

Arab Bank MENA Fund

Performance Report 31.01.19

A fund of the Arab Bank MENA Fund Company B.S.C. (Closed)

NAV PER SHARE

\$8.23

OBJECTIVES OF THE FUND

The Arab Bank MENA Fund is an open ended mutual fund that offers investors the opportunity to invest in the capital markets of the Middle East and North Africa region (MENA), with a particular focus on listed equities. The Fund aims to achieve an annual average net return in the range of 10% to 15% over a full investment cycle. The Fund aims to carry a lower volatility than that of the market, by dynamically rotating across asset classes, geographies and sectors, depending on market conditions.

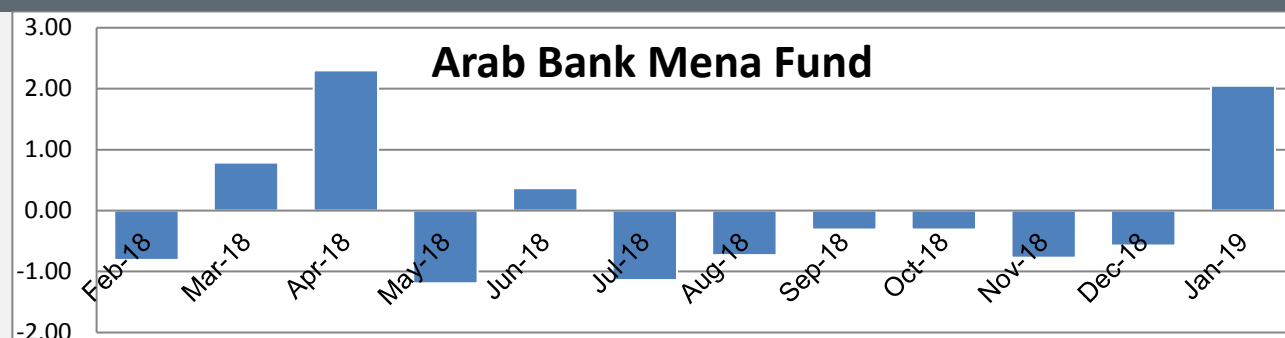
KEY FEATURES

Domicile	Kingdom of Bahrain	Valuation point	Monthly, last business day of the month
Reference currency	USD	Minimum subscription	USD 25,000 & USD 1,000 thereafter
Fund assets	USD 16,904,564	Dealing frequency	Monthly, 5 business days prior to month end
Launch date	October 2005	Fund manager	Al Arabi Investment Group Co (AB Invest)
Administrator	Gulf Clearing Company	BBG code	ARABMNA BI Equity

MONTHLY PERFORMANCE (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Y.T.D.
Arab Bank MENA Fund													
2019	2.05												2.05
2018	0.23	-0.81	0.79	2.30	-1.19	0.37	-1.14	-0.73	-0.31	-0.31	-0.77	-0.57	-2.18
2017	1.01	0.32	1.39	0.78	-1.70	0.97	0.22	-1.03	0.65	-0.57	-3.49	-0.11	-1.65
2016	-10.85	6.29	1.49	2.17	-1.11	-0.06	1.35	-0.90	-1.29	-1.26	5.06	2.19	2.05
2015	1.74	3.12	-3.83	4.81	-0.54	0.08	-0.16	-9.07	-0.68	-3.22	-1.61	-0.40	-9.99
2014	3.24	2.98	0.84	1.76	2.55	-4.42	6.30	2.72	0.40	-5.45	-6.04	-2.75	1.28

MONTHLY RETURN OVER THE PAST TWELVE MONTHS



RETURN PERCENTAGES

1 month	2.05%	3 months	0.69%	Since inception	-17.66%
6 months	-0.66%	12 months	-0.40%		

PERFORMANCE STATISTICS

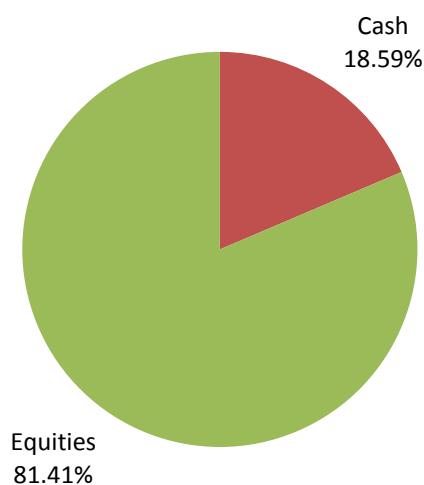
	The Fund
Annualised return	-1.4%
Annualised volatility	13.7%
Sharpe ratio	NM
Maximum month	13.7%
Minimum month	-23.5%
% Positive months	54.4%
Worst 12 months	-70.2%
Best 12 months	110.9%

