

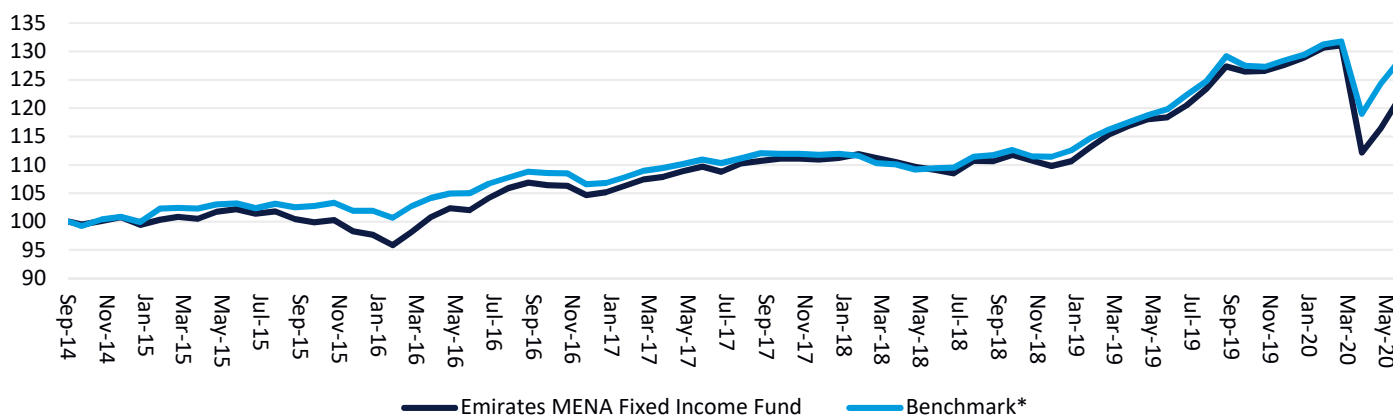
Views on Emirates MENA Fixed Income Fund

Since March-end 2020, the Emirates MENA Fixed Income Fund is up approximately 9.6% with year-to-date total returns of approximately minus 5.23%. Strong gains over this period have played out in line with the base case scenario we perceived in early April.

These gains were underpinned by strong monetary policy measures in the US, including, but not limited to, the Fed’s decision to expand QE to include US-domiciled investment grade corporate debt, eligible “fallen angels” and ETFs linked to high-yield bonds. The benefits from these measures have now begun to gradually permeate across dollar-denominated emerging market debt including GCC bonds. As normalcy continues to return, selected GCC high-grade sovereign/GREs (Saudi, Abu Dhabi, Mubadala and Qatar), high-yield sovereign (Bahrain) and high-grade corporates (Equate Petrochemicals) have successfully raised over \$30 billion with order books exceeding \$150 billion. In oil markets, the OPEC+ production cut agreement combined with faster than expected decline and shut-ins in non-OPEC production has allowed Brent crude prices to settle around the \$30 per barrel with potential for a gradual recovery as lockdowns ease and demand recovers. While this backdrop is positive for countries with lower break-even oil prices or stronger balance sheets, those with higher break-even prices and no explicit funding support (Oman) would continue to suffer and this view is reflected in our underweight positioning on Oman. The recent announcement of a tripling of VAT in Saudi Arabia is positive, at the margin, for fixed income investors and it should allow for lower fiscal deficits and lower supply. Coming into May, we have also taken advantage of Egypt’s further engagement with the IMF to significantly reduce our exposure to EGP local currency bonds to dampen volatility, although remain positive on the sovereign’s USD-denominated bonds.

Overall, we characterize the recovery in Emirates MENA Fixed Income Fund as “high-quality” with probability of a bear-case scenario largely diminished. For the remainder of 2020 and over a 12-month horizon, prospects for total returns remain strong as significant spread compression and capital gains should follow on signs of sustainable recovery in Brent crude towards \$40 per barrel as lockdowns continue to ease.

Fund Performance



	YTD	1 Year	3 Years	5 Years	Inception	Annualized Volatility	Dividend Yield
Emirates MENA Fixed Income Fund	-5.23%	3.17%	11.34%	19.52%	22.16%	7.63%	5%
Benchmark*	-0.59%	7.38%	15.95%	24.64%	28.65%	5.78%	-

Source: Emirates NBD Asset Management as at 31st May 2020, I Share Class, bid to bid, USD terms with net income reinvested. Benchmark: JP Morgan MECI GCC Total Return Index.

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