

Arab Bank MENA Fund

Performance Report 31.10.18

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

NAV PER SHARE

\$8.18

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.

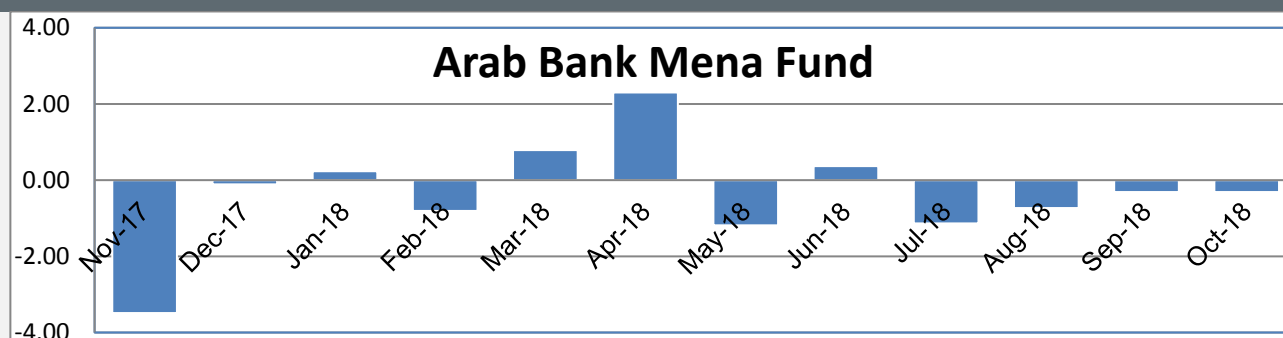
KEY FEATURES

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 16,813,007	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													
2018	0.23	-0.81	0.79	2.30	-1.19	0.37	-1.14	-0.73	-0.31	-0.31			-0.86
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
2013	3.57	-0.75	1.02	1.87	1.48	-1.64	3.02	-1.21	1.19	1.24	1.99	1.60	14.09

MONTHLY RETURN OVER THE PAST TWELVE MONTHS



RETURN PERCENTAGES

1 month	-0.31%	3 months	-1.34%	Since inception	-18.23%
6 months	-3.28%	12 months	-4.42%		

PERFORMANCE STATISTICS

	The Fund
Annualised return	-1.5%
Annualised volatility	13.8%
Sharpe ratio	NM
Maximum month	13.7%
Minimum month	-23.5%
% Positive months	54.8%
Worst 12 months	-70.2%
Best 12 months	110.9%

TOP TEN HOLDINGS

	Country	%
Dubai Islamic Bank	UAE	11.07%
Siniora Food Industries	Jordan	10.05%
Emaar Properties	UAE	9.50%
Saudi Airlines Catering	KSA	7.20%
Ooredoo	Oman	6.33%
SAMBA Financial Services	KSA	5.17%
Aramex	UAE	5.12%
Arab Bank	Jordan	3.22%
Palestine Telecommunications	Palestine	2.91%
Dallah Health Care Holding	KSA	2.64%

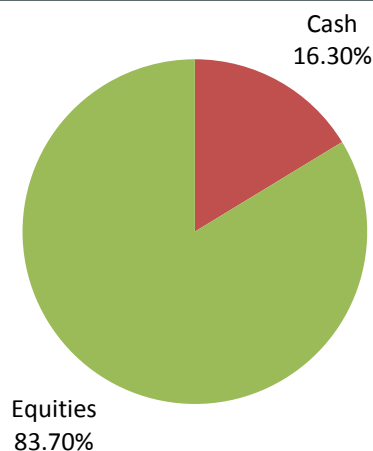


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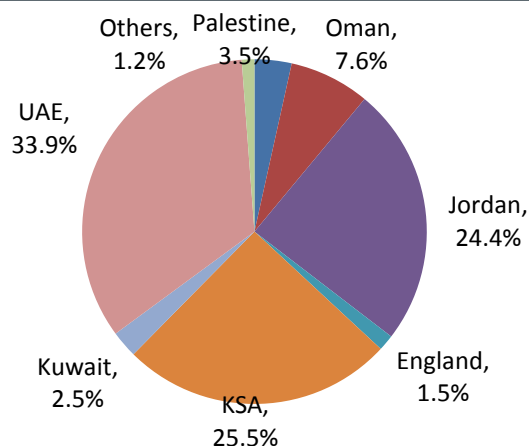
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ASSET ALLOCATION



GEOGRAPHIC ALLOCATION (EQUITIES)



COMMENTARY

MENA markets closed slightly changed following a turbulent month. The S&P Pan Arab Investable Index rose by 0.16% (YTD +2.80%) and the Dow Jones MENA Index fell by 0.51% (YTD +7.28%). Similarly, Islamic markets moved a small amount for the month, with the Dow Jones Islamic MENA Market Index gaining 0.21% (YTD +5.51%). The Arab Bank MENA Fund slipped 0.31% (YTD -0.86%) and the AB MENA Feeder Fund lost 0.36% (YTD -1.28%). The IIAB Islamic MENA Fund fell by 0.64% (YTD -5.94%) and the IIAB MENA Feeder Fund lost 0.69% (YTD -6.55%).

