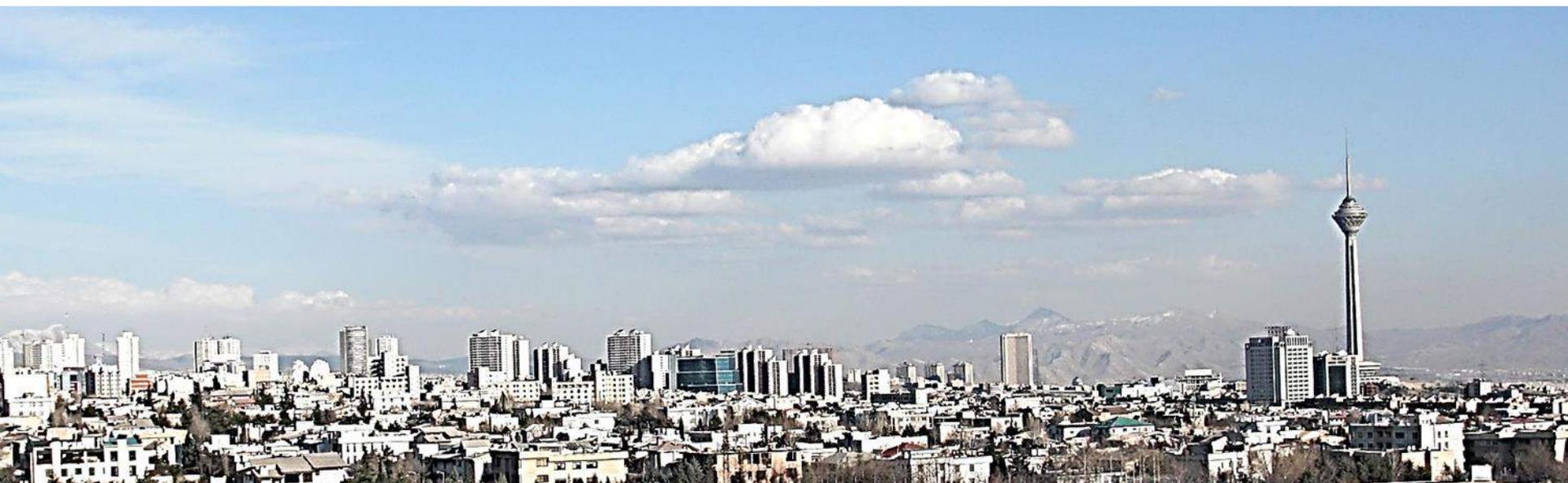


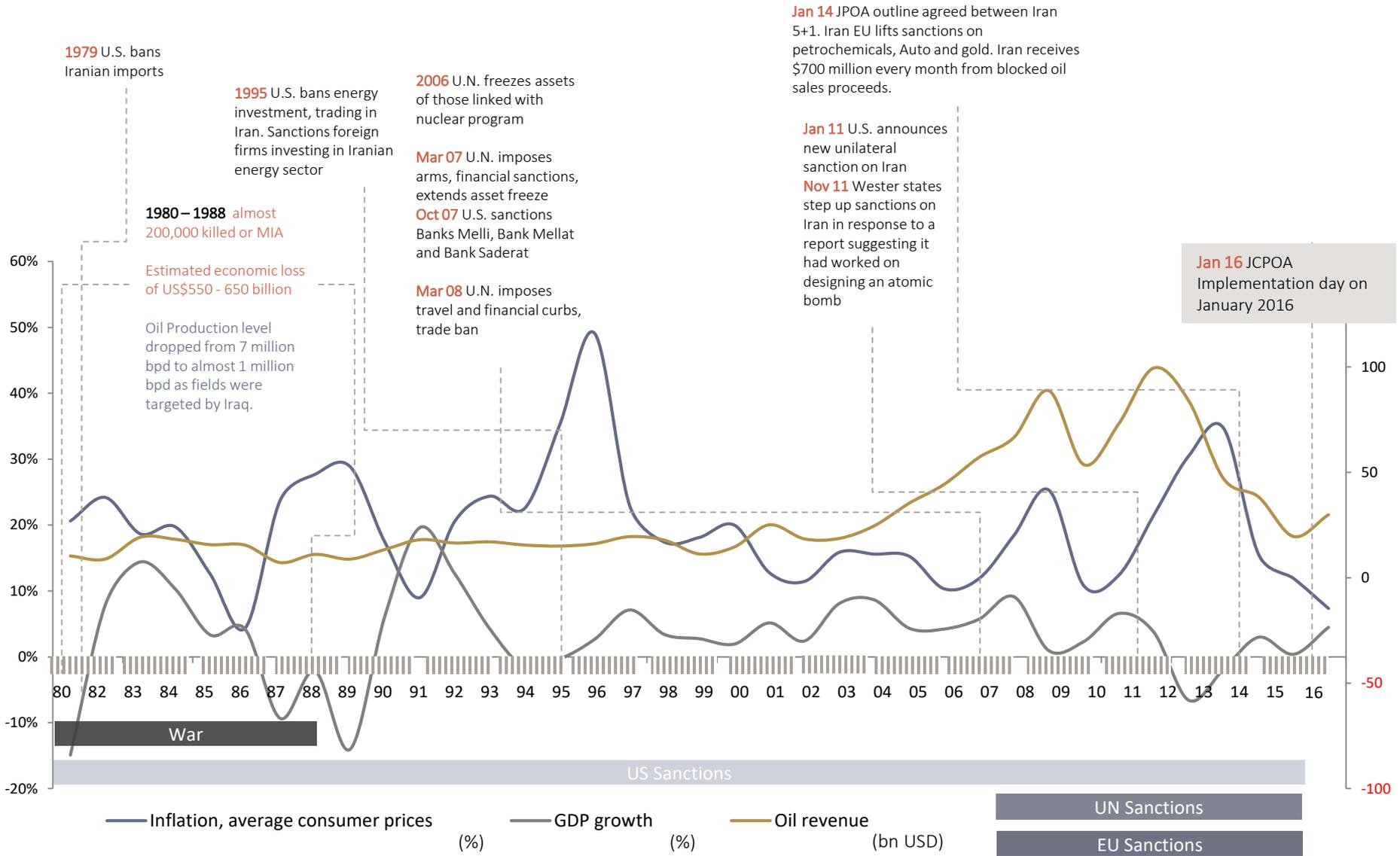
# IRAN – RESILIENT ECONOMY



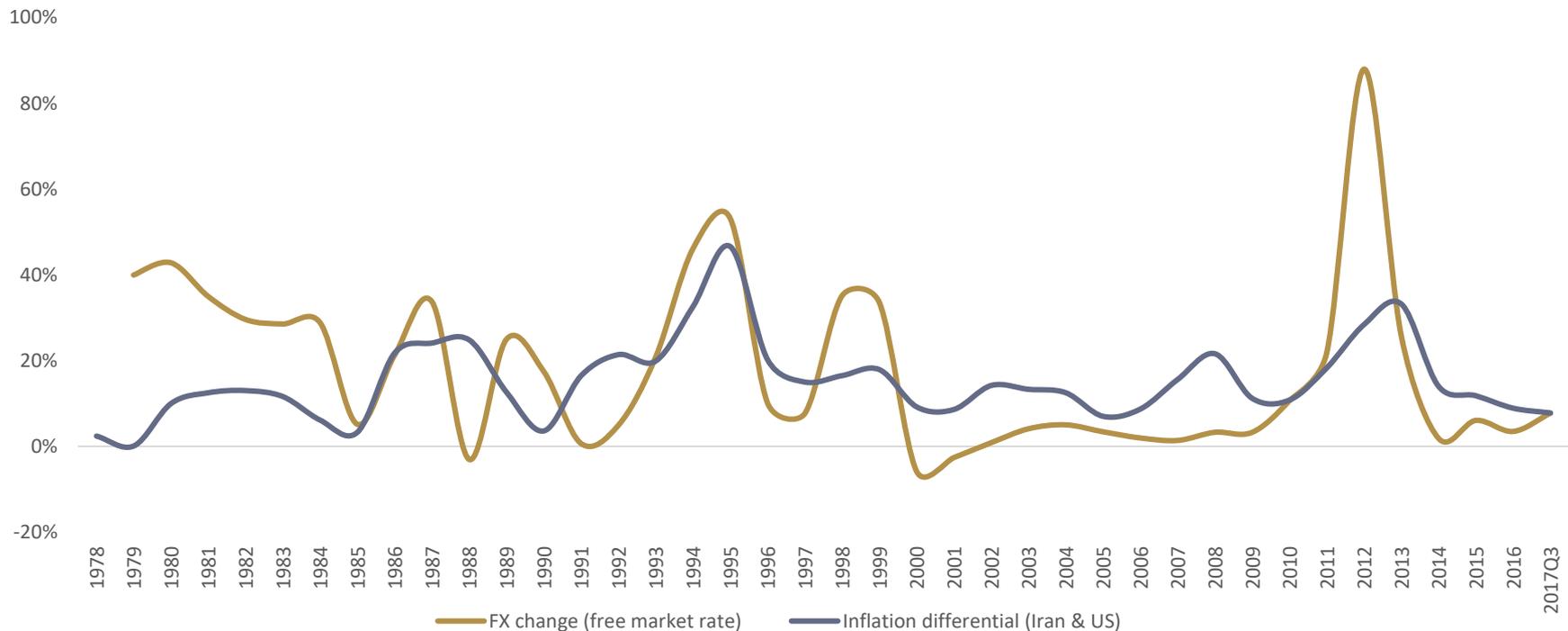
STRESS TESTED AND BECOMING MORE STABLE

DECEMBER 2017

# STRESS TESTED: RESILIENT ECONOMY DESPITE WAR AND SANCTIONS



# CURRENCY- LOWER INFLATION & MORE CURRENCY STABILITY



- The average annual depreciation of the Iranian rial versus the US dollar, over the last 3 years, has been ~ 6.5%/year.
- Current US/IR CPI differential is around 7-8%. With increase in oil and export revenues since the Nuclear deal was struck, the risk of devaluation has significantly diminished. Nevertheless, despite the recent stability its prudent to consider a gradual depreciation in line with the CPI differential.

