Al Mal MENA Equity Fact Sheet

NAV Per Unit: USD 9.45

المال كابيتال
Al Mal Capital

May 2018

Fund Objective: The objective of the Fund is to achieve significant capital appreciation, primarily through investment in equity and equity related securities in the Middle East and North African markets.

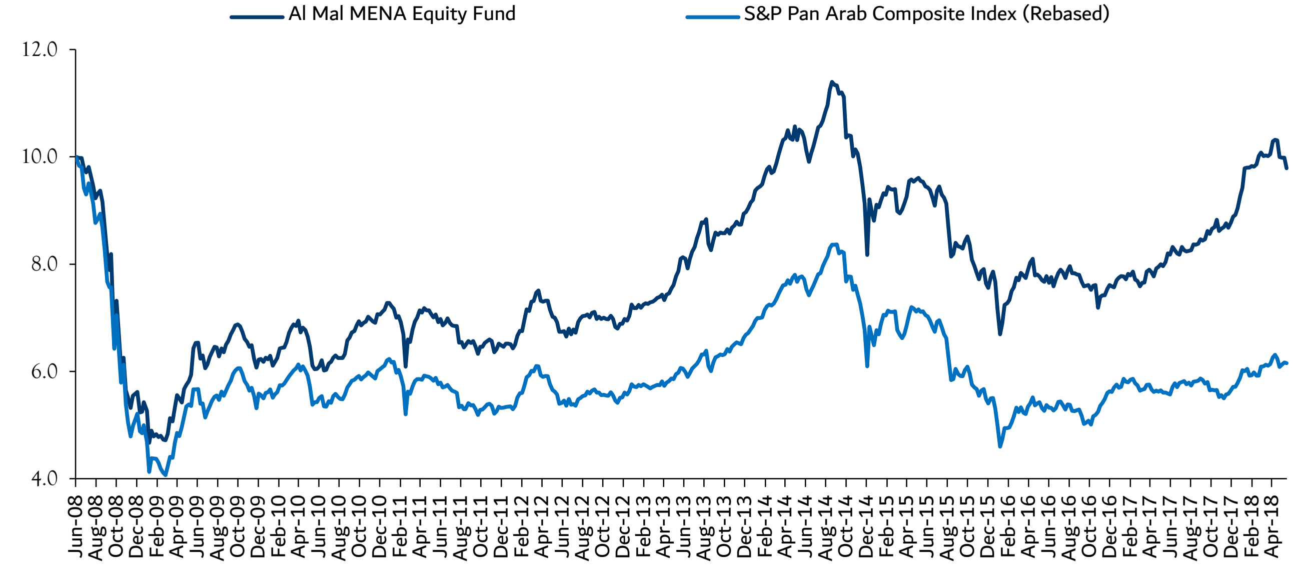
Key Terms:

Fund Manager	Charles-Henry Monchau, CFA
	Marwan Haddad, CFA
	Vrajesh Bhandari, CFA
Inception Date	15th June 2008
Fund Size	USD 20 million
Strategy Size	USD 93 million
Fund Registration	Bahrain
Currency	USD
Subscription	Weekly
Min Subscription	USD 250,000
Bloomberg Code	MALMENE BI
Reuters Code	LP65123002
Management Fee	1.75%
Subscription Fee	Up to 3%
Redemption	Weekly
Benchmark Index	S&P Pan Arab Composite
Fund Type	Open Ended
Administrator	Apex
Custodian	Standard Chartered
Auditors	Deloitte

Performance	Fund	Benchmark	Relative Perf.
YTD 2018	9.8%	7.7%	2.1%
2017	17.8%	1.3%	16.5%
2016	-3.7%	4.1%	-7.8%
2015	-12.5%	-17.6%	5.1%
2014	-0.7%	-1.5%	0.8%
2013	31.1%	18.9%	12.2%
2012	6.6%	2.6%	4.0%
2011	-8.8%	-15.1%	6.3%
2010	15.7%	13.9%	1.8%
2009	17.7%	12.7%	5.0%
2008	-47.5%	-49.9%	2.4%
Since Inc.	-2.1%	-38.5%	36.4%

Performance[1]	Fund	Benchmark[2]	Relative Perf.
1 Month	-5.1%	-2.5%	-2.6%
YTD*	9.8%	7.7%	2.1%
1 Year	21.8%	9.8%	12.0%
3 Years	2.6%	-13.6%	16.2%
5 Year	20.9%	1.4%	19.5%
Since Inc.	-2.1%	-38.5%	36.4%

