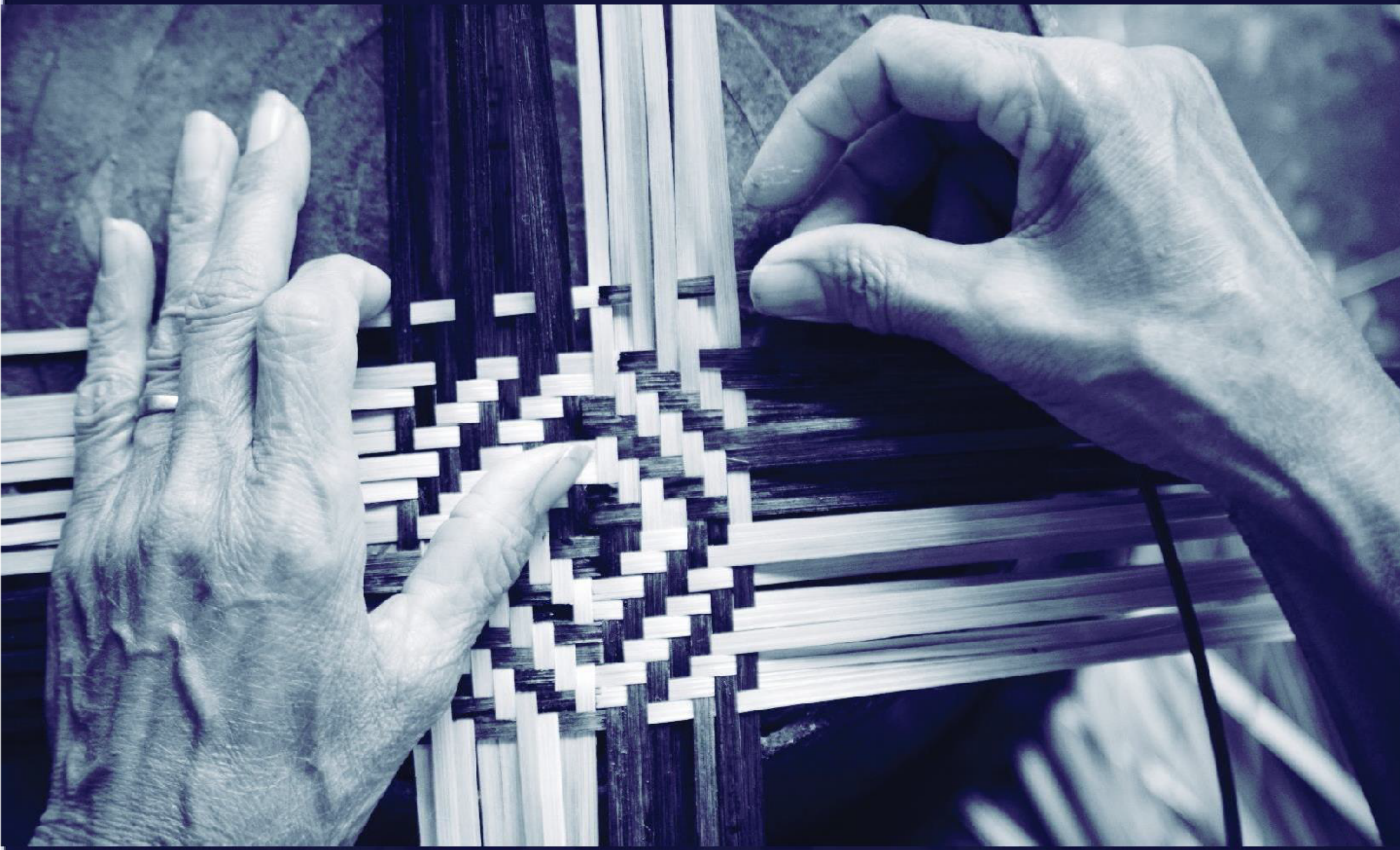
September 2021

Global and MENA Monthly Review

ضمـان لـلإسـتـثـمـار
DAMAN INVESTMENTS



Highlights of the Month

- After seven consecutive months of gains, global equities stumbled in September
- MSCI All Country World (ACW) Index lost 4.3% on supply chain worries, rising inflation and sharp rise in yields
- The decline was broad based with both DM and EM equities falling 4.3% and 4.2%, respectively
- MENA was the best performing region with S&P Pan Arab Composite Index rising 1.9%
- In EM fixed income universe, Bloomberg Barclays EM USD Aggregate TRI returned -1.66%
- APAC had the highest drag at 51 bps of which 36 bps was attributed to China's Evergrande fiasco with South and Central America also underperforming at 49 bps
- Brent price rallied 7.6% during the month on energy crunch across Europe and China
- We maintain a pro-risk stance with an overweight on equities and neutral on fixed income

