%	9.5%	4.0%	7.2%	22.6%
MSCI Romania	(19.5)%	28.3%	27.4%	11.7%	14.4%	18.5%	16.1%

# Investments vs Distributions

	2011	2012	2013	2014	2015	2016	2017
<b>Total distributions (RON mn)</b>	<b>553</b>	<b>508</b>	<b>1,499</b>	<b>1,779</b>	<b>924</b>	<b>1,191</b>	<b>1,744</b>
BET Index	426	633	1,967	2,036	952	1,306	2,069
BET XT Index	448	663	1,974	1,947	960	1,277	2,130
MSCI Romania	445	651	1,910	1,987	1,057	1,411	2,017
<b>Including Discount to NAV</b>	<b>55.67%</b>	<b>50.09%</b>	<b>40.74%</b>	<b>30.87%</b>	<b>29.12%</b>	<b>32.08%</b>	<b>28.05%</b>
BET Index	189	316	1,146	1,408	675	887	1,489
BET XT Index	199	330	1,151	1,346	681	867	1,533
MSCI Romania	198	325	1,113	1,373	749	958	1,451
<b>Distribution - returns</b>							
BET Index	363	192	353	371	249	304	249
BET XT Index	354	177	348	432	243	324	205
MSCI Romania	355	183	386	405	175	232	286

## Investments

- All portfolio holdings are still subject to NAV discount

## Conclusion

- Distributions created excess returns for shareholders compared to investment alternatives every year

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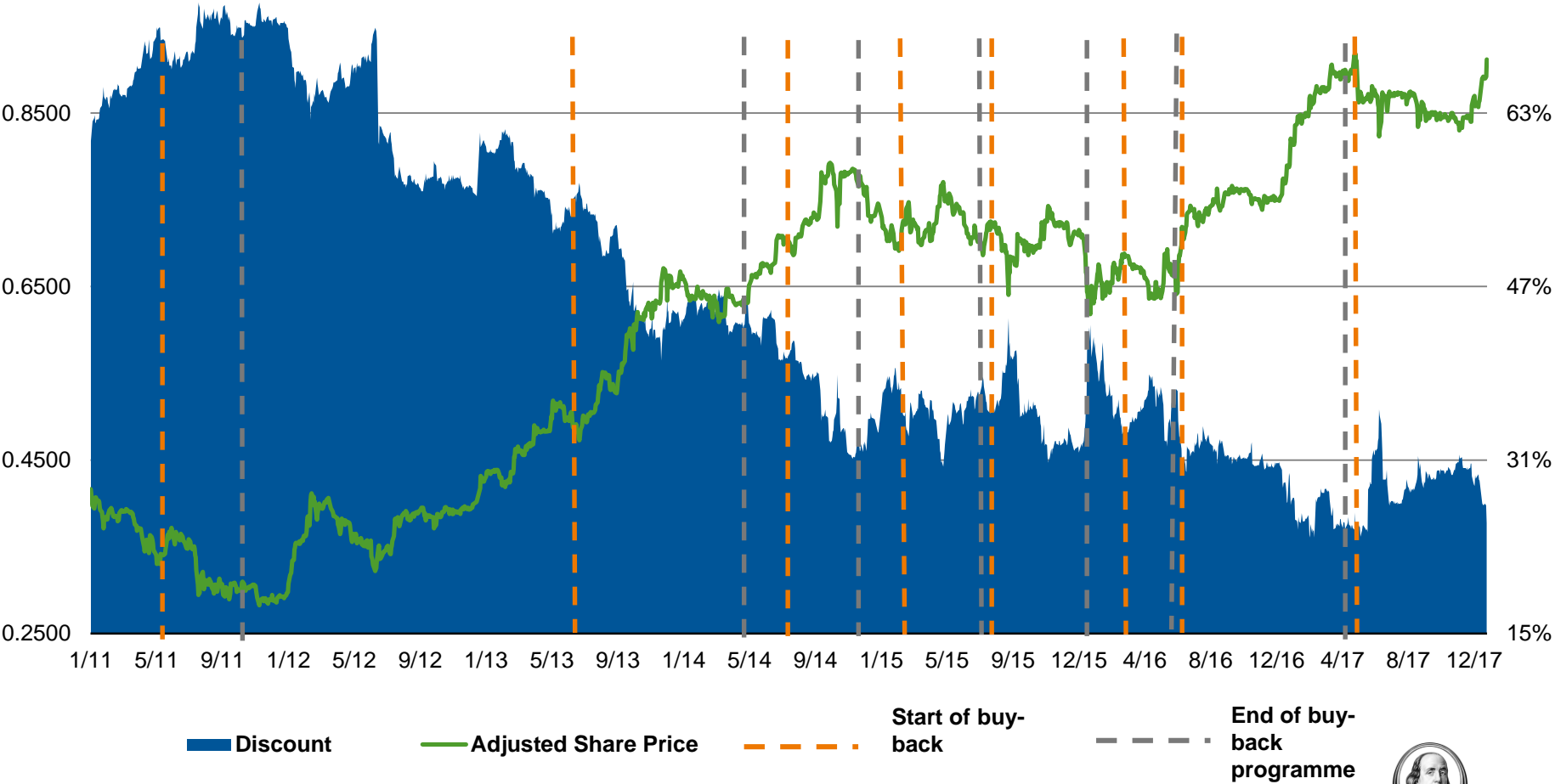


