Analysing the National Investment Fund of Uzbekistan: The Historical Background, Offering Structure, and Future Challenges

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INTRODUCTION

Can a state successfully transition into a globalized market economy while retaining ownership of its crown jewels, or is absolute privatization the only path to economic efficiency?

This fundamental dilemma lies at the heart of contemporary transition economics. The creation of the National Investment Fund of Uzbekistan (UzNIF) under Presidential Decree No. UP-111 (July 19, 2024) represents a bold structural answer to this question, marking a shift toward a market-oriented framework for managing the nation's core capital resources. Historically, large state-owned enterprises (SOEs) and natural monopolies were managed directly by sector-specific line ministries. This traditional administrative model harbored a structural conflict of interest: ministries acted simultaneously as regulators and commercial operators, which frequently relegated long-term financial efficiency to a secondary priority behind social goals.

Decree No. UP-111 structurally decoupled the state's regulatory functions from its commercial asset ownership. Modeled after Singapore's Temasek sovereign holding, this framework establishes a professional mechanism to maximize the market capitalization of consolidated assets.

This analysis examines the establishment, operational strategy, and future outlook of Uzbekistan's National Investment Fund, offering broader insights into the nation's privatization process and ongoing economic transition.

Chapter 1: The Transitioning Uzbekistan

1.1 The Opening of the Uzbek Economy Since 2016

The first president of Uzbekistan, Islam Karimov, who held office from 1989 until his death in September 2016, developed what he called the Uzbek Path, which was a development paradigm consciously different from the policy of market liberalization dictated by the Washington Consensus. This model had a structure based on four foundations, namely, rigid state monopoly in the spheres of energy, telecommunications, transportation, and banking; use of a

multi-exchange-rate system with artificially created parity and serving as an invisible tax on productivity; capital controls; and closed borders to any significant trade with its immediate neighbors.

Opinions about this legacy differ indeed. During the period from 1996 to 2016, Uzbekistan had an average annual GDP growth rate of 5%, which exceeded 8% towards the end of Karimov's rule. Among his positive legacies are low levels of sovereign debts, prudent fiscal policies, and considerable reserves of gold and foreign exchange.

However, the structural dysfunctions were just as serious. Private-sector GDP did not budge over an entire decade. Millions of young Uzbeks have emigrated to Russia to find work, leading to structural dependence on transfers from one destination market that makes the entire economy vulnerable to performance in Russia's economy.

1.2 Three Act Reform

Mirziyoyev's reform agenda has seen three clearly identifiable stages.

First Stage (2016-2021): The foundation of liberalisation.

The single most important reform was the unification of exchange rates in Uzbekistan in September 2017 – a process which required a significant depreciation of the Uzbek currency to its market clearing value but instantly abolished the black market premium which had been holding back foreign investments for decades. This reform went hand-in-hand with the abolishing of virtually all foreign exchange controls, lowering the customs duties on thousands of products, making business registration easier and actively repairing relations with Central Asian neighbours. According to IMF estimates, as a consequence, Uzbekistan has been experiencing average annual GDP growth of 5.7% since 2017. Foreign investment has reached $39.7 billion in 2025, up from $4.1 billion in 2016 – a tenfold increase over nine years.

Phase Two (2021-2024): Institutional infrastructure.

In this phase there was an establishment of the infrastructure that is necessary for the implementation of largescale privatisation, including the Agency for Management of State Assets (UzSAMA) tasked with preparing the SOEs properly for privatisation; the Law on Privatisation of State Property (adopted in February 2024); the requirement for the application of the IFRS by the major SOEs; as well as the consultations with the OECD on the investment policy review. Without these foundations, the IPO of UzNIF would have been impossible. The audit of the UzNIF's financial statements carried out by Deloitte onin March 30, 2026, and registered at the Financial Reporting Council of the United Kingdom could not have been performed without the IFRS-compliant financial statements of portfolio companies.

Phase Three (2024 – 2026): Access to international capital markets.

UzNIF was founded by Presidential Decree No. 303 on 27 August 2024 and officially registered on 24 December 2024. The Investment Management Agreement with Franklin Templeton Asset Management was signed on 26 January 2025. Construction of the portfolio in stages occurred

during 2025, with four firms being exited by capital reduction on 30 December 2025 and replacement by superior firms. When order books were opened in May 2026, Uzbekistan had built the institutional framework that would make the deal credible to the most sophisticated investors in the world.

However, each of the three phases of reforms was technically reversible. Presidential decrees can be replaced. Agencies can be liquidated. Laws can be changed. This is not true in the case of the listing in London. The requirements for continuous disclosure in the LSE Main Market, the quarterly disclosure of NAV data by Franklin Templeton, the audit by Deloitte, the review of more than 160 institutional investors which incur reputational risks when holding equity in firms whose corporate governance practices are poor, the appointment of directors at thirteen Uzbek SOEs – all of this is irreversible through presidential decree.

1.3 WTO Accession - A Must Step into the International Market

Uzbekistan applied to the WTO in 1994 and made no progress for more than two decades during the presidency of Karimov as multilateral trade rules were considered a constraint on his development strategy. There was a drastic shift in the pace of the accession process from 2016 onwards, and the process has now entered its final technical phase. Prior to the UzNIF IPO, bilateral market access negotiations with 33 out of 34 WTO member states involved, including the EU, US, UK, China, and Russia – except Chinese Taipei – had already been completed. Over 180 national legislation acts have been harmonized with the WTO standards. The 12th Working Party Meeting in March 2026 led to the production of a draft Working Party Report with 62 commitments, seeking accession at the 14th Ministerial Conference in Cameroon in 2026.

The traditional interpretation of WTO membership – tariff cuts, market access, trade expansion – misses the full import of membership for countries at Uzbekistan's level of development. This lies along four tracks.

1. State owned enterprise (SOE) disciplines.

The WTO's regime governing state trading enterprises is a barrier to the conferment of exclusive monopoly status that immunizes state owned enterprises from competition. This has direct bearing on UzNIF portfolio companies, where the UzNIF financial reports show that Uzbekistan plans to raise its energy tariffs to cost recovery levels by 2026-2027, and to unify rail freight tariffs by 2030, consistent with WTO requirements.

2. Liberalisation of services.

Binding commitments in relation to services in the Uzbek case will be made regarding finance, telecommunications, and distribution, which constitute three out of the five major sectors covered by the UzNIF portfolio. These are the commitments which make the competition inevitable and thus lead to the efficiency sought by UzNIF.

3. Legal predictability.

Institutional investors are primarily interested in the legal environment in the host country rather than in the macroeconomic numbers. In the case of joining the WTO, one gets an additional

dispute settlement system due to the lack of effective domestic accountability mechanisms. The 180 plus legislative changes already made are a huge step in this respect.

4. GDP effects.

Expert assessments suggest WTO membership could increase Uzbekistan's national income by as much as 20% over the medium term through expanded trade and investment flows. While precise quantification is inherently uncertain, the directional effect is robust in the empirical trade literature.