Performance



** As of the last Wednesday of every month (30of May, 2018)*
Source: Al Mal internal performance measurement based on reports from third-party administrators (Apex)

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

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Fund Manager Commentary:

It was a challenging month for the Al Mal MENA equity fund. Our overweight on Egypt and our selective stance on Saudi were the main negative contributors to relative performance. Regarding the later, investors have mainly been focused on large caps in Saudi Arabia while the fund is rather positioned on mid caps value stocks which are less exposed to the MSCI index inclusion theme. When it comes to Egypt, some profit taking started to take place on the back of inflation concerns. The selloff was exacerbated by global emerging market concerns triggered by the strength of the dollar and rising bond yields. In this context, the Fund lost -5.1% during the month of May against a -2.5% decline for the benchmark.

Saudi: where to go from here?

The Saudi equities market advanced by +22% since the MSCI watch list announcement in June 2017. This gain can be explained by P/E multiple expansion (circa 16% by our count) and earnings' growth (circa +7% which largely came from banks and petrochemicals). We do believe that the beta rally we are currently witnessing in Saudi Arabia is on its final leg. Although foreign ownership is still low at around 1.8% (excluding strategic investors), a P/E of 20x forward earnings will be very hard to digest even by foreign investors unless we see double-digit earnings growth – which looks unlikely from our point of view. As a reminder, Pakistan went up +40% after the inclusion by MSCI index but this market was trading at a P/E of 10x and earnings was growing at 20%. This is not the case in Saudi (and let's not forget that the MSCI inclusion is now priced in at a probability of 90% already). We believe most of the Saudi large caps have an upside potential of 10% at best while the downside risk could be as high as 30%. Nevertheless, there are still many attractively valued companies in Saudi, especially among Banks.

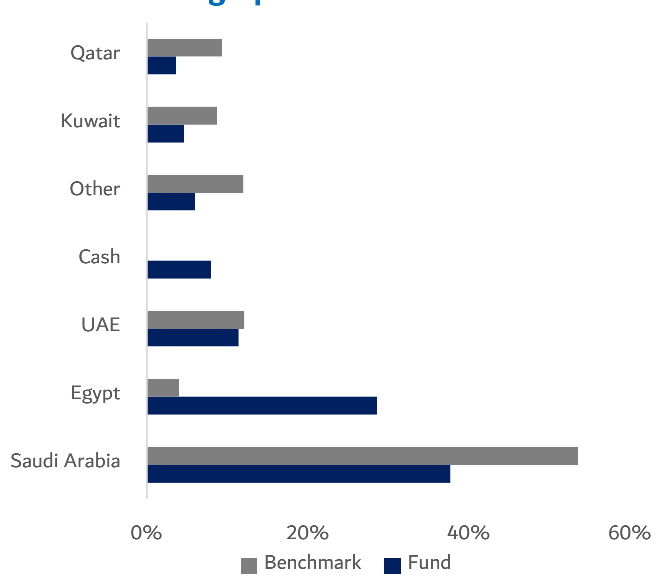
Top Portfolio Holdings	% of Fund
EK holding	8.6
Al Rajhi Bank	7.8
Alujain	6.8
Malath Insurance	6.6
Emirates NBD	6.1
Total # of Holdings	**24**

Source: Al Mal internal performance measurement based on reports from third-party administrators (Apex)

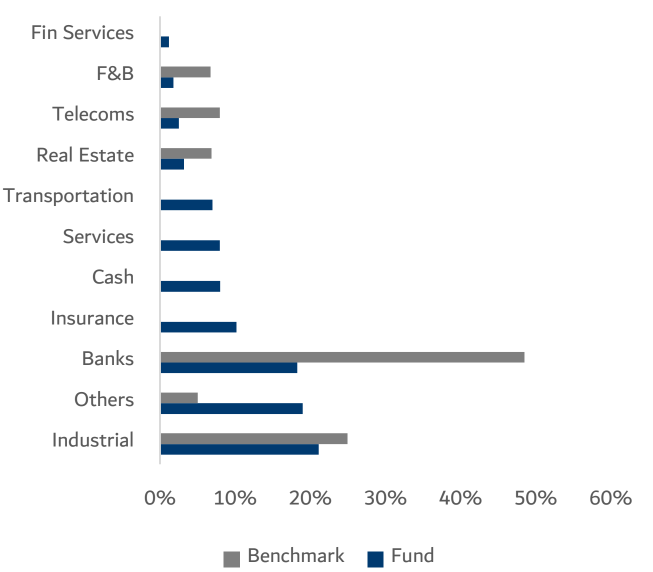
Fund Characteristics[2]	Fund	Benchmark
Standard Deviation	14.7%	14.6%
Sharpe Ratio	0.07	-0.17
Beta	0.90	-
Tracking Error	6.7%	
Information Ratio	0.58	