# FRANKLIN TEMPLETON INVESTMENTS



# Effects of the Share Buy-backs on the Discount (I)

FP Share Price (RON) and Discount (%)



Note: Distribution adjusted share price.  
Source: BVB, Bloomberg, for the period 25 January 2011 – 11 January 2018.



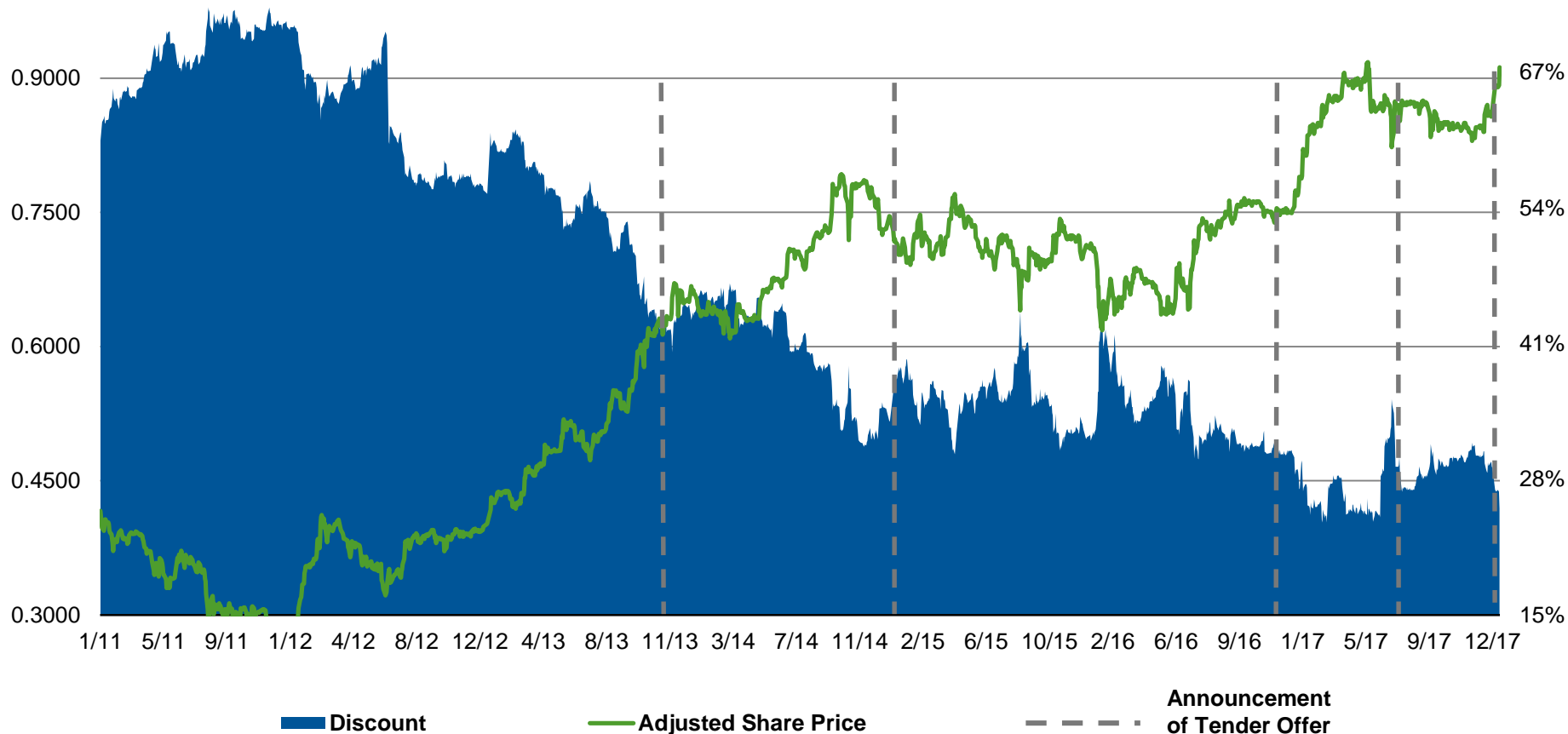
# Effects of the Share Buy-backs on the Discount (II)

