# AZ Al Mal MENA Equity Fact Sheet

**July 2020**

**NAV Per Unit: USD 4.57**

## Fund Manager Commentary

Global investors were eagerly awaiting the month of July as the disclosure of Q2 earnings would allow investors to analyze the impact of COVID-19 on companies' financials. US markets led most EM's as Big Tech carried the weight of S&P 500 with Apple, Amazon, Alphabet and Facebook reporting solid earnings. The last recorded time the tech sector had such a high weight within the S&P 500 was at the turn of the last millennium, just before the Dot Com bubble burst. The quintet of Apple, Amazon, Alphabet, Facebook and Microsoft now account for nearly 20% of the entire S&P 500 and to further demonstrate the level of growth of the tech sector. July also saw precious metals rally, with gold touching the $2,000 mark as Jerome Powell declared that the US Central Bank is "not even thinking about raising rates" thereby inducing investors to hedge almost certain inflation risk. The S&P MENA Index came out in the green with Saudi Arabia up 2.8% leading the way and Kuwait lagging its peers, down close to 2%

Saudi's oil revenue was down 45% in the second quarter, non-oil revenue like taxes and fees also declined 55% over the same period. Banking heavyweights reported in-line with consensus expectations aided by strong mortgage origination come June. The sector was under pressure as overall the 1H20 profit was down 11% y-o-y. This has led banks to decide against paying a dividend in an effort to preserve capital, with Rajhi bank's management strongly believing that local and international banks should follow suit to be able to do the same during the current global economic uncertainty. Meanwhile, consumer staples like Halwani and Othaim met heightened expectations as a result of the COVID impacted quarter with Othaim reporting earnings up 45% yoy. Discretionary names like Extra did well being aided by consumers purchasing pre VAT hike.

Geopolitical tensions meant Egypt lagged the index as the nation couldn't reach a dam deal with Ethiopia alongside investors fearing conflict in Libya. The nation did manage to secure inflows in the form of IMF funds and a Eurobond issuance offsetting the nation's fiscal outflows to some degree. The pandemic hit Egypt's external finances as the nation saw investors withdraw local currency debt market investments, coupled with a loss of tourism revenues. Meanwhile, the PayPal of Egypt, Fawry, announced a capital raise in the forms of a rights issue aiming to raise EGP 400 million in an effort to accelerate the company's expansion plans. The stock is up over 100% YTD. Meanwhile, portfolio holding MM Group also reported a healthy performance despite lock down challenges. The company reported revenues of EGP 2.11 billion compared to revenues of 2.45 billion in 2Q19, the decline largely attributed to shutdowns imposed by the Egypt government. This meant, stores were closed, car license issuances stalled and the company also had to deal with a ten-day Eid break.

In Kuwait, news of the Emir's health meant stocks took a beating as succession issues emerged adding to the nation's economic woes. S&P Global ratings lowered the outlook on Kuwait's AA- rating from stable to negative, citing a widening budget deficit increasing to almost 40% of GDP this year (vs. 10% last year) as the key reason. The market did rebound towards the end of the month, despite NBK producing it's biggest quarterly miss in 5 years. Portfolio favorite Humansoft also reported H1 revenues of KWD 24.5 million, down 33% y-o-y as a result of no revenue recognized in March due to the academic year being put to a halt. The company decided not to pay a dividend but did indicate that the company has a fortress of a balance sheet and will be able to weather the short term impact of the current COVID crisis

## Objective

Achieve capital appreciation, primarily through investment in equity and equity related securities in the Middle East and North African markets.

## Fund Performance

| Performance[1] | Fund | Benchmark[2] | Alpha |
|---|---|---|---|
| 1 Month | 2.1% | 0.9% | 1.1% |
| YTD[3] | -7.5% | -15.0% | 7.4% |
| 1 Year | -9.8% | -16.7% | 7.0% |
| 3 Year | 11.3% | -3.0% | 14.3% |
| 5 Year | 0.6% | -15.2% | 15.7% |
| Since Inc. | -8.5% | -15.7% | 7.2% |

[1] Performance is net of fees; return is cumulative
[2] S&P Pan Arab Composite Index
[3] As of 29th July 2020

## Top 5 Holdings

| Holding | % of Fund |
|---|---|
| Humansoft | 5.7 |
| Al Rajhi Bank | 5.1 |
| Mouwasat Medical Services | 4.8 |
| Qatar Electricity & Water | 4.4 |
| MM Group for Industry & International Trade | 4.1 |

