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China's One Belt One Road Initiative is making waves worldwide, changing economies and reshaping countries that are involved in this gigantic "plan of the century". Being a Russian living in the heart of Asia since numerous years, I am particularly interested in and have become intrinsically involved in East-West Investor Relations, building bridges between the two regions in economic, financial and cultural ways. One of the aspects of my work at PR Squared Worldwide Eurasia Bridge this year was organisation of my first Investor Tour to Kazakhstan, which I am going to speak to you about in detail in this article. More Investor Tours are to come, next one being in September 2018. You are welcome to contact me at yvz@prsquaredweb.com if you wish to participate or to know more!

Amidst a very positive vibe that surrounds Kazakhstan as it appears more and more frequently in the news with its World Expo and democratic economic reforms as well as KASE being among the top 5 best performing markets year-to-date in 2018, an international group of investors visited Astana and Almaty and met with prominent government bodies, exchanges, brokers, media and major business leaders of Kazakhstan.

For the most part, the intention was a discovery of the country and its investment climate in light of a big wave of privatisation and government's attempt to democratise public access to trading as well as attracting foreign investors, FDI.



During the course of the trip we met with Astana International Financial Centre, AIFC, created based upon the Dubai model to facilitate foreign access into Kazakhstan's financial markets. After a lengthy discussion with Temirlan Mukhanbetzhanov, CFA, Managing Director, and Timur Onzhanov, Deputy Director of Asset and Wealth Management Department at AIFC, a couple of

participants are contemplating to open an office in Astana as a basis for their Central Asian business activities. As such, Christophe Numa, Director at Bunker Gold & Silver, subsidiary of Bunker Group, offering investments in Precious Metals, is currently in discussion with AIFC to open a new branch in order to offer closer service to its Russian-speaking clients.



A few facts about AIFC: opened on January 1, 2018, it currently employs 150 people and is now going through a pitch and acquisition stage. If a company is registered at AIFC, 100% foreign ownership is possible. The Centre focuses on Wealth Management, which drastically increased in the last 10-15 years, and Alternative Asset Management. One must recognise Government's long-term commitment to AIFC established as a one-stop shop with visa-free entry and tax exemption until 2050. Licencing takes approximately 1 month after the basic documents have been submitted (business plan, CVs, passports of the key personnel). All procedures are described at www.afsa.kz.



While meeting with Kazakhstan's Sovereign Wealth Fund Samruk Kazyna, Zhanbolat KAKISHEV, Director of Investor Relations Department, mentioned the immense scope of upcoming privatisation in the country: by 2021 government participation should be decreased by 55%, from the current 70% of GDP to a final target of 15%. This yields a great opportunity for foreign investors to come in and participate in Kazakhstan's growth story.

2018 will see the IPO of Air Astana (country's major airways company) and KazakTelecom, Kazatomprom (the world's biggest uranium producer) sometime in 2019, and by 2020 another 4 big national companies will go through the dual listing process. According to Dauren TASMAGAMBETOV, Head of Assets Privatisation and Restructuring, 140 companies have already been successfully divested, 53 more big ones are for sale now out of the list of 902 total. Samruk Kazyna is one of the world's most transparent SWFs inspired by Temasek's model. Its 10 year outlook includes focus on privatisation and restructuring in the short term, co-investment in the mid term and investment in the long term.



Marat Birimzhan, Deputy Chairman of Kazakh Invest, Investment Support and Promotion Agency of Kazakhstan, underlined that Kazakhstan is actively looking not only for FDI but also for human capital, technology, expertise and development capabilities. Therefore, in many cases, they are searching a co-investor or a business partner on deals. The Agency helps the government with deal negotiation and thereafter with deal execution. Kazakh Invest's KPI for 2018 is an impressive USD 17 billion from a diversified international investor pool. Major sectors of the economy are Oil & Gas, Mining, Transportation and Logistics and last but not least Agriculture, which has big growth potential. In addition to foreign investors, the Agency works with local investment groups, such as VERNY CAPITAL, the top investment holding company in the country, as well as Nazarbayev University in terms of research. One of the other goals is to bring top brands, like IKEA, to Kazakhstan. A few of the participants of the Investor Tour have expressed interest to work with Kazakh Invest with the potential to invest in several niche projects.

