

# Arab Bank MENA Fund

Performance Report 30.01.20

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

NAV PER SHARE

\$8.66

## 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.

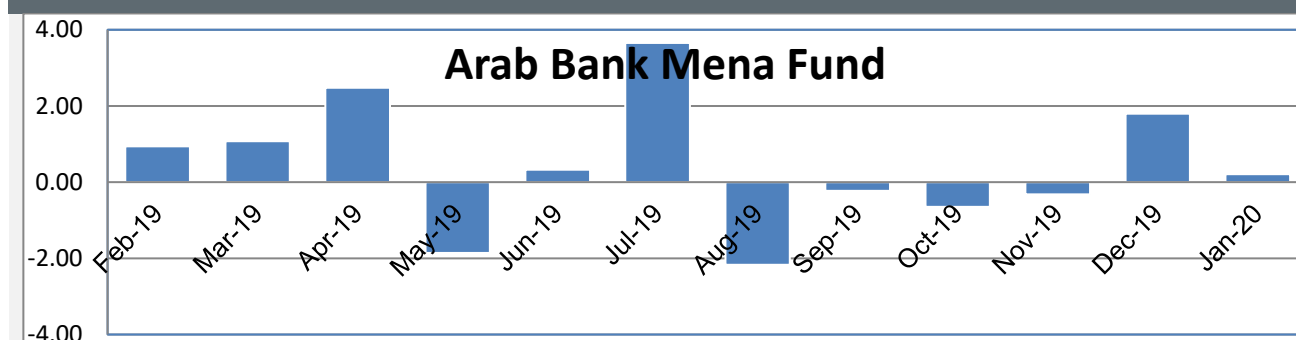
## KEY FEATURES

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 16,696,508	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.
<b>Arab Bank MENA Fund</b>													
2020	0.21												0.21
2019	2.05	0.94	1.07	2.48	-1.86	0.33	3.65	-2.17	-0.23	-0.65	-0.32	1.80	7.13
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

## MONTHLY RETURN OVER THE PAST TWELVE MONTHS



## RETURN PERCENTAGES

1 month	0.21%	3 months	1.69%	Since inception	-13.38%
6 months	-1.40%	12 months	5.20%		

## PERFORMANCE STATISTICS

	The Fund
Annualised return	-1.0%
Annualised volatility	13.3%
Sharpe ratio	NM
Maximum month	13.7%
Minimum month	-23.5%
% Positive months	54.7%
Worst 12 months	-70.2%
Best 12 months	110.9%

## TOP TEN HOLDINGS

	Country	%
Dubai Islamic Bank	UAE	12.10%
Emaar Properties	UAE	6.92%
Ooredoo	Oman	5.87%
Saudi Airlines Catering	KSA	5.74%
Aramex	UAE	5.19%
SAMBA Financial Services	KSA	3.51%
Arab Bank	Jordan	3.26%
Palestine Telecommunications	Palestine	2.84%
Human Soft Holding	Kuwait	2.43%
National Central Cooling	UAE	2.16%

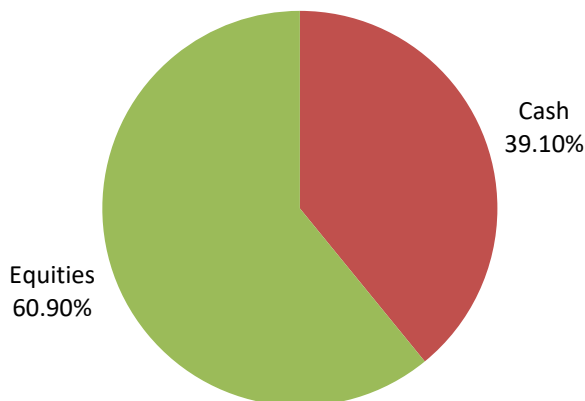


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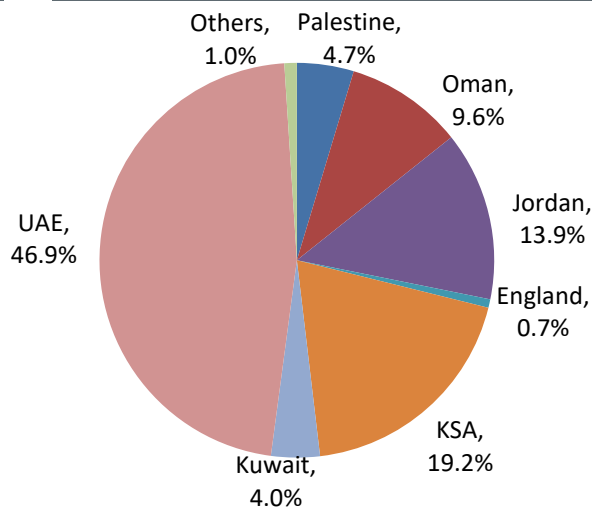
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## ASSET ALLOCATION



## GEOGRAPHIC ALLOCATION (EQUITIES)



## COMMENTARY

MENA markets faced a small downturn at the start of the year. The S&P Pan Arab Investable Index lost 0.82%, the Dow Jones MENA Index shed 0.49% and the Dow Jones Islamic Market MENA Index fell 0.48%. Nonetheless, the Arab Bank MENA Fund gained 0.21% and the IAB Islamic MENA Fund gained 0.15%, which in turn led to the IAB MENA Feeder Fund rising 0.08%.