TOP TEN HOLDINGS

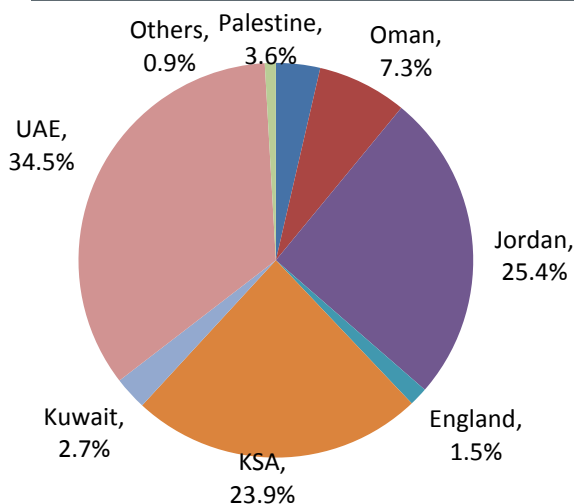
	Country	%
Dubai Islamic Bank	UAE	11.50%
Siniora Food Industries	Jordan	11.15%
Emaar Properties	UAE	7.98%
Saudi Airlines Catering	KSA	7.49%
Ooredoo	Oman	5.98%
Aramex	UAE	5.33%
SAMBA Financial Services	KSA	4.87%
Arab Bank	Jordan	3.44%
Palestine Telecommunications	Palestine	2.95%
Human Soft Holding	Kuwait	2.21%



ASSET ALLOCATION



GEOGRAPHIC ALLOCATION (EQUITIES)



COMMENTARY

MENA markets started the New Year on a positive footing. The S&P Pan Arab Investable Index gained 2.82% and the Dow Jones MENA Index jumped 6.24%. In Islamic markets, the Dow Jones Islamic Market MENA Index advanced 5.05%. The Arab Bank MENA Fund rose by 2.05% and the IIAB Islamic MENA Fund rose by 2.41%. In turn, the AB MENA Feeder Fund gained 2.00% and the IIAB MENA Feeder Fund gained 2.36%.

Individual country market indices had strong performances overall. The Saudi Arabian TASI was a top performer as it soared 9.37%, followed by the Egyptian EGX30 Index, which rose 8.37%. The Qatari Index rose 4.09%, the Bahraini Index gained 4.05% and Kuwait's Premier Market Index went up by 3.09%. In the UAE, the Abu Dhabi Index gained 2.64% to outperform the DFM Index, which rose 1.50%. Jordan's ASE General Index was another advancing index, with an increase of 2.24%. On the other hand, Oman's MSM30 Index dropped 3.64% following the release of the government's 2019 budget, which showed a slowdown in spending growth but does not cut the large budget deficit that had caused international rating agencies to downgrade its debt to below investment grade status.

According to EPFR Global Data, emerging market funds attracted USD3.3 billion during the third week of January alone, extending the run of inflows for this class of assets to 14 weeks. The inflows signal a return of investors into emerging market equities after a difficult 2018 filled with political crises.

The International Monetary Fund (IMF)'s January World Economic Outlook (WEO) report contained downgraded forecasts for the global economy's growth rates. The IMF now expects growth to be at 3.5% in 2019 and 3.6% in 2020, compared to the 3.7% growth previously predicted for the coming two years. The downward revision was attributed to the risks arising from the trade war between China and the U.S. and due to the slowing momentum in the German economy because of the impact of car emissions measures.

As for Saudi Arabia's economic growth forecast, the IMF lowered it to 1.8% from 2.4% for 2019; however, it raised its forecast for 2020 to 2.1% from 1.9%. Meanwhile in Kuwait, the IMF projected its non-oil growth to increase to 3.5% in 2020 as higher oil prices boost capital spending, whereas its growth came in at 2.5% in 2018.