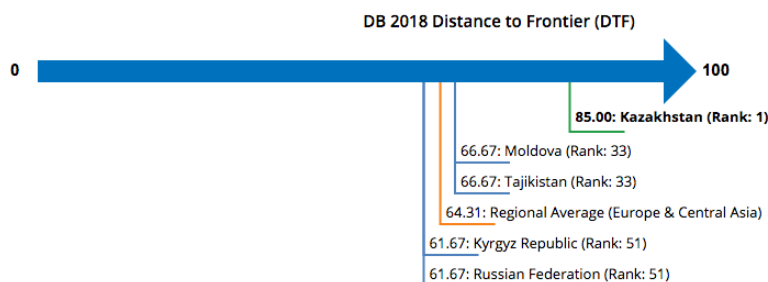


By the end of 2020-2021, 902 companies would have been privatised; we were also told during our discussion with the Privatisation Committee in Astana. Each company goes through a valuation process by an independent advisor before being taken through up to three rounds of auction (the first one being British auction, followed by two Holland auctions). If no interest is shown in the company, it will be put in liquidation. All enterprises to be privatised are listed on www.gosreestr.kz.

KASE

Meeting with KASE, Kazakhstan's Stock Exchange in Almaty, 100% owned by the Central Bank of Kazakhstan, has been equally interesting. The liquidity on the market (daily turnover is less than USD 1 million), as well as the number of participating companies (57 at the moment) are both quite low, and local population participation is a mere 0.6%, out of which only 2/3 are active traders. Scott Osheroff, of Asia Frontier Capital, raised a question, regarding what are the main differences between AIFC and KASE. Kairat Turmagambetov, Managing Director and Member of Management Board of KASE, explained that while AIFC is primarily oriented to service foreign investors and foreign companies wishing to conduct business in Kazakhstan, KASE on the other hand is a local market with the major industrial, oil & gas, mining companies present. Deepening the market liquidity is the number one priority at this moment. As an illustration, it appears that there are as much as USD 25 billion in bank deposits belonging to the 100 wealthiest people in Kazakhstan, and only 10% of this amount is invested in stock market. Equally worrying is that 15% of population owns more than 50% of pension funds. One of the ways to resolve the lack of liquidity is to free up trading across borders within the Eurasian Economic Union with its 250 million people. One other way is either to increase number of brokers (20 as of today) or encourage their participation (only 12 are active). Except liquidity, one other target of KASE is to develop SMEs, which are only 26% of GDP currently. Finally, on the technology side, a strategic partnership has been concluded with the Moscow Stock Exchange with the goal of improving trade software and trade settlement systems. Check <http://kase.kz/en/documents/marketreview/> for more weekly information about KASE.

▼ Figure – Protecting Minority Investors in Kazakhstan and comparator economies – Ranking and DTF



Note: The ranking of economies on the strength of minority investor protections is determined by sorting their distance to frontier scores for protecting minority investors. These scores are the simple average of the distance to frontier scores for the extent of conflict of interest regulation index and the extent of shareholder governance index.

Speaking about achievements, in terms of minority investor protection, Kazakhstan is rated 3rd in the world by the Global Competitive Index. More companies are interested to list with growing infrastructure in the country. For market participants there is neither a capital gains nor a dividend tax for investments over 3 years of tenure. Alek Trpkoski, Senior Investment Associate from BlackPearl Capital Partners in Sydney, Australia, is currently in discussion with KASE to bring more awareness to the market both domestically and internationally.



With USD 58 billion under management, the National Bank of Kazakhstan is about to alter its allocation model from 80% bonds, 20% equities to 60% bonds, 35% equities and 5% in alternatives by 2020. 5% in alternative mandates will be split between National Investment Cooperation Subsidiary of National Bank and external fund managers. Following a question of Christophe Numa, Director at Bunker Gold and Silver, in terms of gold reserves Kazakhstan's National Bank buys all nationally produced gold, which was 40 tons last year as they find it to be an attractive asset for storing value. The Bank does not purchase any foreign gold.