[2] Calculated using 5-year weekly data

Geographic Allocation



Sector Allocation



Al Mal UAE Equity Fact Sheet

NAV Per Unit: AED 1.34

May 2018

Fund Objective: The Al Mal UAE Equity Fund's objective is to achieve medium to long-term capital growth by investing primarily in equities listed on the UAE Exchange.

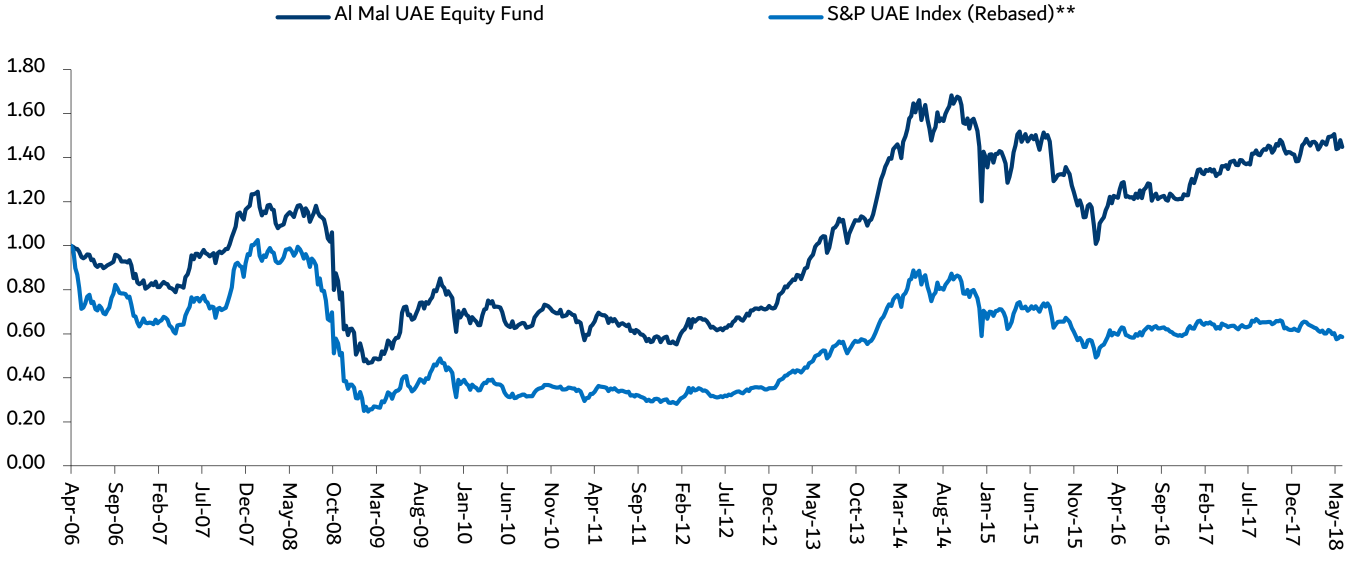
Key Terms:

Fund Manager	Charles-Henry Monchau, CFA
	Marwan Haddad, CFA
	Vrajesh Bhandari, CFA
Inception Date	5th April 2006
Fund Registration	UAE
Currency	AED
Fund Size	AED 32mn
Subscription	Weekly
Dividend Frequency	Yearly
Min Subscription	AED 100,000
Management Fee	1.50%
Performance Fee	20% over 10% hurdle with high watermark
Subscription Fee	Up to 2%
Redemption	Weekly
Benchmark Index	S&P UAE Composite Index
Fund Type	Open Ended
Administrator	Standard Chartered
Custodian	Standard Chartered
Financial Year End	31st December
Auditors	Deloitte