1.4 Why Reform Now? The Convergence of Five Structural Drivers

The structural logic of SOE privatisation has been identifiable since at least 2017. Yet the country's first international equity offering happened in 2026. The explanation lies in the simultaneous convergence of five structural drivers.

Table 1: Five Structural Drivers of the 2026 Reform Window

Driver	Mechanism	Why Decisive in 2026
Demographic pressure	600–700k new labour force entrants per year	SOE model cannot absorb this; privatisation accelerates reallocation
Russia shock (2022)	Remittance disruption; Western capital diverted from sanctioned markets	FDI inflows reached $39.7bn in 2025 — almost tenfold growth since 2017
WTO deadline	Each Working Party session generates mandatory legislative changes	Political cover for cutting SOE monopoly privileges; 180+ laws aligned
Institutional readiness	IFRS accounts (Deloitte audit), UzSAMA, Privatisation Law (Feb 2024), Franklin Templeton IMA (Jan 2025)	None of these existed before 2024 — the IPO was structurally impossible earlier
Presidential mandate	Seven-year term from 2023 constitutional referendum	Long horizon absorbs short-term transitional costs of SOE restructuring

Sources: UzNIF Long-Term Strategy (Franklin Templeton, 2025); IFRS Financial Statements (Deloitte, March 2026); IMF; World Bank; Yale Journal of International Affairs (January 2026).

The Demographic Imperative

Uzbekistan has achieved a population of about 38.2 million with a median age of 28 years and a growing workforce of up to 600,000 to 700,000 people per year. Since 57% of the population falls below 30 years of age, there is structurally no way for an economy characterized by SOEs to absorb such growth. According to the Yale Journal of International Affairs in January 2026, the structural reforms of Uzbekistan, including privatization of SOEs, are not ideological decisions but a necessity forced on the government through labor market calculations. The process of privatizing SOEs expedites the process of labor market adjustment through competitive pressures and signals multinational corporations that institutional structure is being put in place for future investments.

The Russia Shock and Geopolitical Reconfiguration

The full-scale invasion of Ukraine by Russia in February 2022 was an exogenous shock which increased the urgency for reforms. Sanctions from the West led to lower economic output, depreciation of the rouble, and complications with international remittances – disrupting a source of income on which millions of Uzbek families relied. These risks are recognized in the financial statement of UzNIF, where it is stated that Uzbekistan has substantial economic relations with Russia and that sanctions towards Russian organizations may have a material impact on Uzbekistan's trade. However, the indirect effect was beneficial for Uzbekistan. Isolation of Russia from Western capital markets meant that the universe of opportunities for institutional investors who managed emerging market mandates became limited. With its proven track record of economic growth, lack of sanctions and publicized plan for reforms, Uzbekistan became the obvious choice for these investors' money.

WTO Accession as External Discipline

The public willingness of Uzbekistan to complete its WTO accession process by 2026 was a case of an exogenous accountability device, which domestic reform processes do not tend to produce. Every Working Party meeting yielded a particular set of legislative actions needed as prerequisites of membership, thus generating an uninterrupted flow of liberalisation reforms that could be presented to domestic interest groups as being externally imposed on the country rather than politically selected. This is of critical importance for SOE reform politics: liberalising the monopolistic privileges of Uzbektelecom and exclusive trade rights of Uztransgaz creates significant domestic losses.

Institutional Readiness: Why Not Before?

It is clear that the reason why IPO could not take place earlier than 2026 comes from the evidence provided in the primary source. In particular, UzNIF became an established entity only on 24 December 2024. Franklin Templeton management agreement was signed in 2025 (on 26 January). Share contributions from the Ministry of Economy and Finance started in 2025 (on 1 May). Portfolio company accounting records in compliance with IFRS standard became available only starting from 2024. The audit was completed on 30 March 2026. Portfolio of entities was also being developed until December 2025 when four companies were stripped out by capital reduction (Uzbekistan Airports, Microcreditbank, Business Development Bank, Uzbekistan Post).

Presidential Political Capital: Why Not After?

The re-election of Mirziyoyev in July 2023, following a constitutional referendum that extends the presidential period to seven years and sets new term limits, provides the political security needed to cope with the disruption that the privatisation process is expected to cause. SOEs will not have patronage control any more. Suppliers with political connections will not be guaranteed their contract anymore. It was even more difficult to launch the IPO of the UzNIF later since this would mean missing out on the early mover advantage that is expected to be crucial in the increasingly competitive Central Asian IPO environment. As the UzNIF Long-Term Strategy states, its success is completely reliant on political support to SOE reform.

Chapter 2: The Outlook of UzNIF in Uzbekistan

2.1 How does the Uzbekistan Government portray UzNIF?

Official government messaging frames UzNIF not merely as a financial vehicle, but as a revolutionary institution symbolizing the country's transition toward global economic integration. Rather than treating the fund's planned IPO on the London Stock Exchange as a standard market transaction, state communications present it as a historic turning point—tangible proof of Uzbekistan's departure from a closed, state-dominated economy to a competitive, investment-driven, and globally connected system.

Central to this narrative is institutional credibility. By emphasizing the need to build trust in a new generation of domestic institutions, officials position governance reform and transparency on par with capital creation. Listing on a major international exchange signals an embrace of global market standards while opening the nation to foreign investment. Beyond its symbolic value, UzNIF serves a practical structural role: holding stakes in 13 major state-owned enterprises, the fund operates as a strategic pipeline designed to prepare key domestic assets for future privatization and deeper economic reform.

2.2 How does the general public in Uzbekistan view UzNIF?

Public perception of the Uzbekistan National Investment Fund remains highly fragmented, largely driven by limited public information, varying levels of financial literacy, and the infancy of the country's capital markets. For many, the fund evokes a strong sense of national pride, as its dual listing—particularly on the London Stock Exchange—is seen as international validation of post-2016 modernization efforts. Concurrently, the domestic listing on the Tashkent Stock Exchange creates an unprecedented opportunity for local citizens to directly own a stake in major national assets, reinforcing a positive association with broader economic reform.

However, a significant portion of the population views the fund with neutrality or uncertainty. The complex mechanics of sovereign wealth management, global depositary receipts (GDRs), and dual-market listings make the initiative difficult for the average citizen to intuitively grasp, often leading to its perception as a distant government financial project with little personal relevance. Compounding this detachment is an underlying layer of skepticism, where critics and cautious observers express concern over economic inequality—worrying that the ultimate financial benefits of privatizing national assets will concentrate among foreign investors and domestic elites rather than trickle down to the broader public.

2.3 Reason of Low Public Awareness in Uzbekistan

Public awareness of the UzNIF remains severely restricted by a combination of structural, informational, and cultural-financial barriers. At its core, the fund relies on highly technical mechanisms—such as Global Depositary Receipts (GDRs) and complex sovereign IPO structures—that inherently cater to institutional financiers rather than the general public. This knowledge gap is exacerbated by the early development stage of Uzbekistan's capital markets,

where a mainstream retail investment culture has yet to fully take root. Consequently, stock exchanges and equity markets remain largely disconnected from the daily financial lives of average households, leaving the fund perceived as a remote economic experiment rather than a relevant personal opportunity.

