

# Arab Bank MENA Fund

Performance Report 31.10.19

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

NAV PER SHARE

\$8.52

## 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.

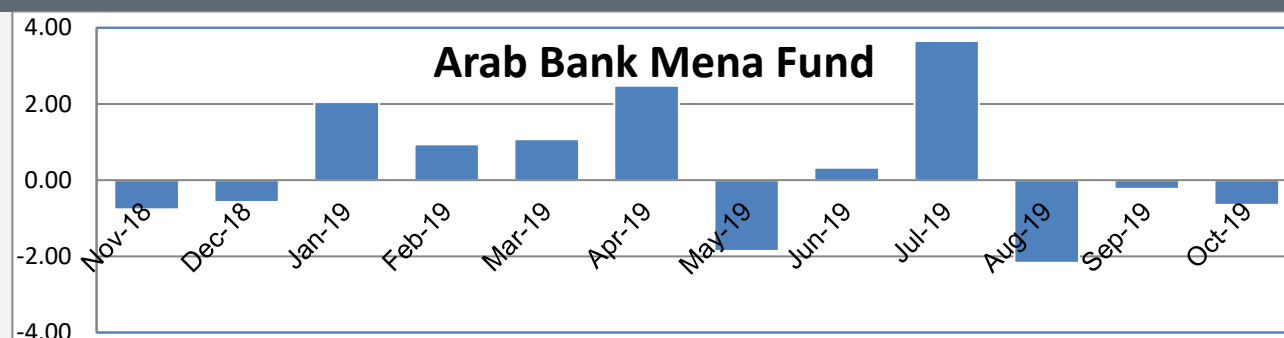
## KEY FEATURES

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 16,527,221	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>													
2019	2.05	0.94	1.07	2.48	-1.86	0.33	3.65	-2.17	-0.23	-0.65			5.58
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	-0.65%	3 months	-3.03%	Since inception	-14.82%
6 months	-1.04%	12 months	4.17%		

## PERFORMANCE STATISTICS

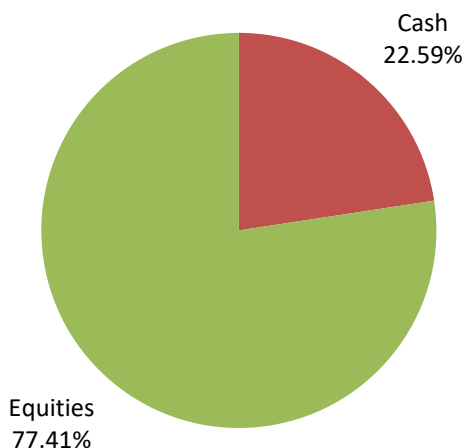
	The Fund
Annualised return	-1.1%
Annualised volatility	13.4%
Sharpe ratio	NM
Maximum month	13.7%
Minimum month	-23.5%
% Positive months	54.4%
Worst 12 months	-70.2%
Best 12 months	110.9%

## TOP TEN HOLDINGS

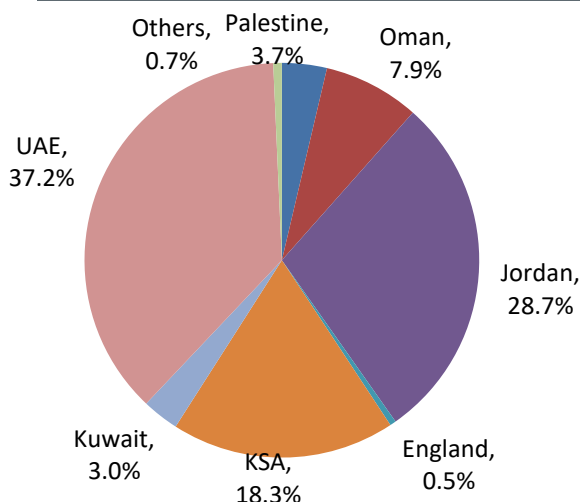
	Country	%
Siniora Food Industries	Jordan	13.68%
Dubai Islamic Bank	UAE	11.77%
Emaar Properties	UAE	7.39%
Saudi Airlines Catering	KSA	6.98%
Ooredoo	Oman	6.10%
Aramex	UAE	4.84%
SAMBA Financial Services	KSA	3.69%
Arab Bank	Jordan	3.26%
Palestine Telecommunications	Palestine	2.85%
Al Tajamouat For Touristic Projects	Jordan	2.36%



### ASSET ALLOCATION



### GEOGRAPHIC ALLOCATION (EQUITIES)



### COMMENTARY

MENA equity market indices continued on their downward trajectory that started when markets took a negative turn in July. The Dow Jones MENA Index shed 1.89% for the month but managed to remain in positive territory for the year (YTD +2.15%). What is more, the S&P Pan Arab Investable Index and the Dow Jones Islamic Market MENA Index fell to their lowest point in 2019 and brought their year-to-date performances into the red; the S&P Pan Arab Investable Index dropped 2.22% (YTD -1.73%) and the Dow Jones Islamic Market MENA Index fell by 2.75% (YTD -2.00%).

