Harnessing reform in Uzbekistan:
Why Redwheel has backed the Uzbekistan National Investment Fund

James Johnstone, Co-head, Redwheel Emerging and Frontier Markets
Victor Erch, Co-portfolio Manager, Redwheel Emerging and Frontier Markets

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The Redwheel Emerging and Frontier Markets team is proud to have been selected as one of the cornerstone investors in the recent listing of the Uzbekistan National Investment Fund (UzNIF). Our participation in this listing has been the culmination of visits to the country and engagement with policymakers and companies over a period of several years. Throughout this time, our Next Generation Emerging Markets Equity and Frontier Markets Equity strategies have held indirect exposures to the country through holdings in TBC Bank, OTP Bank and Halyk Savings Bank[1], all of which operate in the country.

Our macroeconomic work combined with bottom-up analysis, supported by visits and meetings, have reinforced our positive view of the reform momentum, the credibility of the current government and the growth outlook of the country.

The Uzbekistan opportunity

The top-down story is one of significant catch-up and structural growth in a resource-endowed country with a fast-growing light manufacturing base.

Uzbekistan is the most populous country in Central Asia with a population of c.38m in 2025, growing at c.500k per year. Following the collapse of the Soviet Union and lasting until the mid-2010s, the economic model was a highly centralised, state-led system characterised by extensive price controls, strict FX controls and limited-to-no integration with global markets.

In 2016, the new president Shavkat Mirziyoyev launched his "New Uzbekistan" reform agenda starting in 2017 with exchange rate liberalisation followed by trade liberalisation and tariff reductions. One of the most important reforms was to dismantle the state-organised labour system in the cotton sector, privatising cotton mills and aligning all labour regulations to global standards culminating in the International Labour Organization declaring an end to systemic forced labour in the country in 2021.

As a result of these reforms, the country has seen its GDP grow from $60bn in 2018 to $145bn in 2025. GDP per Capita has grown from $1,800 to $3,900, unemployment has fallen from >10% to <5% and wages have improved from $200 to >$500 in the same time frame[2].

At the same time, inflation has been brought under control and fiscal spending has been reined in, substituted by foreign direct investments and private sector capital expenditures.

The reform agenda continues with modernisation of the banking system and ongoing liberalisations in the power and energy sectors, and the government recently raised its 2030 GDP target from $160bn (set in 2019) to $240bn implying nominal growth of 10-11% annually[3].

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[1] These securities have been selected to highlight the strategy's investment methodology and is not representative of the strategy's performance. The investment strategy holds a broad range of securities. Portfolio holdings are subject to change at any time without notice. This information should not be construed as a recommendation to purchase or sell any security.
[2] IMF, April 2026
[3] Uzbek Government strategy documents, 2025

The country is rich in gold, uranium and copper resources, which is hugely supportive in today's environment and in the long-term given the team's favourable view on these commodities. The country is home to the world's largest open pit gold mine producing over 2moz per year[4]. It is the fifth largest producer of uranium and aims to produce 500kt of copper per annum in 2030[5].

But the country does not want to tie its fortune only to commodities. Given its young and growing workforce, Uzbekistan is aiming for a diversified economy and is going through a very exciting period of industrialisation.

This follows a well-trodden path seen in many larger emerging markets several decades ago where employment moves from agricultural sectors into light manufacturing. Agriculture as a share of the economy has fallen from 28% to c.20% since 2015 while manufacturing has grown from <25% to c.33%[6].

The Uzbekistan National Investment Fund

All of these targets and reforms require heavy investments and growth of infrastructure, power assets and the banking system in the country and the Uzbekistan National Investment Fund was set up to provide exposure to exactly these industries.

The fund holds minority stakes of 25-40% in 13 state-owned enterprises[7] with a primary goal to drive long-term sustainable growth while leaning on Franklin Templeton, the manager of the fund, to implement best-in-class governance standards and ultimately replicate the success seen with Franklin Templeton's management of Romania's Fondul Propriatatea. Since listing in 2010, the shares returned 926% in USD-terms to shareholders over a 15-year period[8].

UzNIF's portfolio today is valued at $2.4bn by independent parties and consists of holdings[9] across all key parts of the Uzbek economy including large hydropower assets, railway infrastructure, regional gas and electricity grids, thermal power plants as well as the country's flag carrier airline Uzbek Airways and the largest commercial bank SQB Bank.

As such it provides a broad exposure, fully aligned with - and in many cases instrumental to - the macroeconomic growth of the country. Factoring in the expansion plans and cash flow generation of the holding companies we believe that the portfolio valuation could reach c.$5.9bn by 2028, providing >150% upside in that time frame and likely more upside beyond this into 2030.

CONTACT US

Please contact us if you have any questions or would like to discuss any of our strategies.

E invest@redwheel.com | W www.redwheel.com

[4] Navoi Mining, Frank.uz, 2025
[5] Uzbekistan Government, Reuters, 2026
[6] World Bank, Redwheel research, 2025
[7] Company prospectus, May 2026
[8] Bloomberg, May 2026
[9] Company prospectus, May 2026

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