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Global Equities

Global Equities: After witnessing seven consecutive month of gains, global equities stumbled during the month of September with MSCI All Country World Index falling 4.3%. Catalysts for the sell-off ranged from supply chain worries, rising inflation, more hawkish fed, sharp rise in US treasury yields and China Evergrande crisis. The correction was broad based with both developed markets (DMs; MSCI World Index) and emerging markets (Ems; MSCI EM Index) declining 4.3% and 4.2%, respectively. Value outperformed growth with MSCI ACW Value Index declining 3.3% versus 5.2% for MSCI ACW Growth Index. The US market underperformed with S&P 500 Index plummeting 4.8%. Nasdaq Index and Dow Jones Industrial Average fell 5.3% and 4.3%, respectively. Federal Reserve Chair Jerome Powell said the central bank could begin scaling back asset purchases as soon as November and complete the process by mid-2022. However, Powell tied the tapering announcement to employment passing the test of substantial further progress. August non-farm payroll report was disappointing with the economy adding only 250k jobs versus the expectation of 735k. The dot plot projection revealed that FOMC members were evenly split between whether or not to raise rate at the end of 2022. In June, the median projection indicated no rate increases until 2023. The Fed also released its projections for interest rates for 2024, with the median suggesting a federal fund rate of 1.8% by the end of year. The pace of rate increases was faster than the market had been pricing in. FOMC members saw inflation stronger than projections in June. Core PCE inflation median was projected to increase to 3.7% in 2021 from 3% forecast in June, 2022 inflation forecast rose to 2.3% from 2.1% and 2023 forecast to 2.2% from 2.1%.

US CPI deaccelerated in August rising 0.3% MoM (5.3% YoY) from 0.5% MoM in July (5.4% YoY). Core CPI deaccelerated to 0.1% MoM (4% YoY) from 0.5% MoM in July (4.3% YoY). Both the measures were slightly below market expectations. Used car and truck prices, which had been a major contributor to the headline CPI, fell 1.5% MoM but still up 32% YoY; transportation services declined 2.3% MoM. Energy prices accounted for much of the inflation increase for the month, with the broad index up 2%. US core PCE inflation came in at 3.6% YoY in August, the highest inflation print in 30 years. The inflation rise stemmed mostly from goods prices, up +5.5% YoY on a headline basis, driven by supply chain disruptions. US 10-year Treasury yield rose 23bps hitting a high of 1.54% before closing the month at 1.49%. Sharp rise in yield came after the fed took a hawkish tilt in its meeting. Sharp rise in energy prices and falling covid-19 cases indicating better economic growth also contributed to rising yields. Yield curve also steepened with 10-2 and 30-2 spreads rising 11 and 4bps, respectively. The U.S. Congress was successful in passing an emergency funding measure to fund government operations through early December. President Biden's $3.5 social infrastructure spending bill is expected to be scaled down towards $2tn due to disagreement on the size of spending package within Democrats. US business activity momentum continued to deaccelerate with September IHS Markit Flash Composite PMI declining to 54.5 from 55.4 in August on weakness in Service PMI amid labor shortages. The seven-day average of daily new cases in US dropped 30% to about 106,000 on 29 September from 151,000 on 14 September. Hospitalizations also followed a similar downward trajectory.

Major Indices Performance

	Value	MTD Return	YTD Return	PE (x) 1Yr Fwd	PB (x) 1Yr Fwd	Div. Yield 1Yr Fwd
Saudi Arabia- Tadawul	11,496	1.6%	32.3%	20.1	2.5	2.3%
Dubai - DFMGI	2,845	-2.0%	14.2%	12.5	1.0	3.5%
Abu Dhabi - ADSMI	7,699	0.2%	52.6%	17.3	2.0	3.0%
Qatar - DSM	11,485	3.5%	10.1%	14.9	1.9	3.6%
Kuwait - All Share	6,865	1.1%	23.8%	24.7	1.7	2.3%
Oman* - MSM30	3,943	-0.6%	7.8%	11.8	0.8	3.9%
Bahrain - BHSEASI	1,706	3.7%	14.5%	12.0	0.8	3.2%
Egypt - EGX30	10,517	-5.6%	-3.0%	7.5	1.4	4.2%
Morocco - MOSEMDX	10,723	4.0%	16.7%	23.3	2.8	2.9%
Lebanon* - BLOM	982	-5.0%	49.3%	-	0.7	0.0%
S&P Pan Arab Composite	168	1.9%	29.0%	17.6	2.2	2.9%
Israel - TA35	1,802	2.5%	20.2%	11.4	1.6	1.5%
Turkey - XU100	1,406	-4.5%	-4.8%	5.5	0.9	5.6%
Pakistan - KSE100	44,900	-5.3%	2.6%	5.3	1.0	6.9%
S&P 500	4,308	-4.8%	14.7%	21.5	4.3	1.4%
STOXX 600	455	-3.4%	14.0%	16.0	2.0	3.1%
MSCI EM	1,253	-4.2%	-3.0%	12.9	1.8	2.8%
MSCI All Country World	710	-4.3%	9.8%	18.3	2.8	2.0%
MSCI World	3,007	-4.3%	11.8%	19.4	3.0	1.9%