Alek Trpkoski, Senior Investment Associate with BlackPearl Capital Partners, who runs a multi-strategy Fund of Hedge Funds, discussed with the National Bank of Kazakhstan, how an increased allocation to alternative investments such as the BlackPearl Masters Fund can improve Kazakhstan Sovereign Wealth Fund's risk and return profile. The National Bank is currently in talks with BlackPearl Capital Partners regarding a potential investment into the BlackPearl Masters Fund.



In Almaty we met with Freedom Finance, a broker serving retail audience in Kazakhstan, Russia, Uzbekistan, Ukraine and Kyrgyzstan. They are extremely competitive with 0.1% - 0.2% margins on transactions to attract maximum numbers of small investors across 14 cities in Kazakhstan. Custody of all accounts is assured by Halyk Bank, which was founded in 1923 in Almaty as an equivalent to Sberbank in Russia. In an effort to increase its reach and array of services, in 2017 Freedom Finance acquired Asyl Invest.



We have also had a meeting with the Editor in Chief of Forbes Kazakhstan Askar Aukenov who was quite open to the idea of foreign investors writing a column about their thoughts on investments in Central Asia and Kazakhstan in particular. Rainer Michael Preiss, Executive Director, Client Investments at Taurus Family Office and one of the investors on the trip, is the first contributor to the column.

One of the tangible immediate results of the trip was the signing of a Memorandum of Understanding (MOU) between the republican state entity "National center for technological foresight" under the Ministry for Investments and Development of the Republic of Kazakhstan and (1) PR Squared Worldwide Eurasia Bridge's Yelena V. Zemtsova, CFA, CEO, for Singapore, and (2) Black Pearl Capital Partners' Alek Trpkoski, Senior Investment Associate, for Australia in terms of official representation in the respective Australasia regions with the goal of spreading the awareness about Kazakhstan as well as spurring FDI into the country.



More negotiations on other subjects are in progress and will be announced at a later stage.

Conclusion:

The vibrant economic prospects of Kazakhstan are increasingly attracting a new generation of investors into the country, and this trend is only starting as the country continues to open and modernise.

Next Investment Trip:

Next trip is currently being organised for September 2018, and will include Mongolia, *Ulaanbaatar* (4-8 Sept), Kazakhstan, *Astana and Almaty* (9-16 Sept) and Uzbekistan, *Tashkent, Jizzax (free trade zone) and Samarkand* (16-22 Sept). Program will be similar to the one we had in April in Kazakhstan but with more business, import/export, industry and finance accent. For all interested parties, you are kindly requested to enquire with Yelena V. Zemtsova, CFA, CEO of PR Squared Worldwide Eurasia Bridge at +65 90106943 or yvz@prsquaredweb.com.

For those seeking adventure, a touristic extension is possible for one week prior to arrival in Astana in Kazakhstan on Sunday September 9th. A small group of individuals is planning a trip on Trans-Siberian train from Ulaanbaatar with a 3 day-stop in Sludyanka near Irkutsk on Lake Baikal.

You are welcome to join us!

About the Author:

Yelena V. Zemtsova, CFA, an international finance professional being stationed in Singapore since 2010 with a deep Investor and Public Relations expertise and experience gained across the industry in Eurasia and the U.S.A.: asset management companies, investment banking boutiques, wealth management, investment funds/HF/PE/VC, ING Private Bank, brokerage and trading firm, internal and external audit firms.

About PR Squared Worldwide Eurasia Bridge:

At **PR Squared Worldwide Eurasia Bridge**, we help Globally Minded Companies and Investment Firms to Identify, Meet and Develop Sound Relationships with Strategic Partners, Clients and Investors, Bridging Cultural Gaps and Finding Worldwide Synergies for Cross-Border Negotiations and Transactions.