## Fund Analysis

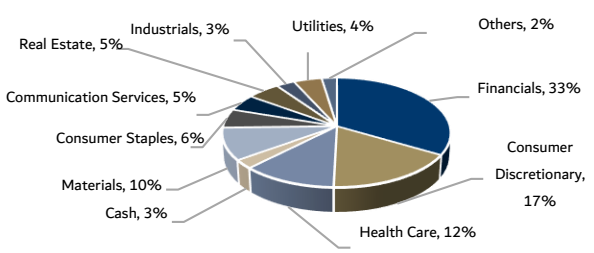
| Matrix[4] | Fund | Benchmark |
|---|---|---|
| Standard Deviation | 13.2% | 14.8% |
| Sharpe Ratio | 0.19 | -0.1 |
| Beta | 0.8 | |
| Tracking Error | 6.4% | |
| No. of Holdings | 44 | |

[4] The fund characteristics are based on the historical data of the Al Mal MENA Equity Fund as the AZ Al Mal Equity Fund continues to follow the same strategy; calculated using 3-year weekly data

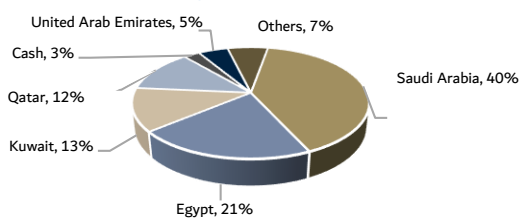
## Fund Information

| | |
|---|---|
| Investment Manager | Azimut (DIFC) Limited |
| Investment Advisers | Al Mal Capital PJSC |
| Investment Team | Sherif El Haddad<br>Tamara Tannir, CFA<br>Jai Lawrence |
| Inception Date | June 26, 2019 |
| Fund Size | USD 52 million |
| Strategy Size | USD 80 million |
| Domicile | Luxembourg |
| Currency | USD |
| Subscription & Redemption | Weekly |
| Min Subscription | USD 1 (Retail) -250,000 (Institutional) |
| Bloomberg Code | AZ3AZUA LX |
| Management Fee | 0.85% (Institutional); 1.5-2% (Retail) |
| Benchmark Index | S&P Pan Arab Composite |
| Fund Type | Open Ended |
| Administrator & Custodian | BNP Paribas |

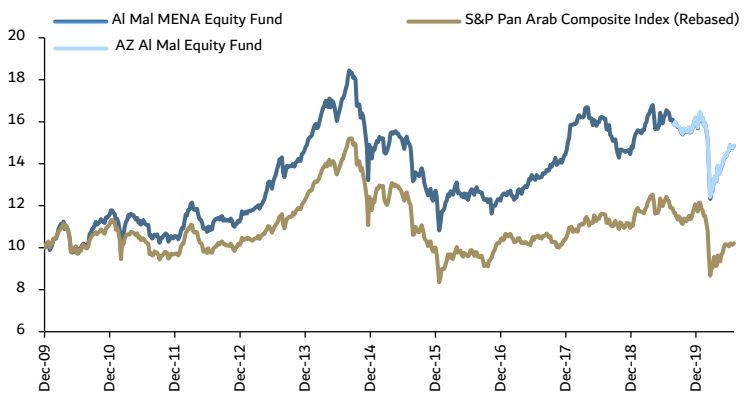
## Sector Allocation




## Geographic Allocation




## 10Y Fund Strategy Performance




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# Al Mal MENA Equity Fact Sheet

**July 2020**

**NAV Per Unit: USD 8.14**

## Fund Manager Commentary

Global investors were eagerly awaiting the month of July as the disclosure of Q2 earnings would allow investors to analyze the impact of COVID-19 on companies' financials. US markets led most EM's as Big Tech carried the weight of S&P 500 with Apple, Amazon, Alphabet and Facebook reporting solid earnings. The last recorded time the tech sector had such a high weight within the S&P 500 was at the turn of the last millennium, just before the Dot Com bubble burst. The quintet of Apple, Amazon, Alphabet, Facebook and Microsoft now account for nearly 20% of the entire S&P 500 and to further demonstrate the level of growth of the tech sector. July also saw precious metals rally, with gold touching the $2,000 mark as Jerome Powell declared that the US Central Bank is "not even thinking about raising rates" thereby inducing investors to hedge almost certain inflation risk. The S&P MENA Index came out in the green with Saudi Arabia up 2.8% leading the way and Kuwait lagging its peers, down close to 2%

Saudi's oil revenue was down 45% in the second quarter, non-oil revenue like taxes and fees also declined 55% over the same period. Banking heavyweights reported in-line with consensus expectations aided by strong mortgage origination come June. The sector was under pressure as overall the 1H20 profit was down 11% y-o-y. This has led banks to decide against paying a dividend in an effort to preserve capital, with Rajhi bank's management strongly believing that local and international banks should follow suit to be able to do the same during the current global economic uncertainty. Meanwhile, consumer staples like Halwani and Othaim met heightened expectations as a result of the COVID impacted quarter with Othaim reporting earnings up 45% yoy. Discretionary names like Extra did well being aided by consumers purchasing pre VAT hike.