Chapter 3: Portfolio Formation

3.1 Selection of Component Companies

The portfolio consists entirely of Uzbek state-owned enterprises, all of which remain wholly or majority state-controlled.

UzNIF's portfolio has been reduced in number of holdings even as its NAV has grown — narrowing from 18 companies under Presidential Decree No. PP-303 (August 2024), to 15 under PP-289 (September 2025), and finally to 13 under PP-74 (April 2026). As of 30 June 2026, the fund's NAV stood at USD 2,625.8 million.

The final 13 span the sectors seen as core to Uzbekistan's economy — transportation accounting for 32.4% of the total net asset value, followed by energy production (19.1%), telecommunications (15.2%), utilities (14.9%) and banking (13.4%). That spread was designed to give international investors a single-ticket way to gain access to key sectors of the local economy: energy generation, transportation, banking, financials, and industrials, rather than exposure to one company or sector.

The trustee, Franklin Templeton, has a mandate to transform these portfolio companies and improve their corporate governance by installing independent directors — including members of its own investment team — on the boards of all portfolio companies. UzNIF is the largest shareholder in these companies after the Uzbekistan government's dominant stake, giving it significant minority influence.

Table 2: Transportation in UzNIF Portfolio

Component Companies	Share capital held by UzNIF			% of NAV of UzNIF
	PP-303 Aug 2024	PP-289 Sep 2025	PP-74 Apr 2026	
Uzbekistan Airways	25%	25%	25%	16.5%
Railway Infrastructure Company	25%	40%	40%	14.9%
Tashkent City Transport Services	25%	25%	25%	1.0%
Uzbekistan Airports	25%	0%	0%	0.0%

Source: UzNIF Prospectus, 2026. Presidential Decree No. PP-303, PP-289, PP-74.

- Uzbekistan Airways is the flag-carrier airline holding roughly 86% of Uzbekistan's domestic air travel market.
- Railway Infrastructure Company is the sole owner and operator of Uzbekistan's national railway infrastructure network.
- Tashkent City Transport Services operates public bus and fixed-route taxi in Tashkent.
- Uzbekistan Airports operates all the civil airports in Uzbekistan.

Table 3: Energy Generation in UzNIF Portfolio

Component Companies	Share capital held by UzNIF			% of NAV of UzNIF
	PP-303 Aug 2024	PP-289 Sep 2025	PP-74 Apr 2026	
Uzbekhydroenergo	20%	40%	40%	16.0%
Thermal Power Plants	25%	25%	25%	3.1%

Source: UzNIF Prospectus, 2026. Presidential Decree No. PP-303, PP-289, PP-74.

- Uzbekhydroenergo operates all national hydropower plants, supplying about 10% of the country's total electricity.
- Thermal Power Plants operates 70% of the country's gas and coal generation capacity.

Table 4: Telecommunication in UzNIF Portfolio

Component Companies	Share capital held by UzNIF			% of NAV of UzNIF
	PP-303 Aug 2024	PP-289 Sep 2025	PP-74 Apr 2026	
Uzbektelecom	25%	25%	30%	15.2%
Uzpost	25%	0%	0%	0.0%

Source: UzNIF Prospectus, 2026. Presidential Decree No. PP-303, PP-289, PP-74.

- Uzbektelecom holds 83% of fixed broadband market and 98% of fixed-line connections.
- Uzpost is the national postal service operator.

Table 5: Utility in UzNIF Portfolio

Component Companies	Share capital held by UzNIF			% of NAV of UzNIF
	PP-303 Aug 2024	PP-289 Sep 2025	PP-74 Apr 2026	
National Electric Grid	40%	40%	40%	6.4%
Regional Gas Supply Company	40%	40%	40%	6.2%
Regional Electric Networks Company	40%	40%	40%	2.1%
Water Supply Company	40%	40%	40%	0.3%

Source: UzNIF Prospectus, 2026. Presidential Decree No. PP-303, PP-289, PP-74.

- National Electric Grid is the sole operator of the national high-voltage electricity transmission grid and dispatch.
- Regional Electric Networks Company is the leading distributor of natural gas to households and businesses nationwide.
- Regional Electric Networks Company has a 100% market share over retail electricity distribution and sales to end-users in its designated segments.
- A leading provider of water supply and sanitation services nationally, Water Supply Company oversees municipal drinking water supply and wastewater treatment services across the regions of Uzbekistan.

Table 6: Banking in UzNIF Portfolio

Component Companies	Share capital held by UzNIF			% of NAV of UzNIF
	PP-303 Aug 2024	PP-289 Sep 2025	PP-74 Apr 2026	
SQB	0%	30%	40%	13.4%
People's Bank of Uzbekistan	30%	30%	0%	0.0%
Microcreditbank	40%	0%	0%	0.0%
Business Development Bank	25%	0%	0%	0.0%

Source: UzNIF Prospectus, 2026. Presidential Decree No. PP-303, PP-289, PP-74.

- SQB is the 3rd-largest bank in Uzbekistan by assets with a 11% market share, focused on corporate, SME, and retail banking.
- People's Bank of Uzbekistan is the 5th-largest bank by assets with a 6% market share, focused on retail banking and pension/social payments.
- Microcreditbank is the 8th-largest bank by assets with a 3% market share, focused on microfinance and small-business lending
- Business Development Bank is the 6th-largest bank by assets with a 4% market share, focused on SME financing

While the precise rationale behind each addition and removal is not disclosed, one plausible explanation for why four banks appeared across UzNIF's component company lists but only one (SQB) survived to the final portfolio is the broader delay in Uzbekistan's state bank privatization program. Under the updated "Uzbekistan–2030" strategy, the government pushed back privatization timelines for several state banks — a shift attributed to structural challenges, including elevated non-performing loans and credit portfolios concentrated in long-term, government-directed lending programs that carry heightened risk. Notably, Microcreditbank, Business Development Bank, and the People's Bank of Uzbekistan — the three banks dropped from UzNIF's portfolio — are among those with no privatization currently planned through

2028, while SQB's privatization was explicitly targeted for completion in 2025–2026, aligning with its retention and increased stake in the fund.

Table 7: Financial Companies in UzNIF Portfolio

Component Companies	Share capital held by UzNIF			% of NAV of UzNIF
	PP-303 Aug 2024	PP-289 Sep 2025	PP-74 Apr 2026	
Uzbek Commodity Exchange	40%	40%	40%	3.5%
UzbekInvest	20%	30%	40%	1.4%

Source: UzNIF Prospectus, 2026. Presidential Decree No. PP-303, PP-289, PP-74.

- Uzbek Commodity Exchange is the operator of the national commodity and raw-materials trading exchange
- UzbekInvest is a leading provider of export credit and investment insurance in Uzbekistan.

Table 8: Financial Companies in UzNIF Portfolio

Component Companies	Share capital held by UzNIF			% of NAV of UzNIF
	PP-303 Aug 2024	PP-289 Sep 2025	PP-74 Apr 2026	
Navoiyazot	25%	25%	0%	0.0%

Source: UzNIF Prospectus, 2026. Presidential Decree No. PP-303, PP-289, PP-74.

