AZ Al Mal MENA Equity Fact Sheet

February 2020

NAV Per Unit: USD 4.79

Fund Manager Commentary

The new coronavirus named COVID-19 continued to spread across the world in February causing a selloff in stock markets. Brent Oil's 10% drop in the month is one of the reasons behind the regional benchmark S&P Pan Arab Index (-6%) underperforming the (sub 5%) declines in S&P 500 and MSCI EM index. The selling in the region was broad based with the smaller markets of Oman and Bahrain being somewhat spared.

We have made small tactical changes to the portfolios by exiting or cutting exposures to companies that are more directly financially impacted by the virus outbreak while adding more to defensive stocks.

Fourth quarter results are coming in thick and fast. In our beta strategy, Saudi's Al Rajhi Bank reported 7% lower earnings as the cost of risk increased from 80 to 105 bps, likely on account of a corporate client. Loan growth is decent (8% y/y) and spreads further widened. Human Soft, one of the few pure play education names in MENA, reported a decent set of results. Net income is up 6% y/y, even as student enrolments were flat. The company increased the dividend and at current levels the stock offers an excellent yield (6.3%).

A raft of macro news flow came from the Kingdom of Saudi Arabia and most of it didn't get due attention by investors. First, Aramco has announced the development of the Jafurah – the largest non-associated gas field in the country with volume of gas resources estimated at 200 trillion cubic feet. The company will invest USD 110bn to develop this field with a length of 170km and a width of 100km. Saudi Aramco has also begun early preparations for an International listing. Though we think it is unlikely anytime soon, given market conditions and a weak outlook for commodity prices. Then, we have Saudi Entertainment Ventures Company (SEVEN), a PIF subsidiary announcing plans to build 20 entertainment destinations, 50 cinemas and 2 large theme parks across the country. Finally, KSA will hold its biggest sporting event next month, with 6,000 athletes expected to participate. The 'Saudi Games' to be held in Riyadh in the last week of March will feature 40 sports, including swimming, athletics, archery, badminton and basketball, that will be open to men and women. For now, though, the country has halted Umrah visits to Mecca and Medina, in response to the global coronavirus contagion.

The crisis in Lebanon has further deepened with the parliament speaker suggesting that debt restructuring was the best solution for looming Eurobond maturities. A team of IMF experts met the Prime Minister to advise on tackling the economic crisis, which spiraled last year as capital flows into the country slowed and protests erupted against the ruling elite over decades of corruption and bad governance. We have no exposure to Lebanese equities.

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	-3.2%	-5.9%	2.7%
YTD[3]	-3.6%	-7.1%	3.5%
1 Year	0.5%	-4.8%	5.3%
3 Year	25.0%	7.0%	18.0%
5 Year	2.2%	-13.8%	16.0%
Since Inc.	-4.2%	-7.9%	3.7%

[1] Performance is net of fees; return is cumulative
[2] S&P Pan Arab Composite Index
[3] As of 26th February 2020

Top 5 Holdings

Holding	% of Fund
Emirates NBD	5.1
DP World	4.9
Al Rajhi Bank	4.6
Mouwasat	4.4
MM Group for Industry & International Trade	4.3

Fund Analysis

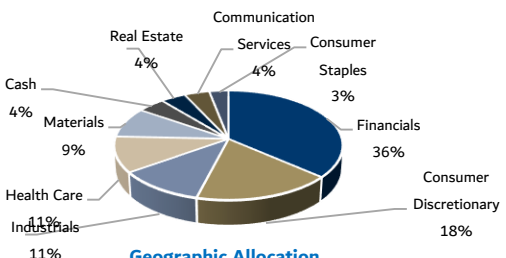
Matrix[4]	Fund	Benchmark
Standard Deviation	9.6%	10.3%
Sharpe Ratio	0.5	0.0
Beta	0.8	
Tracking Error	6.0%	
No. of Holdings	41	

[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

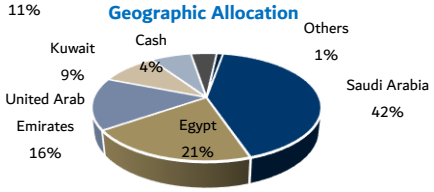
Fund Information

Investment Manager	Azimut (DIFC) Limited
Investment Advisers	Al Mal Capital PJSC
Investment Team	Sherif El Haddad Vrajesh Bhandari, CFA Tamara Tannir, CFA
Inception Date	June 26, 2019
Fund Size	USD 52 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