- Vast majority of sanctions removed (EU, UN & US secondary)
- Risk is now to a large extent eliminated, especially for non-US persons
- US persons for the most part fall outside the scope of the JCPOA
- A number of sanctions remain (namely nuclear and human rights related)
- According to IAEA Iran is in compliance with the agreement (JCPOA). Certain steps taken by Iran to comply are irreversible. In the unlikely event that sanctions return, the flow of funds will become restricted as many of the banks that currently deal with Iran will likely halt/reduce their operations.
- The agreement is between Iran and 5+1 meaning Germany, UK, Russia, France, US and China. A series of non-compliance reports/warnings and voting would need to take place for sanctions to return. It will not be an overnight event and there will be ample opportunity to unwind liquid positions.
- As for PE and VC it's important to note that even during sanctions many large foreign owned multinationals continued to operate in Iran in the consumer sector. Sectors related to food and medicine were never targeted by sanctions.

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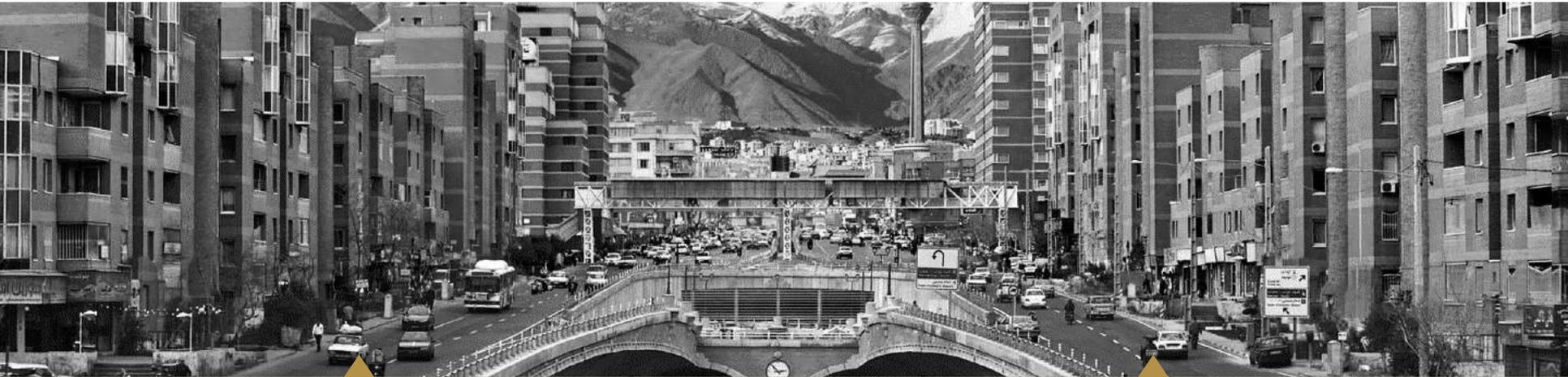
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