- Navoiyazot is the largest chemical enterprise in Uzbekistan, producing roughly 660,000 tons of ammonia and 577,500 tons of urea annually.

3.2 Comparable of Component Companies with NAV contribution >10%

Given that most of these companies, as well as their regional comparables, are unlisted, meaningful equity multiples are largely unavailable. Although a small proportion of portfolio companies are listed in Tashkent, market price is still unavailable due to the lack of market depth. As a result, valuation must rely primarily on debt multiples and operational performance metrics.

Figures are of 2024 as the latest figures displayed by all the portfolio companies of UzNIF are of 2024.

Uzbekistan Airways (UA)

Air Astana is the directly comparable peer, with near identical revenue scale and similar geographical focus. The state of Kazakhstan owns 47.5% of Air Astana, whereas the state of

Uzbekistan owns 75% of UA excluding the UzNIF shares. The domestic market share of Air Astana is 68% in 2024, whereas that of UA is 86%.

Turkish Airlines is far larger in scale but is geographically anchored in Eurasia and serves as a regional performance benchmark, ranked 7th in the world by the Skytrax World Airline Awards.

Table 9: Uzbekistan Airways (UA) - Financial Metrics with Comparable Companies in 2024

Companies	Revenue (USD, Mn)			Net Income (USD, Mn)			Net Debt/ EBITDA (2024)
	2022	2023	2024	2022	2023	2024	
Uzbekistan Airways	1,109	1,286	1,408	153	107	118	2.95
Air Astana (Kazakhstan)	1,032	1,175	1,309	78	69	53	1.2[1]
Turkish Airlines	18,426	20,942	22,669	2,725	6,021	3,425	1.1

Source: UzNIF Prospectus, 2026. Air Astana Annual Report, 2024. Air Astana Annual Report, 2023. Turkish Airlines Annual Report, 2024. Turkish Airlines Annual Report, 2023.
[1]Net Debt/Adjusted EBITDAR.

Table 10: Uzbekistan Airways (UA) - Operational Metrics with Comparable Companies in 2024

Companies	PASK	CASK excl. Fuel	Load factor
Uzbekistan Airways	$0.013	$0.038	83.1%
Air Astana (Kazakhstan)	$0.0073	N/A	83.5%
Turkish Airlines	$0.0068	$0.046	82.2%

Source: UzNIF Prospectus, 2026. Air Astana Annual Report, 2024. Air Astana Annual Report, 2023. Turkish Airlines Annual Report, 2024. Turkish Airlines Annual Report, 2023.

UA and Air Astana grew revenue at a nearly identical pace, approximately 12.6% CAGR from 2022 to 2024, yet UA has a more outstanding profit margin.

The Net Debt/EBITDA of UA is markedly higher than both comparables, which may partly reflect its status as an unlisted company. Without access to public equity markets, UA has likely relied more heavily on debt to fund capital expenditure, such as fleet expansion, than Air Astana and Turkish Airlines, both of which can raise equity capital directly from public shareholders.

UA has stronger operational performance metrics than the comparables. UA has the highest unit profit margin, represented by PASK, which is revenue less total cost per Available Seat Kilometre. For Cost per Available Seat Kilometre (CASK excl. Fuel), UA's $0.038 is lower than Turkish's $0.046, though this likely reflects Uzbekistan's lower input cost environment as much as operational efficiency, given Turkish's more complex long haul network. Load factor measures capacity utilization. All three carriers are closely clustered (82.2% to 83.5%), indicating comparable demand strength and limited differentiation on this metric.

UA's unit economics are competitive with, and in the case of PASK superior to Turkish Airlines, one of the best airlines in the world, and its revenue growth matches Air Astana's with a higher profit margin.

Uzbekhydroenergo

Table 11: Uzbekhydroenergo - Figures in 2024

Revenue (USD Mn)	Profit (USD Mn)	Net debt/EBITDA	Total Capacity (MW)	Production volume (TWh)
310	160	1.6	2,256	8.195

Source: UzNIF Prospectus, 2026. Uzbektelecom JSC 2025 Consolidated financial statements

There is no comparable company for the national hydropower operator. This implies that UzNIF provides investors a unique market exposure.

Uzbektelecom

Both Uzbektelecom and Kazakhtelecom are Central Asian, post-Soviet telecom incumbents operating in similar frontier-market currency, regulatory, and political-risk environments. Both are listed and majority state-owned via a sovereign wealth fund — Uzbektelecom has 92% owned by the Government and UzNIF, and Kazakhtelecom has 79.2% owned by Samruk-Kazyna. Both are integrated fixed-line and mobile operators, carrying universal-service obligations to subsidize rural coverage.

Table 12: Uzbektelecom - Figures from 2023 to 2025

Metric	Uzbektelecom			Kazakhtelecom		
	2023	2024	2025	2023	2024	2025
Revenue growth	-	+14.7%	+19.5%	-	+5.2%	+18.0%
EBITDA margin	28.4%	30.0%	32.1%	35.7%	32.9%	35.9%
Net Debt / EBITDA	2.70	3.11	2.35	1.35	1.72	1.28
EBITDA / cash interest paid	5.84	4.88	5.13	4.63	3.33	4.84
Current ratio	0.21	0.30	0.30	0.75	0.64[1]	0.67
Capex / Revenue	21.7%	34.8%	17.3%	81.9%	44.7%	33.1%
Free cash flow	-122bn soums	-1.80tn soums	+1.39tn soums	-134.0bn tenge	-15.5bn tenge	-63.3bn tenge

Source: UzNIF Prospectus, 2026. Uzbektelecom JSC 2025 and 2024 Consolidated financial statements. Kazakhtelecom 2025 and 2024 Consolidated financial statements.

[1]Excludes the MTS disposal group's held-for-sale assets/liabilities.

From the figures, both have EBITDA margin and interest coverage, however:

- Uzbektelecom has recorded a more impressive revenue growth.
- With a higher Net Debt/EBITDA, Uzbektelecom is the meaningfully riskier credit.
- Uzbektelecom has a much lower current ratio, flagging auditors' concern.
- For Capex/Revenue, Kazakhtelecom spent 82% mostly on a 5G license purchase in 2023, dwarfing Uzbektelecom's 2024 peak of 35%. Kazakhtelecom's capital cycle is bigger but does not move its leverage much.

To conclude, Uzbektelecom has a concerning debt leverage and liquidity problem as compared to Kazakhtelecom, despite achieving a more outstanding revenue growth. Yet, Uzbektelecom has demonstrated a healthy trend overall: leverage peaked at 3.11x Net Debt/EBITDA in 2024 and has since pulled back to 2.35x; capex intensity peaked the same year and has since eased to 17.3%; and free cash flow, negative in both 2023 and 2024, turned solidly positive in 2025.