Geopolitical tensions meant Egypt lagged the index as the nation couldn't reach a dam deal with Ethiopia alongside investors fearing conflict in Libya. The nation did manage to secure inflows in the form of IMF funds and a Eurobond issuance offsetting the nation's fiscal outflows to some degree. The pandemic hit Egypt's external finances as the nation saw investors withdraw local currency debt market investments, coupled with a loss of tourism revenues. Meanwhile, the PayPal of Egypt, Fawry, announced a capital raise in the forms of a rights issue aiming to raise EGP 400 million in an effort to accelerate the company's expansion plans. The stock is up over 100% YTD. Meanwhile, portfolio holding MM Group also reported a healthy performance despite lock down challenges. The company reported revenues of EGP 2.11 billion compared to revenues of 2.45 billion in 2Q19, the decline largely attributed to shutdowns imposed by the Egypt government. This meant, stores were closed, car license issuances stalled and the company also had to deal with a ten-day Eid break.

In Kuwait, news of the Emir's health meant stocks took a beating as succession issues emerged adding to the nation's economic woes. S&P Global ratings lowered the outlook on Kuwait's AA- rating from stable to negative, citing a widening budget deficit increasing to almost 40% of GDP this year (vs. 10% last year) as the key reason. The market did rebound towards the end of the month, despite NBK producing it's biggest quarterly miss in 5 years. Portfolio favorite Humansoft also reported H1 revenues of KWD 24.5 million, down 33% y-o-y as a result of no revenue recognized in March due to the academic year being put to a halt. The company decided not to pay a dividend but did indicate that the company has a fortress of a balance sheet and will be able to weather the short term impact of the current COVID crisis.

## Objective

Achieve capital appreciation, primarily through investment in equity and equity related securities in the Middle East and North African markets.

## Fund Performance

| Performance[1] | Fund | Benchmark[2] | Alpha |
|---|---|---|---|
| 1 Month | 1.5% | 0.9% | 0.6% |
| YTD[3] | -8.5% | -15.0% | 6.4% |
| 1 Year | -10.7% | -16.7% | 6.0% |
| 3 Year | 10.4% | -3.0% | 13.3% |
| 5 Year | -0.3% | -15.2% | 14.9% |
| Since Inc. | -9.0% | -43.8% | 34.8% |

[1] Performance is net of fees; 3-year and 5-year return is cumulative
[2] S&P Pan Arab Composite Index
[3] As of 29th July 2020

## Top 5 Holdings

| Holding | % of Fund |
|---|---|
| Humansoft Holding Co KSC | 5.4 |
| Al Rajhi Bank | 5.3 |
| Mouwasat Medical Services | 4.6 |
| Qatar Electricity & Water | 4.0 |
| National Bank of Kuwait | 4.0 |

## Fund Analysis

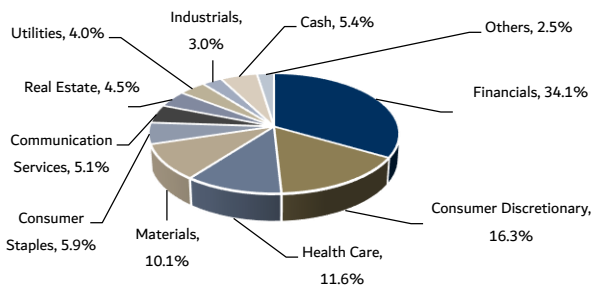
| Matrix[4] | Fund | Benchmark |
|---|---|---|
| Standard Deviation | 13.2% | 14.7% |
| Sharpe Ratio | 0.2 | -0.1 |
| Beta | 0.8 | |
| Tracking Error | 6.2% | |
| No. of Holdings | 44 | |