Regional indices were generally on the decline for the month. The Jordanian Index slipped 0.86% (YTD -7.90%) and the Egyptian EGX30 Index fell by 9.35% (YTD -11.78%).

In the GCC, markets were hit heavily by the fall in oil prices during the month. Brent oil fell by 8.76% (YTD +12.86%) and WTI oil lost 10.84% (YTD +8.09%). The Saudi Arabian TASI had dropped 1.16% (YTD +9.42%) by the end of the month after it lost nearly 12.5% by mid-October following the news of the death of Saudi journalist Jamal Khashoggi at the Saudi consulate in Turkey. In Abu Dhabi, the Index fell by 0.68% (YTD+11.45%) and in Dubai, the DFM General Index dropped 1.78% (YTD -17.37%). Kuwait's Premier Market Index also shed 2.05% (+9.53% since the index's inception in April), Oman's MSM30 Index lost 2.66% (YTD -13.26%), and the Bahraini Index fell by 1.78%, erasing all of its year-to-date gains (YTD -1.28%). Despite an environment of general decline, the Qatari Index jumped 4.97% and the Index continues to be the best performer in the region for the year at 20.85%.

Early in October, Saudi Arabia announced plans to increase its budget next year by more than initially forecast, taking advantage of higher oil prices to support economic growth and reduce unemployment. Public spending is expected to reach SAR1.1 trillion (USD 295 billion) in 2019, which is 10% more than the government projected last year. Saudi media sources also said that the government would resume annual allowances for state employees from the start of the new year. The government initially cut civil servants' allowances in September 2016 when it was squeezed by low oil prices, but will reverse the decision after achieving a smaller-than-expected budget deficit.

At the same time, the UAE approved its 2019 budget. The approved federal budget is the largest in the country's history at AED60.3 billion (up 17.3% from the 2018 budget), with 42.3% allocated to social development programs, 17% to education, and 7.3% to the health care sector.

According to the International Monetary Fund (IMF)'s World Economic Outlook report, Oman will become the fastest growing economy in the GCC region next year. The country's GDP is expected to grow by more than 5% in 2019 after a growing by 1.9% this year.

In other news, Bahrain will receive up to USD2 billion from its Gulf neighbors before the end of the year. The amount will be the first installment of the five-year USD10 billion aid package offered by Saudi Arabia, the UAE, and Kuwait to avoid the risk of a debt crisis in the kingdom. Officials said some funds have already arrived in state coffers.

Equity indices around the world saw their worst monthly performances for the year. The S&P 500 lost 6.94% to erase most of the gains it made during the year (YTD +1.43%) and, similarly, the Dow Jones Industrial Average Index shed 5.07% (YTD +1.60%). In Europe, the FTSE 100 fell by 5.09% (YTD -7.28%), the German DAX dropped 6.53% (YTD -11.38%), and the French CAC 40 lost 7.28% (YTD -4.12%). In Asian markets, the Nikkei Index lost 9.12% (YTD -3.71%), the Hang Seng lost 10.11% (YTD -16.51%), and the Shanghai Composite Index fell by 7.75% (YTD -21.30%).



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Global political turmoil drove both the U.S.'s Volatility Index (VIX) and Europe's EURO STOXX 50 Volatility (VSTOXX) up by 75.17% (YTD +92.30%) and 37.53% (YTD +50.27%), respectively. VIX is at its highest level since September 2015 and VSTOXX at its highest since November 2016. Furthermore, in increased demand for safe haven assets, the U.S. Dollar Index rose by 2.10% (YTD +5.43%) and spot gold price went up by 2.01% (YTD -6.76%).

Given the surge in volatility in some regional markets in October, we have opportunistically increased some core positions, in addition to executing various tactical trades, especially in the Saudi market. We continue to maintain a fundamentally based approach, with a focus on expected dividend payouts in the next few months

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.

DISCLAIMER

Whilst the information contained in this report is provided in good faith, no representation or warranty, express or implied, is made to its accuracy or completeness.

Arab Bank MENA Fund is a Fund created and sponsored by the Arab Bank MENA Fund Company B.S.C. (Closed) and is an open-ended investment Fund registered under the Laws of the Kingdom of Bahrain.

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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.