Railway Infrastructure Company

Table 13: Railway Infrastructure Company - Figures in 2024

Company	Country	Net income margin (2024)
Railway Infrastructure Company	Uzbekistan	1%
Georgian Railway	Georgie	10.3%
Kazakhstan Temir Zholy	Kazakhstan	7.4%

Source: UzNIF Prospectus, 2026. Georgian Railway 2024 Consolidated financial statements. Kazakhstan Temir Zholy 2024 Consolidated financial statements.

Uzbekistan Railways has a lower net income margin than its two post-Soviet, majority state-owned counterparts, Kazakhstan Temir Zholy and Georgian Railway.

One likely reason is transit exposure: Kazakhstan sits on the China-Europe corridor and Georgia on the Caspian-Black Sea oil/transit route, both generating high-margin, often hard-currency transit revenue, whereas Uzbekistan is double-landlocked and sees comparatively little international transit traffic.

A second likely reason is the capex cycle. Uzbekistan is mid-way through heavy investment in electrification, high-speed rail expansion, and the China-Kyrgyzstan-Uzbekistan line, all of which weigh on near-term profitability.

Sanoat Qurilish Bank (SQB)

Table 14: The Largest Banks in Uzbekistan Ranked by Total Assets in July 2026

Bank	Assets (trillion UZS)	Share of System	Ownership
National Bank of Uzbekistan (NBU)	146.5	15%	State
Agrobank	118.4	12%	State
Sanoat Qurilish Bank (SQB)	108.5	11%	State
Kapitalbank	62.7	6%	Private
Asaka Bank	62.5	6%	State

Source: Information on major indicators of commercial banks as of July 1, 2026, The Central Bank of the Republic of Uzbekistan, 2026.

While National Bank of Uzbekistan (NBU) takes a dominant position in the banking sector, Sanoat Qurilish Bank (SQB) is among the three largest banks in Uzbekistan that has a significantly higher share in the Uzbekistan banking system.

Table 15: Net Interest Margin of Banks in Uzbekistan in 2024 and 2025

Bank	Net Interest Margin 2024	Net Interest Margin 2025
Agrobank	7%	6%
Sanoat Qurilish Bank (SQB)	4.9%	4.8%
Asakabank	2%	1.5%
Sector Average	5%	5%

Source: Fitch Ratings; UzNIF Prospectus

SQB's net interest margin held nearly flat at 4.9% in 2024 and 4.8% in 2025 — essentially stagnant rather than improving, and consistently below the 5% sector average in both years. Notably, all the banks in this table have their net interest margin decreasing in 2025.

Table 16: Profitability of Banks in Uzbekistan in 2024 and 2025

Bank	Return on Assets		Return on Equity		Cost-to-income	
	2024	2025	2024	2025	2024	2025
National Bank of Uzbekistan (NBU)	1.90%	1.91%	13.0%	13.0%	40.9%	45.5%
Agrobank	0.08%	0.09%	0.56%	0.69%	60.5%	62.8%
Sanoat Qurilish Bank (SQB)	1.31%	1.59%	11.9%	15.0%	49.3%	56.4%

Source: 2025 Consolidated Financial Statements of National Bank of Uzbekistan, Agrobank, Sanoat Qurilish Bank

Compared to other banks of similar size, SQB delivered the strongest profitability improvement of the three banks in 2025, with ROA rising from 1.31% to 1.59% and ROE climbing from 11.9% to 15.0%. However, SQB's cost-to-income rose faster than other banks, which suggests that SQB's 2025 profitability gains seems to be driven by margin and volume rather than by improving cost discipline.

Table 17: Credit Ratings of The Larger Banks in Uzbekistan in 2026

Bank / Institution	Agency	Rating	Outlook	Date
National Bank of Uzbekistan (NBU)	S&P	BB/B	Stable	July 2026
Agrobank	Fitch	BB VR: b-	Positive	June 2026
Sanoat Qurilish Bank (SQB)	S&P	BB-/B	Negative (from Stable)	July 2026
Kapitalbank	S&P	BB-/B	Positive (from Stable)	July 2026
Asaka Bank	Fitch	BB VR: b	Stable	March 2026
The State of Uzbekistan	S&P	BB/B	Stable	May 2026
	Fitch	BB	Positive (from Stable)	June 2026

Source: Fitch Ratings, S&P Global

SQB stands out as the one credit actively deteriorating rather than being carried by sovereign or sector tailwinds. Other state-owned banks, such as National Bank of Uzbekistan and Asakabank, benefit from strong government support and carry ratings anchored to the sovereign, resulting in stable outlooks. Agrobank, meanwhile, holds a positive outlook — though this reflects Fitch's improving view of Uzbekistan's broader banking operating environment rather than any strengthening in Agrobank's own fundamentals, which remain weak. SQB is the outlier: it is the only bank among its state-owned peers with a negative outlook, reflecting S&P's expectation of further asset quality deterioration as the bank proactively recognizes legacy problem loans ahead of its planned privatization.

Table 18: Asset Quality of Sanoat Qurilish Bank

Bank	Stage 3 loans + OREO		Stage 2 loans	
	2024	2025	2024	2025
Sanoat Qurilish Bank (SQB)	6.8%	9.1%	27%	35%

Source: S&P Global

SQB's asset quality deteriorated markedly in 2025, with Stage 3 loans plus other real-estate-owned assets rising from 6.8% to 9.1%, while Stage 2 loans climbed from 27% to 35% of the total loan book. Taken together, more than 44% of SQB's loans now sit in Stage 2 or

worse, meaning well over a third of performing loans carry some elevated risk flag even before counting outright problem loans.

This aligns with S&P's rationale for revising SQB's outlook to negative. S&P explicitly ties this to the bank "proactively recognizing" problem loans ahead of a planned privatization. The scale of the Stage 2 buildup also means there is substantial headroom for further migration into Stage 3 over the next 12 to 24 months.

To conclude, SQB is strong in profitability and demonstrates a good trend in returns, yet the asset quality is concerning thus negatively impacted the credit ratings. The deterioration is a byproduct of the bank proactively recognizing legacy problem loans ahead of its own planned privatization, which is arguably a sign of governance improving rather than eroding.

Overall

Across the five component companies benchmarked, UzNIF's asset quality presents a mixed but broadly reassuring picture, with the credit risk concentrated in specific, identifiable pockets rather than spread evenly across the portfolio.

At the stronger end, Uzbekistan Airways and Uzbekhydroenergo anchor the portfolio's quality. UA's operational metrics (PASK, load factor) are competitive with or superior to established regional and global peers, and its elevated leverage is more a function of unlisted status and capex funding structure than underlying credit weakness. Uzbekhydroenergo, while not benchmarkable against a direct peer, shows a comfortable 1.6x Net Debt/EBITDA against a substantial production base, and its lack of comparables reflects the uniqueness of the asset rather than any quality concern.

The Railway Infrastructure Company's thin 1% net income margin looks weak against comparable companies, but this is best read as a structural and cyclical feature. Uzbekistan's double-landlocked geography limits high-margin transit revenue, and the company is mid-cycle on electrification and high-speed rail capex. This is a margin quality issue rather than a solvency one, and should partially reverse as capex normalizes.