[4] Calculated using 3-year weekly data

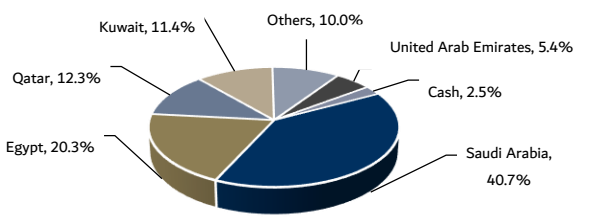
## Fund Information

| | |
|---|---|
| Fund Manager | Sherif El Haddad<br>Tamara Tannir, CFA<br>Jai Lawrence |
| Inception Date | 15th June 2008 |
| Fund Size | USD 10 million |
| Strategy Size | USD 80 million |
| Domicile | Bahrain |
| Currency | USD |
| Subscription & Redemption | Weekly |
| Min Subscription | USD 250,000 |
| Bloomberg Code | MALMENE BI |
| Management Fee | 1.75% |
| Benchmark Index | S&P Pan Arab Composite |
| Fund Type | Open Ended |
| Administrator | Apex |
| Custodian | Standard Chartered |

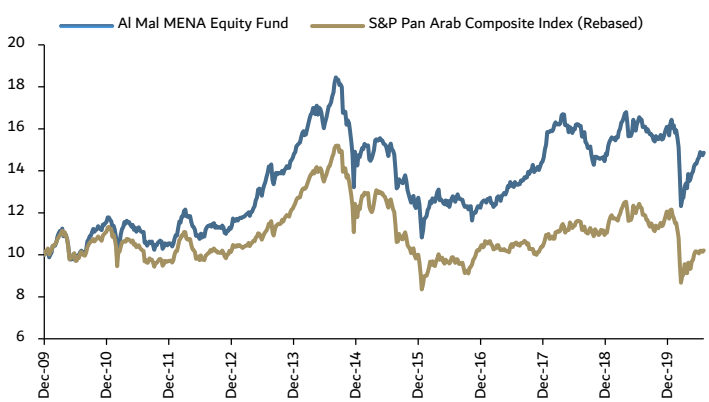
## Sector Allocation




## Geographic Allocation




## 10Y Fund Strategy Performance




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# Al Mal UAE Equity Fact Sheet

**July 2020**

**NAV Per Unit: AED 1.02**

## Fund Manager Commentary

Much like the UAE flag, the colors of red and green had added significance for the country's financial markets with the DFM General index down by 0.4% and the ADX Securities Index up by 0.7%. The S&P UAE Index however, did stay in the red and was down 0.3% due to being hamstrung by its overdependence on the financial sector and in this case it was FAB. The S&P also foresees a difficult year for the Dubai economy, with the Hong Kong of the Middle East likely to suffer a significant shock this year as the COVID-19 virus takes its toll on the core sectors of the city's economy. The S&P also downgraded the city's flagship real estate developer's investment grade, citing subdued international demand for Dubai's property alongside steeper than expected falls in residential housing prices. GDP in the Emirate according to S&P, will shrink 11% this year with a deeper economic contraction than the decline it experienced in 2009. Dubai announced a new stimulus package worth AED1.5bn to help the economy cope with the effects of the pandemic. It includes aid for the hospitality, retail and construction sectors. This is the third package and the three combined are worth AED6.3bn. These measures come on top of initiatives implemented at the federal level and the central bank, to ease financial and liquidity requirements.

Banks were the belle of the ball as investors looked to Q2 results to truly taken in the financial damage caused by the slowdown in the UAE's economy. Overall, UAE banks stood above its GCC peers, delivering the lowest reduction in NIM's and better than expected cost cutting measures, averaging 13% q-o-q. The nation's biggest bank, FAB, reported profits of AED 4.8bn , down 24% y-o-y. The Abu Dhabi based bank did manage to increase NIM's, which widened spreads by 13bps q-o-q as a result of lowers cost of funds. Asset quality metrics were seen as negatives for FAB, with the bank's cost of risk rising to 106bps from 72 in 1Q20, NPL ratio to 3.9% from 3.5%. For a bank that has previously laid claims that "money can't buy ambition", ADCB surprised its investors by provisioning lower. ADCB had a larger exposure relative to peers to NMC and Finablr, but took lower than expected provisions against loans issued to the aforementioned black sheep. ADCB did manage to cut costs but overall, a challenging operating environment took its toll on the firms Net Interest Income and Non-Interest Income.

ENBD, often seen as the litmus test of Dubai's economic health came in better than expected largely thanks to the aid of their Turkish subsidiary, Denizbank. ENBD's profit would have been down -41% y-o-y but Denizbank's contribution to earnings allowed the bank to rise 25% y-o-y basis. ENBD also confirmed an FOL hike, one expected to trigger significant passive inflows which allowed their stock to finish in the green for the month of July. DIB on the other side of the coin had focused on protecting its capital and looked to focus on defensively positioning their balance sheet. Overall, their strong loan growth helped offset a sharp spread compression.