Performance Yearly	Fund	Benchmark	Relative Perf.
YTD 2018	4.7%	-4.7%	9.4%
2017	7.8%	-1.6%	9.4%
2016	7.9%	9.0%	-1.1%
2015	-15.3%	-17.6%	2.3%
2014	11.2%	7.5%	3.7%
2013	81.4%	88.0%	-6.6%
2012	28.7%	23.5%	5.2%
2011	-18.4%	-17.7%	-0.7%
2010	-1.0%	-8.8%	7.8%
2009	31.2%	24.6%	6.6%
2008	-56.9%	-69.4%	12.5%
2007	50.4%	54.8%	-4.4%
2006	-19.1%	-35.2%	16.1%
Since Inc.	44.9%	-41.5%	86.4%

Performance[1]	Fund	Benchmark[2]	Relative Perf.
1 Month	-3.3%	-2.4%	-0.9%
YTD*	4.7%	-4.7%	9.4%
1 Year	5.7%	-5.7%	11.3%
3 Years	-2.5%	-17.8%	15.2%
5 Year	40.1%	12.9%	27.1%
Since Inc.	44.9%	-41.5%	86.4%

Performance



** As of the last Wednesday of every month (30 of May, 2018)*
Source: Al Mal internal performance measurement based on reports from third-party administrators (Standard Chartered Bank)

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

Al Mal UAE Equity Fact Sheet

NAV Per Unit: AED 1.34

May 2018

Fund Manager Commentary:

The market sold off for the third consecutive month on continued weak investors sentiment with no catalyst apart from the market being attractively valued. The Fund decreased by -3.3% during the month of May against a -2.4% decline for the benchmark.

New initiatives being announced to stimulate demand

In an attempt to stimulate demand Abu Dhabi's 10 initiatives are equivalent to AED 50bn of stimulus, seeking to transform the ease of doing business, boost tourism and create 10,000 jobs for Emiratis. They include elements such as allowing people to officially work from home and a new licensing system that drops the current requirement for an office or work space for two years. Dubai also said it will freeze private school fees, waive the 4% late-payment fine for Land department transactions and reduce/cancel certain government fees. While this package might be seen as a sign that the economy has been slowing down, it also shows that UAE authorities are being proactive, which is a very good sign.

NMC Healthcare:

The firm formed a J-V with GOSI, the pension fund in Saudi Arabia. This platform will bring in existing assets of NMC Saudi & of National Medical Care - creating the second largest private healthcare player in the Kingdom (based on beds capacity). The JV would have a strong foothold in Riyadh as well as in multiple smaller, underserved cities, benefiting from economies of scale and allowing the J-V to unlock considerable synergies across its facilities in the process. The transaction values the 39% stake in CARE an attractive 2018E EV/EBITDA multiple of less than 15x. The JV will be the platform to kick start NMC Saudi ambitions.

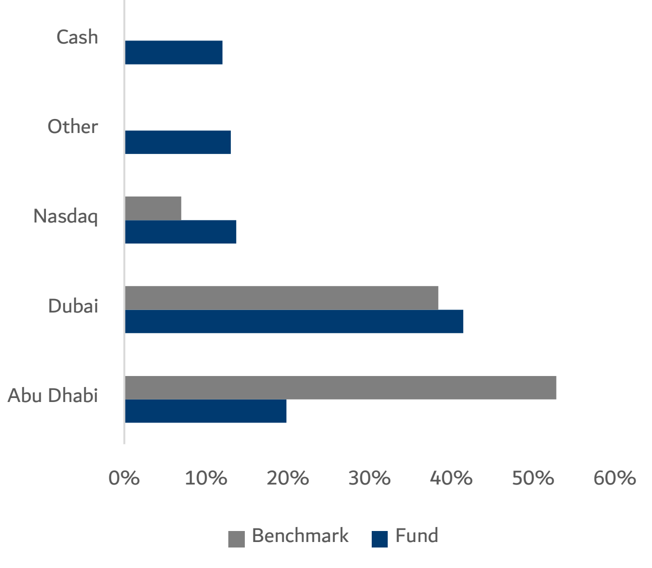
Top Portfolio Holdings	% of Fund
First Abu Dhabi Bank	19.8
Emirates NBD	14.3
DP World	13.7
Total # of Holdings	**8**

Source: Al Mal internal performance measurement based on reports from third-party administrators (Apex)

Fund Characteristics[2]	Fund	Benchmark
Standard Deviation	20.3%	22.4%
Sharpe Ratio	0.21	-0.01
Beta	0.88	-
Tracking Error	5.4%	
Information Ratio	0.68	

[2] Calculated using 5-year weekly data

Geographic Allocation



Sector Allocation