The two credits requiring closer scrutiny are Uzbektelecom and SQB, though for different reasons and on different trajectories. Uzbektelecom carries meaningfully higher leverage than Kazakhtelecom and a low current ratio, but the trend is constructive as leverage has already pulled back from a 2024 peak of 3.11x, capex intensity has eased, and free cash flow turned positive in 2025 for the first time in the observed window. SQB moves in the opposite direction — profitability improved in 2025, but this was accompanied by rising cost-to-income and a marked deterioration in asset quality, with S&P moving to a negative outlook, explicitly tied to pre-privatization recognition of legacy problem loans, signals further asset-quality migration is likely over the next 12–24 months.

Taken together, UzNIF's portfolio asset quality is adequate to good on average, supported by two operationally strong, low-to-moderate leverage assets (UA, Uzbekhydroenergo) and one asset (Uzbektelecom) whose leverage is elevated but improving. The principal downside risk sits with SQB, where deteriorating loan quality is a genuine and worsening credit concern rather than a temporary or structural feature.

Chapter 4: The Structure of the Offering

4.1 The Selection of Trustee

A central factor in the Government of Uzbekistan's decision to appoint Franklin Templeton as trustee for UzNIF was the manager's successful track record with Romania's Fondul Proprietatea. Appointed in 2010 as sole administrator of Fondul Proprietatea, Franklin Templeton restructured the fund to meet international regulatory standards, culminating in dual listings on the Bucharest Stock Exchange in 2011 and the London Stock Exchange in 2015.

Both post-communist transition economies faced structural impediments: state-owned enterprises (SOEs) lacked transparency, operated inefficiently within market dynamics, and hindered foreign direct investment. Franklin Templeton's framework addresses these exact market distortions. As Fondul Proprietatea's public relations team noted upon UzNIF's listing, the asset manager leverages over 15 years of experience in Romania to unlock value in strategic SOEs through active management, corporate governance reforms, enhanced disclosure, and shareholder value creation. Furthermore, Franklin Templeton has a mandate to assist appointed lead managers to dual-list the fund's shares on both the Tashkent and London stock exchanges.

4.2 The Source and Size of Share Capital

The listing sells existing shares instead of issuing new shares. According to the Prospectus, *"all of the Securities being offered as part of the Offering are being sold by the Selling Shareholder."*

Table 19: UzNIF London IPO Share Capital Details

Item	Number of Shares
Total Issued Shares of UzNIF	5,054,262,531,127
Total Number of Shares Held by the Selling Shareholder (The Ministry of Economy and Finance of the Republic of Uzbekistan)	5,054,262,531,127
Total Offer Shares (Excluding Greenshoe Option)	47,943,008,287
Total Offer Shares (Including Maximum Greenshoe Option)	55,134,459,530 (15% more at maximum)

Source: UzNIF Prospectus.

Even if taking the over-allotment option to its maximum, the offering accounts for just 1.09% of the selling shareholder's total holdings—a remarkably small float for an IPO. This limited size suggests the issuance is less about raising capital and more about setting an unprecedented valuation benchmark for Uzbek companies in international markets.

4.3 Rationale of Going Public and the Use of Proceeds

The proceeds of around $690 million will be taken by the selling shareholder, which is the Ministry of Economy and Finance of Uzbekistan. *"The Company (UzNIF) will not receive any of the proceeds from the sale of the Securities by the Selling Shareholder,"* as explained in the prospectus.

After deducting $27.2 million in offering fees and expenses, as well as allocating 4% of the proceeds to Franklin Templeton as a trustee fee, the remaining net proceeds will be transferred to the state budget. Evaluating the UzNIF offering based solely on the use of proceeds misinterprets its strategic intent.

While conventional IPOs primarily aim to raise capital for growth projects or liquidity, the UzNIF transaction is fundamentally about market signaling and reform credibility. By listing a premier state-backed asset on both international and domestic exchanges, Uzbekistan demonstrates a binding commitment to transparency, asset valuation, and governance standards under international regulatory oversight.

Specifically, the offering serves two main objectives:

- **Anchor for Broad-Based Privatization:** UzNIF serves as the foundational precedent for Resolution No. PP-145, which mandates IPOs and secondary public offerings (SPOs) across major state-owned enterprises (SOEs) through 2028.
- **Institutional and Governance Transformation:** It embeds systemic reforms into Uzbekistan's corporate sector, establishing a trusted institutional framework to support future capital-raising initiatives.

Ultimately, this listing transitions key Uzbek state enterprise oversight beyond internal government channels to external, institutional bodies—including the UK Financial Conduct Authority (FCA), the London Stock Exchange, underwriting syndicates, and international investors.

4.4 Offering Structure

On May 18, 2026, UzNIF officially listed on the Main Market of the London Stock Exchange (LSE) via a sponsored Global Depositary Receipt (GDR) program. Under this setup, one GDR represents an underlying interest in 64,700 ordinary shares primary-listed on the Tashkent Stock

Exchange (TSE). The overall transaction was bifurcated into an international institutional tranche and a domestic retail tranche, designed to balance global capital access with localized participation.

Table 20: International and Local Tranche of UzNIF IPO

Tranche	Number of Shares	Percentage of Shares (excl. Greenshoe)	Percentage of Shares (incl. Greenshoe)
International Tranche	1,570,305,264,000	97%	85.1%
Max Greenshoe Option (in Intl Tranche)	227,459,837,600		12.3%
Tashkent Tranche	47,943,008,287	3%	2.6%

Source: UzNIF Prospectus.

The international tranche constituted the vast majority of the total offering and was placed exclusively with institutional investors via the LSE's International Order Book. To accommodate varying regulatory jurisdictions, the GDR program utilizes a dual-tranche, dual-ticker structure:

- **UZNF (Regulation S GDRs):** Designated for institutional investors outside the United States.
- **UZ20 (Rule 144A GDRs):** Designated for Qualified Institutional Buyers (QIBs) within the United States.

This dual-ticker structure enables UzNIF to access both US and non-US institutional liquidity pools while avoiding direct US Securities Act registration for its underlying ordinary equity.

The Tashkent tranche accounted for a minor fraction of the total issuance and was made available to local retail and institutional investors on the Tashkent Stock Exchange. To incentivize local retail involvement, eligible individual domestic buyers were offered a 5% price discount, purchasing shares at 4.41 soums against the baseline price of 4.65 soums.

Table 21: Details of the Tashkent Retail Tranche of UzNIF IPO

Tranche	Proceeds	Percentage of Proceeds (excl. Greenshoe)
Tashkent Retail Tranche (With 5% discount)	USD 995,800	~0.01%

Source: UzNIF Prospectus.

To prevent cross-border arbitrage—specifically, buying discounted retail shares on the TSE and immediately converting them into full-priced GDRs in London—a strict broker lock-in mechanism was implemented. Retail investors must be verified through designated local placement managers, including Alkes Research, Avesta Investment Group, or Bluestone Financial Group. Then, these discounted accounts are prohibited from converting local shares into GDRs without undergoing complex, institutional-level cross-border clearing procedures.