In regional market performances, the Bahraini Index was the best performer with a 2.95% rise, followed by Oman's MSM30 Index, which rose 2.46%. In the UAE, the Abu Dhabi Index appreciated 1.58% and the DFM General Index rose 0.92%. The Kuwait Premier Market Index managed a 0.82% gain and the Qatari index inched up by 0.16%. The Saudi Arabian TASI was the only declining index among GCC market indices, depreciating by 1.70%. Outside the GCC, Jordan's ASE Index advanced 2.90%, while the Egyptian EGX30 Index lost 0.31%.

The Institute of International Finance (IIF) revealed that investment growth across all emerging markets (EM), excluding China, is down to zero. The IIF looked across all major EM to see where the slump is most pronounced. It found Turkey and Argentina were at the extreme weak end of the scale, which it finds "not surprising" given their difficult external funding pictures. What was more surprising was the pronounced weakness in Mexico, in addition to Brazil, India, and South Africa. Despite the drop EM investment growth, according to the United Nations Trade and Development Organization (UNCTAD), Egypt maintained its position as the largest recipient of foreign direct investment (FDI) in Africa. Egypt's Minister of Planning said that the state's FDIs climbed 5% during 2019, reaching USD8.5 billion.

Meanwhile, in forward-looking reports, the International Monetary Fund (IMF) predicts the world economy will strengthen in 2020, but at a slightly weaker pace than previously expected. According to the fund, global growth will accelerate 3.3% this year from 2.9% in 2019. It is the first increase in three years, but still falls short of projections for 3.4% growth made in October. The report noted that the risks were "less skewed" toward negative outcomes. Some positives for the IMF include signs that the slump in manufacturing and global trade is bottoming out, good news on U.S.-China trade talks, and supportive monetary policy. The 2020 outlook for India was slashed by more than 1% due to slowing domestic demand, and this proved the biggest drag on the new IMF forecasts. There were also modest downgrades to projections for the U.S. and the euro area. Global trade volume growth was cut to 2.9% from 3.2%, though still far better compared to last year's 1%.

In the commodities space, Brent oil lost 11.88% and WTI oil dropped 15.56%. Saudi Arabia says all options are open at the OPEC+ meeting in early March. OPEC+ decided in December to widen their supply cuts by 0.5 mbpd until the end of March to reduce the size of the seasonal inventory build that takes place in the first half of the year. The group now wants to extend oil output cuts until at least June, preferably until the end of 2020, with the possibility of deeper reductions on the table if oil demand in China is significantly impacted by the spread of the Coronavirus. Nonetheless, Saudi Arabia believes the crisis will have very little effect on global demand, adding that the current impact is mainly driven by psychological factors and extreme negative expectations. The Saudi Oil Minister compared the current state of extreme pessimism to that which occurred during the SARS virus outbreak, which did not cause a significant reduction in oil demand.

U.S. equity markets saw small movement at the beginning of the year; the S&P 500 shed 0.15% and the Dow Jones lost 0.99%. In its first meeting for the year, the Federal Reserve decided to hold its main rate steady, signaling policy would stay on hold for the time being and stressing the importance of lifting inflation to the officially stated target. The Fed officials kept the target range of the benchmark federal funds rate at 1.5% to 1.75% and stated that stance was "appropriate to support sustained expansion of economic activity".



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European markets saw harder times in January, with the French CAC 40 Index losing 2.87% and the German DAX dropping by 2.02%. The FTSE 100 fell by 3.40%, with most of the decline occurring in the run up to the final Brexit decision. Britain's 47-year membership of the European Union ended at 11pm on the 31st. British Prime Minister Boris Johnson marked the occasion with a sober but optimistic address to the country. A standstill transition period is intended to extend until the end of 2020, but the UK has lost all its formal representation in Brussels and is now a "third country" seeking a trade deal from outside the room. German Chancellor Angela Merkel said talks with the UK would be the "dominant theme of this year". According to a UK official Johnson will seek a comprehensive trade deal at least as good as Canada's agreement, but will be ready to take a looser arrangement like Australia's if talks fail. Merkel warned Johnson that if he insisted on seeking a "Canada-style" trade deal with the EU, eliminating tariffs and quotas but allowing the UK to diverge from Brussels rules, there would be negative consequences for British business.

Asian markets were mainly down during January on the back of high volatility. Bearing the brunt of the Coronavirus outbreak, the Shanghai Composite Index depreciated by 2.41%. At the same time, the Hang Seng Index dropped 6.66%, as the outbreak hit a market that has already been hit hard by the eight-month-long anti-government protests. Meanwhile, the Nikkei Index lost 1.91%.

We continue to tactically capitalize on the volatility in the markets, while hunting for fundamentally based positions gradually and opportunistically. Healthy levels of cash will enable more efficient reallocations to countries and sectors with more attractive valuations, better clarity in terms of cash flows and more generous dividend yields.

### 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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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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