Buy-Back Programs	Period of the Buyback	Average Discount – 3 months before the start of the Program	Average Discount during the Program	Change in Discount
First	11 May – 30 September 2011	63.3%	67.8%	4.5%
Second	12 April – 18 December 2013	53.4%	45.6%	(7.8)%
Third	27 March – 24 July 2014	41.4%	38.8%	(2.6)%
Fourth	30 September 2014 – 4 February 2015	34.8%	30.0%	(4.8)%
Fifth	9 February – 31 July 2015	30.5%	31.0%	0.5%
Sixth I	8 September 2015 – 11 January 2016	33.1%	29.0%	(4.1)%
Sixth II	28 January – 23 September 2016	37.5%	32.3%	(5.2)%
Seventh	29 September 2016 – 26 May 2017	32.6%	28.0%	(4.6)%
Eight	30 May – 10 November 2017	25.9%	29.1%	3.2%
Ninth I	14 November – 15 December 2017 <sup>1</sup>	28.9%	30.5%	1.6%
Ninth II	15 December 2017 <sup>1</sup> - 11 January 2018 (Ongoing)	28.9%	28.0%	(0.9)%
<b>Average</b>		<b>37.3%</b>	<b>35.5%</b>	<b>(1.8)%</b>

1. On 15 December 2017 the Investment Manager applied for FSA's approval of a Tender offer in relation to the ninth buy-back programme .

# Effects of the Tender Offer on the Discount (I)

FP Share Price<sup>1</sup> (RON) and Discount (%)



Note: Distribution adjusted share price.

Source: Bloomberg, for the period 25 January 2011 – 11 January 2018.