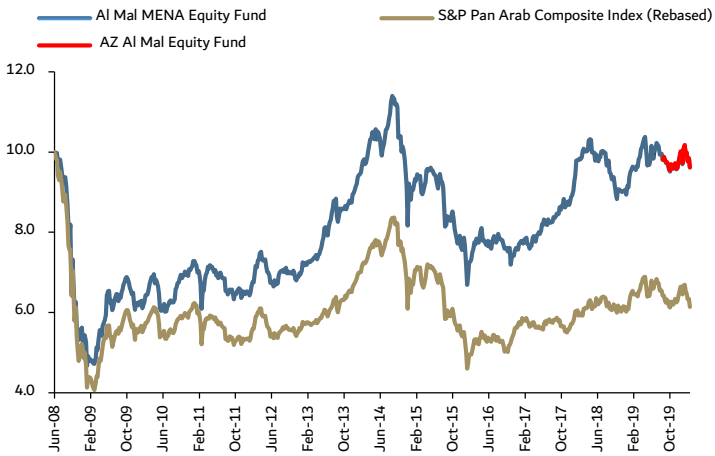
Sector Allocation



Geographic Allocation



10Y Fund Strategy Performance



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Al Mal MENA Equity Fact Sheet

February 2020

NAV Per Unit: USD 8.60

Fund Manager Commentary

The new coronavirus named COVID-19 continued to spread across the world in February causing a selloff in stock markets. Brent Oil's 10% drop in the month is one of the reasons behind the regional benchmark S&P Pan Arab Index (-6%) underperforming the (sub 5%) declines in S&P 500 and MSCI EM index. The selling in the region was broad based with the smaller markets of Oman and Bahrain being somewhat spared.

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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	-3.0%	-5.9%	2.9%
YTD[3]	-3.4%	-7.1%	3.7%
1 Year	0.0%	-4.8%	4.9%
3 Year	25.1%	7.0%	18.1%
5 Year	2.3%	-13.8%	16.1%
Since Inc.	-3.8%	-38.6%	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 26th February 2020

Top 5 Holdings

Holding	% of Fund
Emirates NBD	5.1
DP World	4.8
Al Rajhi Bank	4.7
MM Group for Industry & International Trade	4.3
National Bank of Kuwait	3.4

Fund Analysis

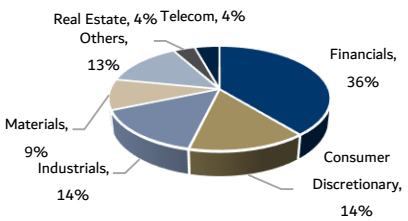
Matrix[4]	Fund	Benchmark
Standard Deviation	9.6%	10.2%
Sharpe Ratio	0.6	0.0
Beta	0.8	
Tracking Error	5.9%	
No. of Holdings	41	

[4] Calculated using 3-year weekly data

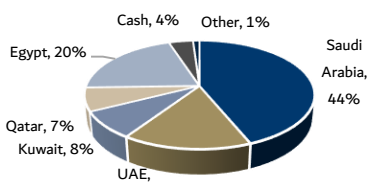
Fund Information

Fund Manager	Sherif El Haddad Vrajesh Bhandari, CFA Tamara Tannir, CFA
Inception Date	15th June 2008
Fund Size	USD 12 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

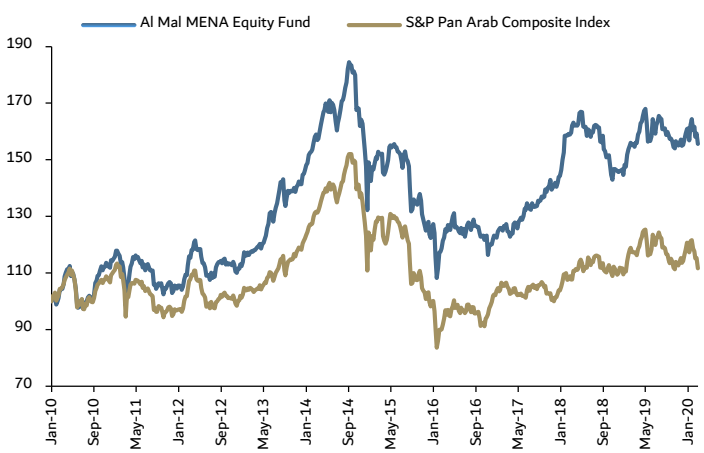
Sector Allocation



Geographic Allocation



10Y Fund Strategy Performance



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Al Mal UAE Equity Fact Sheet

February 2020

NAV Per Unit: AED 1.18

Fund Manager Commentary

Both Dubai and Abu Dhabi were hurt sharply as investors de-risk. UAE's travel and hospitality industry are the most vulnerable to the virus outbreak. The Al Mal UAE Fund nicely outperformed the benchmark over the month with a -1.8% decline versus the -5.8% fall in the S&P UAE Index, thanks largely to DP World (see below). Since the start of the year, the Fund is up +0.3% versus -5% for the benchmark.