4.5 Listing via Global Depositary Receipts in London

UzNIF listed its GDRs pursuant to Chapter 15 of the UK Listing Rules, which mandates that the ordinary shares backing the GDRs must be actively traded on an "overseas regulated, regularly operating, recognised open market"—a condition UzNIF fulfilled through the primary listing of its underlying shares on the TSE.

A primary structural precedent for selecting a London GDR listing stems from the operational experience of UzNIF's manager, Franklin Templeton, which successfully executed a similar London GDR dual-listing for Romania's Fondul Proprietatea eleven years prior.

Although the global offering was restricted to institutional investors, UzNIF pursued an exchange-listed GDR rather than a private placement. As the debut international listing for an Uzbek state-backed entity, admission to the LSE Main Market carried high-profile signaling value, underscoring Uzbekistan's broader integration into global capital markets. Furthermore, an exchange listing demands rigorous disclosure standards, directly advancing UzNIF's core objective of enhancing institutional transparency.

4.6 Rationale Against a Secondary Equity Listing in London

The decision to issue GDRs rather than execute a direct secondary equity listing was driven by a strategic combination of governance requirements, market entry thresholds, and technical listing structures.

Primary among these are corporate control considerations: a direct secondary equity listing in London would necessitate full compliance with rigorous international standards, such as the UK Corporate Governance Code, which imposes strict mandates on independent board directors, committee structures, and formal board evaluations. Because the Government of Uzbekistan remains the majority shareholder, UzNIF maintains its primary corporate architecture under domestic standards. The GDR framework bridges this gap by allowing UzNIF to maximize financial disclosure and global institutional accessibility without dismantling its existing domestic control structure.

In addition to governance flexibility, technical market entry regulations made a direct equity listing impractical. Standard equity listings on major international exchanges like the LSE enforce rigid free float rules, typically requiring a minimum of 10% of total issued ordinary shares to be in public hands across international markets. GDR programs provide the necessary legal and regulatory flexibility when international public share distribution falls below these minimums or when the primary domestic exchange retains the vast majority of share liquidity.

Finally, the GDR structure offers critical advantages in trading architecture and capital access that a direct share listing cannot match. A standard secondary listing of ordinary equity on the LSE trades under a single, unified ticker symbol. By contrast, a GDR issuance enables a dual-tranche setup under Regulation S and Rule 144A, creating distinct tickers such as UZNF and UZ20.

4.7 Bookrunners and Underwriters

The selection of bookrunners and underwriters for UzNIF's international offering reflects a deliberate strategy to balance core Western institutional placement with regional expertise and market-testing in emerging liquidity pools.

Table 22: Underwriters and Bookrunners in UzNIF IPO

Financial Intermediary	Underwriter	Bookrunner	Number of GDRs
Jefferies	✓	✓	15,937,429
WOOD & Company	✓	✓	3,281,234
Auerbach Grayson	✓	✓	3,046,860
Raiffeisen Bank International	✓	✓	1,171,869
Abu Dhabi Commercial Bank	✖	✓	/

Source: UzNIF Prospectus.

To target major tier-one global institutions across the United States and Europe, UzNIF engaged Jefferies as sole global coordinator, alongside US-focused boutique broker Auerbach Grayson. Jefferies provided the top-tier global distribution capacity required to secure key cornerstone orders from mega-cap international asset managers. Complementing this, Auerbach Grayson leveraged its specialized network of US-based institutional funds focused on frontier and emerging markets.

A central feature of the syndicate is the strong presence of Central and Eastern European (CEE) investment banks—most notably Czech-headquartered WOOD & Company and Austria's Raiffeisen Bank International (RBI). These institutions hold significant operational footprints across Eastern Europe, a region that underwent economic transitions closely parallel to Uzbekistan's current reforms—moving from centrally planned economies to market-driven systems through state-owned enterprise privatization. Because CEE-focused institutional investors routinely evaluate post-sovereign transition assets, they are uniquely positioned to assess UzNIF's true asset value and risk profile. Furthermore, Franklin Templeton—acting as UzNIF's asset manager—holds a proven track record in Eastern Europe through its long-standing management of Romania's Fondul Proprietatea. This established regional reputation allowed WOOD & Company and RBI to effectively market UzNIF to institutional funds within their existing investor networks.

In contrast to the international underwriting syndicate, Abu Dhabi Commercial Bank was appointed as a bookrunner without underwriting commitments. Under this structure, the bank actively participated in marketing, investor roadshows, and order-book construction across Gulf Cooperation Council markets, but assumed no balance-sheet obligation to buy unsold GDRs. This implies that engaging the bank solely for bookbuilding allowed UzNIF to test institutional

appetite in the Gulf without forcing the syndicate to absorb or price the risk of uncommitted Middle Eastern allocation.

4.8 Cornerstone Investors

The transaction was anchored by a consortium of global institutional investors, including BlackRock, Franklin Resources Inc. (whose subsidiary acts as UzNIF's asset manager), Redwheel, and the Allan & Gill Gray Foundation (the asset manager of Orbis). Together, these cornerstone backers committed $300 million, absorbing roughly 43% of the international IPO proceeds and signaling the highest caliber of institutional demand quality.

Crucially, as fundamental long-only asset managers, these investors deploy capital with multi-year investment horizons rather than seeking short-term flip profits. By locking in nearly half of the offering prior to bookbuilding, this cornerstone group reduced execution risk, created a powerful signaling effect for other international accounts, and effectively removed a substantial portion of the public float from immediate secondary market turnover. In the aftermarket, this concentrated long-only holding structure acts as a structural stabilizer: it restricts floating supply on the London Stock Exchange, dampens share-price volatility, and shields the GDRs from speculative selling pressure, thereby establishing a firm valuation floor for Uzbekistan's flagship equity transaction.

4.9 Price Discovery

Given UzNIF’s modest offering size of approximately $690 million, the syndicate opted for a fixed-price IPO structure rather than a conventional price-discovery range. This fixed valuation model was validated by robust institutional demand: the international tranche was four times oversubscribed, serving as a clear vote of international confidence in Uzbekistan’s broader privatization roadmap and economic reform agenda.

Secondary market trading on the London Stock Exchange reflects sustained upward momentum, with UZNF trending consistently upward from its $25.00 offer price. By August 27, 2026, the GDR closed at $36.50, a 46.0% gain compared to the offer price, which demonstrates smooth price appreciation with minimal downside volatility. Spurred by strong initial trading performance, the global coordinator exercised the over-allotment option in full just two days following the London debut to facilitate stabilization.

Despite impressive capital appreciation, secondary market depth presents a growing structural concern. Trading activity has thinned significantly since the initial offering surge: as of 27 August 2026, average daily trading volume over the three months post-listing sits at 23.43k GDRs, but the 10-day moving average volume has contracted sharply to just 3.82k GDRs.

This drop in turnover is further compounded by a widening bid-ask spread—recently quoted between $36.50 and $37.00. At roughly 1.37% of the asset's price, this spread is notably wide for a liquid main-market listing. The combination of declining daily volume and wide spreads indicates that while long-only cornerstone accounts have successfully stabilized the price floor, additional market-making support and secondary liquidity initiatives will be necessary to deepen the order book and facilitate seamless institutional position-building. Another project operated by Franklin Templeton, Fondul Proprietatea, delisted its GDRs from London in April 2025 because of very low trading volume.