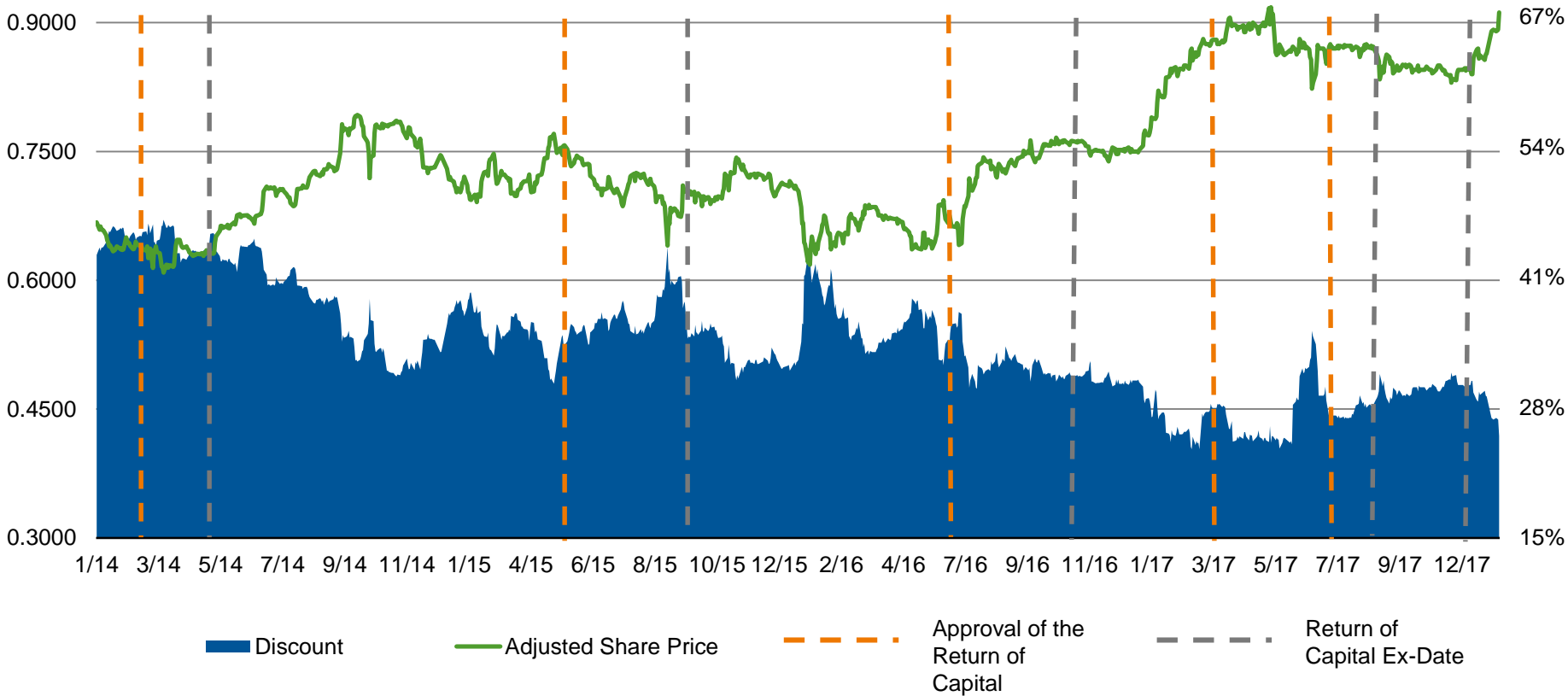
# Effects of the Tender Offers on the Discount (II)

Tender Offer	Announcement Date	Average Discount - 30 days before the announcement	Average Discount – 30 days after the announcement	Change in Discount
First	25 September 2013	47.4%	40.8%	(6.6)%
Second	20 October 2014	31.0%	27.6%	(3.4)%
Third	5 July 2016	33.8%	32.0%	(1.8)%
Fourth	27 January 2017	29.2%	25.4%	(3.8)%
Fifth	15 December 2017	30.0%	28.0% <sup>1</sup>	(2.0)% <sup>1</sup>
<b>Average</b>		<b>34.3%</b>	<b>30.8%</b>	<b>(3.5)%</b>

Note: For the period 15 December – 11 January 2018.

# Effects of the Return of Capital on the Discount (I)

FP Share Price (RON) and Discount (%)



Note: Distribution adjusted share price.  
Source: Bloomberg, for the period 3 January 2014 – 11 January 2018.



# Effects of the Return of Capital on the Discount (II)

Return of Capital	Ex-Date	Average Discount – 30 days before the ex-date	Average Discount – 30 days after the ex-date	Change in Discount
First	28 April 2014	40.2%	39.4%	(0.8)%
Second	23 June 2015	31.4%	32.1%	0.7%
Third	27 June 2016	32.5%	33.5%	1.0%
Special	6 March 2017	25.4%	27.0%	1.6%
Fourth	9 June 2017	24.9%	30.4%	5.5%
<b>Average</b>		<b>30.9%</b>	<b>32.5%</b>	<b>1.6%</b>