DP World, a core holding for the Fund, is going private. The parent company, which currently holds 80%, is offering a 29% premium (to the then stock price) for the remaining stake. The strategy is to transform the company from a global port operator to an infrastructure led global supply chain solutions provider. The Board believes that DP World is well placed to take advantage of the investment opportunities arising in the marketplace, thanks to its global footprint, high exposure to Origin and Destination cargo, ownership of key port assets and strong relationships with cargo owners. However, after a period of assessment, the Board concluded that the disadvantages of the company maintaining a public listing outweigh the benefits and believes a delisting is required for it to execute its medium to long term strategy. Overall, even though the takeout price (USD 16.75) is much below our fair value estimate, we are happy with the c25% return generated in less than a week.

Air Arabia, (a stock we have since sold, as the virus outbreak weighs heavily the aviation industry) reported a stellar Q4. The airline benefitted from supply rationalization coming from grounding of competitors 737 MAX fleet and collapse of rivals. The Abu Dhabi JV could be a possible game changer enabling it to exploit the underutilization of the capacity, as determined by traffic rights, from the Emirate to India. Du, the telecom operator in UAE, had stable earnings and dividends. Future growth will come from ICT market and further market share in fixed broadband. We see a positive outlook owing to Expo 2020, which is expected to bring in 25m visitors.

UAE's Purchasing Managers' Index fell in January below the 50 mark that separates expansion from contraction. New orders declined and output failed to grow for the first time in ten years. Workforce numbers dropped at one of the strongest rates on record, while selling prices were lowered for the sixteenth month running. We are hopeful that business conditions will improve in the second half as we go into the Expo event. Another piece of news suggests the city is racing to complete by October some 40,000 hotel rooms to reach 160,000, surpassing Las Vegas to be the city with highest rooms globally. Worth noting that ADR at USD 105 & occupancy below 70% have already been under pressure.

Objective

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

Fund Performance

Performance[1]	Fund	Benchmark[2]	Alpha
1 Month	-1.8%	-5.8%	3.9%
YTD[3]	0.3%	-5.0%	5.3%
1 Year	2.8%	-7.5%	10.3%
3 Year	2.9%	-16.4%	19.1%
5 Year	-1.3%	-22.4%	21.1%
Since Inc.	38.0%	-46.0%	84.1%

[1] Performance is net of fees; return is cumulative
[2] S&P UAE Composite Index
[3] As of 26th February 2020

Top 3 Holdings

Holding	% of Fund
Emirates NBD	15.8
DP World	14.3
DIB	11.8

Fund Analysis

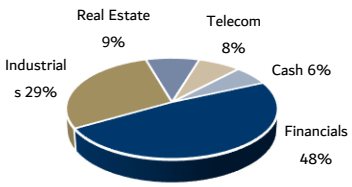
Matrix[4]	Fund	Benchmark
Standard Deviation	12.2%	13.2%
Sharpe Ratio	-0.11	-0.61
Beta	0.74	
Tracking Error	8.0%	
No. of Holdings	10	

[4] Calculated using 3-year weekly data

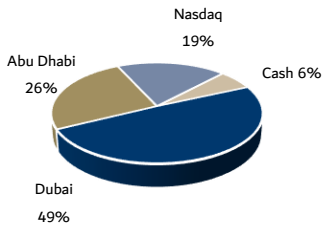
Fund Information

Fund Manager	Sherif El Haddad Vrajesh Bhandari, CFA Tamara Tannir, CFA
Fund Size	AED 43 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

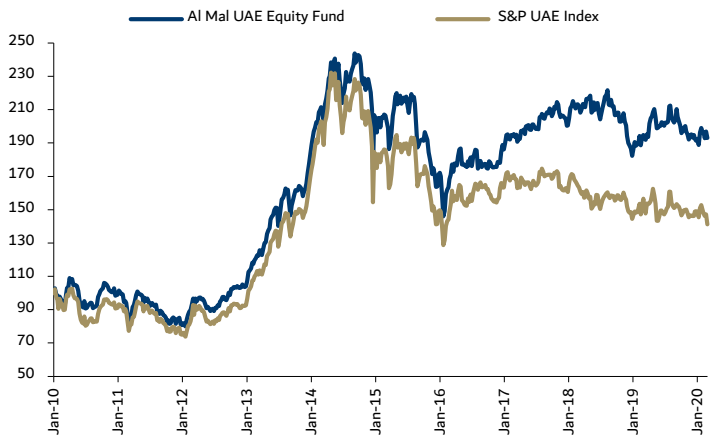
Sector Allocation



Geographic Allocation



10Y Fund Strategy Performance



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