Your equity funds were down for the month but maintained significant year-to-date gains. The Arab Bank MENA Fund shed 0.65% (YTD +5.58%) and the IIAB Islamic MENA Fund lost 0.45% (YTD +6.42%). In turn, the AB MENA Feeder Fund lost 0.04% (YTD +5.58%) and the IIAB MENA Feeder Fund fell by 0.51% (YTD +5.94%).

In regional equity markets this October, the Qatari Index dropped 1.72% and now, once again, returns negative yield on a year-to-date basis (YTD -1.07%). The Kuwait Premier Market Index gained 0.59% (YTD +17.92%), Oman's MSM30 Index slipped 0.44% (YTD -7.49%), and the Bahraini Index rose 0.44% (YTD 13.91%). In the UAE, Abu Dhabi appreciated 1.00% (YTD +3.92%) and the DFM General Index lost 1.23% (YTD +8.59%). Outside the GCC, the Jordanian Index fell by 1.50% (YTD -5.69%) and the EGX30 jumped 2.11% (YTD +11.68%).

The decline in regional indices could be attributed in part to the substantial decline in the Saudi Arabian equity market. The TASI dropped 4.30% (YTD -1.06%), among the worst in the world, even as emerging market equities witnessed their best October since 2015. The decline comes as Aramco, the national oil company, accelerates preparation for an IPO that could happen as early as November. Analysts believe the IPO is happening at a time when there is not sufficient demand and investors are thus unloading Saudi stocks to make room for Aramco. The company was targeting a USD2 trillion valuation, but the kingdom recently expressed it was ready to accept a valuation of USD1.6 to USD1.8 trillion to ensure that the IPO is successful. Trading in the shares is expected to start on December 11.

In the oil market, OPEC and its allies expressed their worries over demand growth in 2020 and are currently considering whether to deepen crude oil supply cuts during their meeting this coming December. However, before the decision can be made, Saudi Arabia wants to focus first on boosting adherence to the production-reduction pact by all members of the alliance known as OPEC+, which includes Russia and other non-OPEC members. The Group's largest producer has been making it clear that prices are up because of their over-compliance; OPEC+ will not cut deeper before countries, specifically Iraq and Nigeria, comply 100%. This month, Brent oil lost 0.90% (YTD +11.95%) while WTI oil gained 0.20% (YTD +19.31%).

In the most recent FOMC meeting, Federal Reserve officials cut rates for the third time this year and signaled a pause in further cuts as long as the economic outlook does not change materially. As in the September statement, the Fed cited the implications of global developments in deciding to lower the target range for the benchmark rate to 1.5% - 1.75%.



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In response to the rate cut in the U.S., Saudi Arabia, the United Arab Emirates and Bahrain, whose currencies are pegged to the US dollar, cut their benchmark rates by the same margin. Kuwait also joined the Federal Reserve-led monetary easing cycle after holding rates steady in July and September. According to the Central Bank of Kuwait, it cut its discount rate by 25bps to 2.75% in order to maintain a comfortable margin for the Kuwaiti dinar and support investment. In Egypt, the Central Bank of Egypt (CBE) cut interest rates for the third time this year after pivoting to monetary easing in August as a result of a drastic slowdown in inflation. The CBE said the decision was consistent with achieving an inflation target of 9%, plus or minus 3%, by the end of 2020, and future decisions will remain a function of inflation expectations rather than prevailing inflation rates.

Global markets fared much better than did those in the MENA region. In the U.S., the S&P 500 rose 2.04% (YTD +21.17%) and the Dow Jones Index gained 0.48% (YTD +15.94%). Similarly positive performances were seen in Europe, where the German DAX Index jumped 3.53% (YTD +21.86%) and the French CAC 40 rose 0.92% (YTD +21.12%). However, the UK's FTSE 100 Index fell 2.16% (YTD +7.73%) as Brexit negotiations weighed down on the stock market, the pound, housing prices, and general investor sentiment. In Far East Asia, the Nikkei Index appreciated by an impressive 5.38% (YTD +14.55%), the Hang Seng rose 3.12% (YTD +4.11%), and the Shanghai Composite Index gained 0.82% (YTD +17.45%).

We remain cautious and opportunistic given pending global economic and geopolitical risks and uncertainties. Brexit, trade wars spreading over to blocks or countries other than China, as well as the volatility in benchmark yield curves, are just to name a few of the known market shockers. In addition, the rising geopolitical friction in the MENA region, and oil prices large swings, also incline us to adapt to more conservative allocations. As such, we have lightened allocations to markets where valuations remain stretched, due to their higher sensitivities at current price levels. With a healthy cash position, we will keep hunting for deep value plays, gradually rebuilding the risk positions that were reduced during the year.

### 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

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