Chapter 5: How Chinese Investors Speak the Same Language

5.1 Strong Investor Interest in China

Having navigated its own transition from a planned to a market economy—and the large-scale privatization of state-owned enterprises—China possesses a unique institutional perspective on Uzbekistan’s reform path. Consequently, Chinese investors are uniquely positioned to recognize the deep underlying value and untapped efficiency of the state-owned companies within the UzNIF.

This strategic alignment is backed by massive economic commitment: China stands as Uzbekistan’s largest source of foreign direct investment, deepening its footprint across Central Asia through key Belt and Road Initiative projects. Landmark ventures like the $4.7 billion China-Kyrgyzstan-Uzbekistan railway and major transport corridors like the Tashkent-Samarkand toll highway demonstrate Beijing’s long-term commitment to integrating Uzbek infrastructure into regional trade networks.

By consolidating 13 critical state enterprises into UzNIF, Uzbekistan offers Chinese institutional and strategic investors a familiar entry point: high-yield industrial, energy, and infrastructure assets backed by state-led governance reform. As Chinese capital shifts from pure infrastructure financing to equity participation, UzNIF presents a natural vehicle for investors looking to secure a strategic stake in the premier economic growth engine of Central Eurasia.

5.2 Chinese Investors Have Gone through the Privatisation in China, and Understand the Hidden Value of State-Owned Enterprises

Having navigated their own transition from a planned to a socialist market economy, Chinese investors possess a institutional perspective on state-owned enterprise (SOE) reform. Ever since Deng Xiaoping’s pragmatic realization that market mechanics and state planning are compatible economic instruments, China has uniquely mastered the art of combining market forces with state control—transitioning from rigid direct administration to modern capital management

through institutional anchors like the State-owned Assets Supervision and Administration Commission of the State Council and mixed-ownership models.

Because Chinese capital markets regularly deploy state-backed vehicles as core engines for innovation and growth (as seen in leading sovereign investments in high-tech sectors like DeepSeek), Chinese investors do not suffer from the Western bias that views state involvement as an inherent discount. Instead, having witnessed China's own multi-decade restructuring of state assets, they possess the practical experience to recognize the hidden asset value, operational upside, and strategic security embedded within Uzbekistan's state-owned portfolio. Consequently, UzNIF is far less likely to be undervalued in China, where investors fully understand how state-backed governance and market-driven monetization can synergistically compound long-term economic value.

5.3 How Hong Kong Helped State-Owned Enterprises to Attract Foreign Capital and Align with International Governance Standards

Hong Kong's transformation into the premier international financial gateway for Chinese State-Owned Enterprises (SOEs) offers a proven historical blueprint for how global markets can elevate transitioning economies. During the early 1990s, while Hong Kong sought stock market diversification beyond real estate, Mainland China required foreign direct investment to modernize state assets without relinquishing state ownership. This alignment culminated in the historic June 1993 Memorandum of Understanding between regulators, paving the way for Tsingtao Brewery to pioneer the first H-Share listing on the Hong Kong Stock Exchange.

By creating dedicated structures for Mainland entities—specifically H-Shares for domestic corporations and Red Chips for overseas-incorporated state entities—Hong Kong successfully bridged the gap between state-dominated economies and global institutional capital. Unlike domestic A-Shares, which imposed strict foreign investment controls, Hong Kong offered unrestricted exposure to international investors. Crucially, listing on the exchange forced Chinese SOEs to adopt International Financial Reporting Standards, institute independent board oversight, and adhere to strict disclosure mandates. This process proved that sovereign enterprises could achieve operational discipline and institutional credibility without sacrificing core strategic state control—a framework that now accounts for roughly 77 percent of Hong Kong's total market capitalization.

For Uzbekistan and the National Investment Fund (UzNIF), Hong Kong's experience provides a vital playbook for state enterprise privatization. Leveraging an international financial center with deep experience in sovereign asset transition allows Uzbek SOEs to access foreign capital while rapidly aligning with global governance standards. Just as the H-Share model transformed

Chinese state enterprises into trusted, market-driven global entities, a similar international listing strategy can convert Uzbekistan’s sovereign portfolio into high-grade institutional assets.

Chapter 6: Conclusion

The question posed at the outset — whether a state can retain ownership of its most strategic assets while still submitting to the discipline of global capital markets — cannot be answered in the abstract. UzNIF's first year on the London Stock Exchange suggests a qualified yes, but one built on a narrow and still-untested foundation.

The portfolio itself substantiates this reading. Across the five benchmarked component companies with the largest NAV weight in the portfolio, the underlying credit quality of UzNIF's assets is adequate to good on average. Uzbekistan Airways and Uzbekhydroenergo demonstrate that Uzbek SOEs can already compete operationally with — and in some metrics outperform — established regional peers. The Railway Infrastructure Company's thin margins reflect Uzbekistan's landlocked geography and an ongoing capex cycle rather than mismanagement. Uzbektelecom's elevated leverage is trending in the right direction. Only SQB presents a genuinely deteriorating credit, and even there the deterioration is a byproduct of the bank proactively recognizing legacy problem loans ahead of its own planned privatization — arguably a sign of governance improving rather than eroding. Taken as a whole, this is not the profile of hollowed-out state enterprises being offloaded onto foreign investors, but of assets whose fundamentals had simply never been tested against international benchmarks before.

The structure of the offering itself, however, complicates a simple "successful IPO" narrative. At $690 million and just 1.09% of the selling shareholder's total holding, UzNIF's float was never designed to raise meaningful capital, as proceeds flow entirely to the state budget, not the fund. Its true purpose was price discovery and reputational signaling: establishing a credible valuation benchmark for the thirteen SOEs still to come under Resolution No. PP-145's IPO pipeline through 2028. On that narrow mandate, the deal succeeded with a four-times oversubscribed, a 46% first-quarter gain, and a cornerstone base of quality long-only big name funds locking in structural price support. But the same features that made the IPO a low-risk signaling exercise — a minimal float and heavy reliance on long-only cornerstone holders — have already produced the thin secondary liquidity now visible in UzNIF's contracting daily volumes and widening bid-ask spread. Fondul Proprietatea's 2025 London delisting, run by the same trustee, is a pointed reminder that governance credibility and market signaling do not automatically translate into a durable, liquid security.

Looking forward, the next test of Uzbekistan's transition model will not be UzNIF's share price but whether the pipeline behind it: the remaining SOE IPOs, the WTO accession, and the tariff and governance reforms embedded in the prospectus' own forward commitments. China's parallel experience with SOE reform, and its demonstrated appetite for state-backed equity

through vehicles like the Hong Kong H-share market, positions Chinese capital as a natural second wave of demand should Western liquidity prove as shallow as early trading data suggests. Whether UzNIF becomes the template for Central Asia's broader integration into global capital markets, or a well-intentioned but thinly-traded one-off, depends less on the deal itself than on what Uzbekistan does next.

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