The World Bank's latest report sees the UAE's GDP growth accelerating to 3% in 2019, from 2% in 2018. The report also predicts that growth in the UAE will reach 3.2% in 2020 and carry into 2021. Despite a slowdown in the global economy, growth in the UAE is expected to find support in higher investment and regulatory reforms that support growth.

GCC markets were bolstered by the rise in oil prices this past month. Brent oil jumped 18.45% to close at USD61.89 per barrel, and WTI oil gained 15.04% to reach USD53.79 per barrel. Saudi Arabia will reportedly trim its exports in February to 7.1 million barrels per day (bpd) from 7.2 bpd in January. According to OPEC officials, the planned export cuts are an attempt to raise oil prices above USD80 per barrel to help the kingdom cover a large government spending increase. Saudi Arabia revealed last month that it planned to increase expenditure by 7% in 2019 (equivalent to USD20 billion) to fund ambitious plans to diversify the economy away from oil. OPEC and its allies will meet in March to assess their oil production agreement, taking into account the possibility of U.S. sanctions on Venezuelan oil, and set policy thereafter in April.



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In the U.S., the S&P 500 Index jumped by 7.87% and the Dow Jones Industrial Index followed suit with a 7.17% increase. The U.S. government shutdown came to an end after five weeks when President Trump and congressional leaders reached a deal to reopen the government and end the longest U.S. funding lapse ever. The deal allows government operations to continue temporarily through to February 15, and does not include approval to fund the proposed border wall. In other U.S. news, the Federal Reserve, in its first policy-setting meeting of 2019, decided to keep the federal funds rate at a range of 2.25% to 2.50%. Fed governors went so far as to suggest they may pause any further rate hikes. Chairman Jerome Powell, however, assured that the decision was made not due to concerns about the U.S. economy, which remains near full-employment, but rather due to outside factors such as a slowdown in China and Europe, ongoing trade tensions, and the effects of the government shutdown.

Index gains extended into European markets as the French CAC 40 Index went up by 5.54% and the German DAX Index rose by 5.82%. In the U.K., the FTSE 100 gained 3.58% despite increased uncertainty regarding Britain's future relationship with the European Union. Prime Minister Theresa May faced the biggest government defeat in modern history after Parliament emphatically rejected her Brexit deal. European governments now think that a Brexit postponement is increasingly likely, but they remain divided over how long such a postponement should be.

The repercussions of the dispute between China and the United States have rippled across financial markets, businesses and trade. However, East Asian markets seemed to recover from last month's losses to post significant gains. The Nikkei Index gained 3.79%, the Shanghai Composite Index rose 3.64%, and the Hang Seng Index appreciated by 8.11%.

Major central banks have adopted a more downbeat view of the global economy leading investors to lower their expectations for monetary tightening. The G-3 central banks – the U.S. Federal Reserve, the European Central Bank, and the Bank of Japan – are signaling a wait-and-see approach. Moody's Investors Service expects the Fed to hike rates twice this year, and predicts the ECB will delay increasing its key policy rates until 2020.

In terms of volatility indicators, the CBOE's Volatility Index (VIX) retreated by 34.82%, possibly signaling expectations of lower volatility and possibly correcting an overreaction on the part of investors for December's 40.68% jump. The same is true for the Euro Stoxx 50 Volatility Index, which declined 36.67% this month. At the same time, spot gold prices rose 3.02%, extending last month's increase of 5.08%.

Global systematic uncertainties remain in play, underpinned by Brexit and outcome of the U.S.-China trade negotiations, to name a few. Despite the strong start to the year, we remain cautious in terms of asset and geographical allocations, with a focus on overbeaten deep value stocks with relatively better clarity on expected cash flows and dividends.

INVESTMENT METHODOLOGY AND EDGE

AB Invest is one of the most experienced and fastest growing MENA investment managers operating out of Jordan. AB Invest provides its clients with a number of MENA-focused investment solutions on conventional and Sharia-compliant bases. Our investment process is based on rigorous fundamental analysis with a view on delivering superior risk-adjusted returns, using a combination of top-down and bottom-up approaches. Our deep knowledge of the markets in which we invest allows us to deliver consistent returns while prudently managing risk.

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Past performance should not be taken as a guide to the future. The value of investments can fall as well as rise.

