

## Emirates MENA Top Companies Fund – High conviction calls paying off

MENA Top Companies Fund Outperforms Peers



	YTD	1 Year	1 Year Volatility
Emirates MENA Top Companies Fund	8.86%	12.08%	9.54%
Benchmark	6.44%	11.24%	8.82%
Peer Average	6.41%	4.19%	9.99%

Source: Bloomberg, ENBDAM as at 28<sup>th</sup> February 2019. Luxembourg P share class, bid to bid with net income reinvested.

### Focused Positioning:

Over the last few months, the manager has increased the concentration of the fund by reducing the average number of holdings from c.50 to c.35. This strategy of taking higher conviction positions is playing out well in the current positive market conditions.

### Strong performance from Egyptian calls:

**EK Holding** (c.+13% last week, c.+35% YTD) : One of our high conviction Egyptian names, was the best performing stock within our portfolio last week on the back of a seismic study that revealed the gas reserve potential at its Offshore North Sinai (ONS) concession holds up to 2.35 TCF of gas and 112mn bbl of condensates – c.10x its existing P1 natural gas reserves of 218 bcf (announced in September 2018). The company’s management has stated that it has outlined a capex plan to fully develop and capitalize on these fields, which we expect will unlock more value going forward. We expect the company to report strong earnings growth of 20+% during the next two years largely on the back of newly classified gas reserves in the ONS. Additionally, EKH’s other business units should benefit from elevated fertilizer prices, higher tariffs on electricity in Egypt, increased adoption of natural gas as an energy source across the country and further expansion of petrochemical production. The company’s balance sheet remains strong with a net cash position.

**Ibn Sina Pharma** (c.+3% last week, c.+26% YTD): Another of our preferred Egyptian names, Ibn Sina Pharma (ISP) continued to maintain its momentum from the previous week and closed c.3% higher after increasing c.18% the week before as a key overhang was lifted. On 19<sup>th</sup> February 2019, the Cairo Economic Court fined ISP EGP160m (c.2% of Market Cap) for the monopolistic practices lawsuit. This amount was significantly lower than most market participants’ estimate of EGP1bn (c.11% of Market Cap). Aside of the resolution of the fine, the company is fundamentally attractive as it benefits from:

- 1) The continued increase in market share
- 2) An improved operational efficiency and the expansions into more lucrative product lines, which should lead to wider margins and stronger earnings growth.

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