Agthia reported earnings down 50% y-o-y due to the unfavourable sale mix. This included the decline in the bottled water segment in the UAE and KSA, the increase in bad debt provisions and finally the exposure to the HORECA segment taking a toll on the company's profits. The portfolio holding turned out to struggle this quarter, as the higher margin water bottles took a significant hit as the knock-on effect of reduced tourism in the two countries reduced hotel occupancy and in turn led to reduced consumption of bottled water. The company did however focus its efforts on cost optimization which allowed the company to still report profits q-o-q. The Abu Dhabi National Energy Company, TAQA, had their stock price double on the news of an asset swap deal with state owned ADPower. The transaction makes TAQA one of the largest utility providers in EMEA, now holding over AED 2000bn in assets.

## Objective

Achieve medium to long-term capital growth by investing primarily in equities listed on the UAE Exchange.

## Fund Performance

| Performance[1] | Fund | Benchmark[2] | Alpha |
|---|---|---|---|
| 1 Month | -2.2% | -1.8% | -0.4% |
| YTD[3] | -13.3% | -23.0% | 9.8% |
| 1 Year | -19.1% | -28.9% | 9.8% |
| 3 Year | -16.7% | -34.5% | 17.8% |
| 5 Year | -20.5% | -40.8% | 20.2% |
| Since Inc. | 19.3% | -56.3% | 75.6% |

[1] Performance is net of fees; return is cumulative
[2] S&P UAE Composite Index
[3] As of 29th July 2020

## Top 3 Holdings

| Holding | % of Fund |
|---|---|
| First Abu Dhabi Bank | 22.6 |
| Emirates NBD | 15.9 |
| Tabreed | 14.6 |

## Fund Analysis

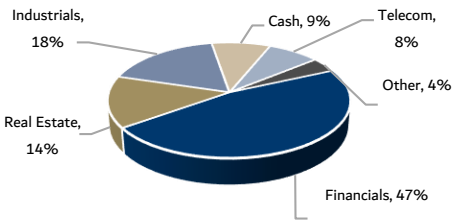
| Matrix[4] | Fund | Benchmark |
|---|---|---|
| Standard Deviation | 16.4% | 22.6% |
| Sharpe Ratio | -0.50 | -0.68 |
| Beta | 0.63 | |
| Tracking Error | 11.4% | |
| No. of Holdings | 10 | |

[4] Calculated using 3-year weekly data

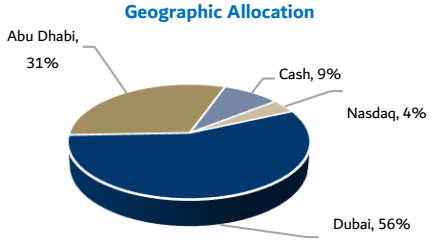
## Fund Information

| | |
|---|---|
| Fund Manager | Sherif El Haddad<br>Tamara Tannir, CFA<br>Jai Lawrence |
| Fund Size | AED 42 million |
| Domicile | UAE |
| Currency | AED |
| Subscription & Redemption | Weekly |
| Min Subscription | AED 100,000 |
| Management Fee | 1.50% |
| Performance Fee | 20% over 10% hurdle with high watermark |
| Financial Year End | 31st December |
| Benchmark Index | S&P UAE Composite Index |
| Fund Type | Open Ended |
| Administrator & Custodian | Standard Chartered |

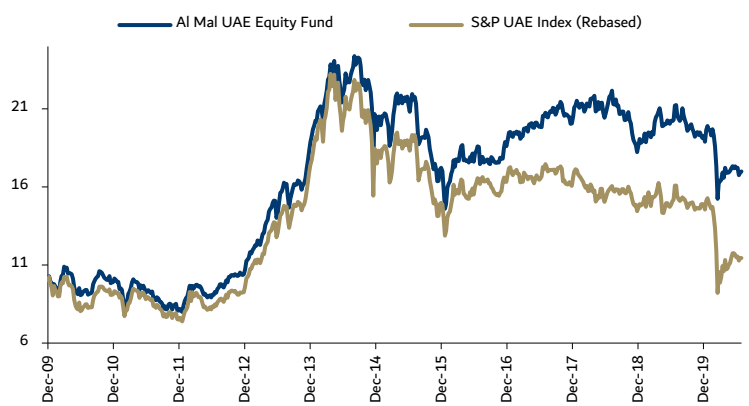
## Sector Allocation




## Geographic Allocation




## 10Y Fund Strategy Performance




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