Source: Bloomberg, Daman Investments Asset Management

*Note: *Oman and Lebanon's PE, PB ratios and dividend yield are trailing*

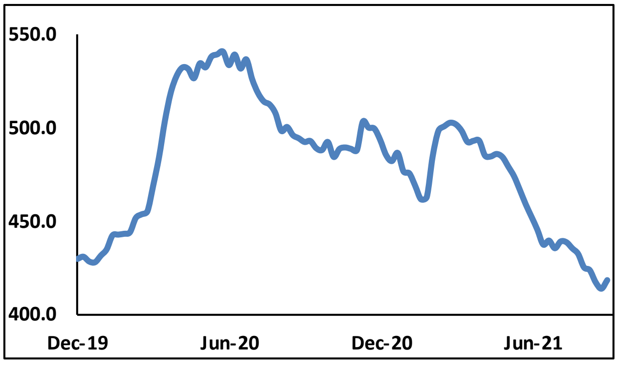
Europe equities fell with Stoxx 600 Index decreasing 3.4%. The European Central Bank (ECB) announced a reduction in the pace of its asset purchases but stressed that this was not the beginning of a process of tapering purchases down to zero. In the Euro area, energy prices drove flash HICP inflation estimates to a 13-year high of 3.4% YoY from 3% in August. Euro Area IHS Markit Flash composite PMI deaccelerated further to 56.1 from 59 in August. In UK, Bank of England (BoE) made a hawkish shift, suggesting that it could hike interest rates before the end of the year. As a result, UK government bond yields moved sharply higher.

EM Equities: MSCI EM Index fell 4.2%. The sell-off in Chinese stocks and higher treasury yields in US proved to be a major drag on EM equities performance. Power shortages, concerns of Evergrande defaulting, and ongoing regulatory concerns as the country shift resources to support "common prosperity" kept the China equity markets under pressure. Among regions EMEA posted slightly positive performance (0.3%), while LatAm (-11.4%) was the worst performer followed by EM Asia (-4.3%). **Russia (+6.1%), Czech Republic (+5.1%), Indonesia (+3.7%) and Colombia (+3%)** were the best performing markets, while **Brazil (-14.6%), Pakistan (-11.7%), Chile (-6.8%) and Turkey (-6.4%)** were the worst performers. YTD Czech Republic, Saudi Arabia, Hungary, India and Russia outperformed rising 36.6%, 35.4%, 28.2%, 27.6% and 26.5%, respectively.

Energy linked markets such as Russia, Colombia and MENA rallied on the back of rising oil and gas prices. Brazil underperformed on a convoluted political scenario, rising inflation reaching 9.7% in August, currency weakening by 5.4% vs USD, risks from China slowdown and uncertainty around the economic recovery. Turkey suffered from policy uncertainty with central bank cutting its 1-week repo rate by 1% to 18% despite rising headline inflation. Indonesia outperformed with improving sentiment on the ground. A recent surge in thermal coal prices (+30% mom and + 237% YoY) is also positive for the economy and current account as the country is a major exporter of coal and employee sizeable workforce in the mining business.

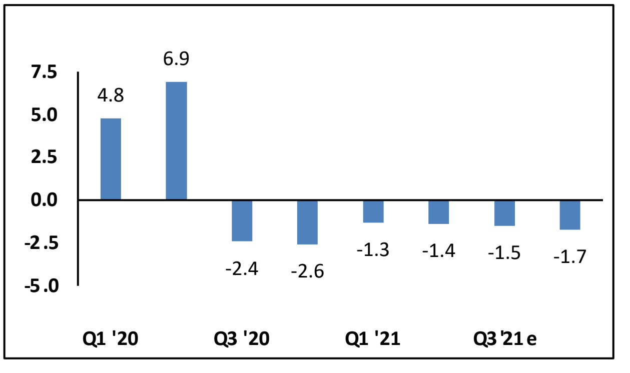
Commodities: Oil: Brent oil price rallied 7.6% reaching $78.52/bbl as the escalating natural gas supply crunch across Europe and China spilled over into oil price and covid cases started to trend lower globally. TTF Natural gas prices (European benchmark) rose 79% MoM on lower inventories in Europe, lower wind speeds reducing wind energy supply and strong demand from Asia and Europe with winter around the corner. OPEC+ decided to continue with its policy of raising production by 400k b/d in October. Inventories drawdown continued with US oil inventories reaching 419mn barrels, lower than pre-pandemic levels. We expect the Brent oil price to reach $90/bbl in 4Q 2021 as undersupply of gas can create incremental 500k b/d demand for oil. We expect the oil market to remain in deficit of **c.1.7m b/d** during 4Q 2021. However, in the mid-term we see 75-80$ as a more balanced price.

US oil inventory in a declining trend (mn barrels)



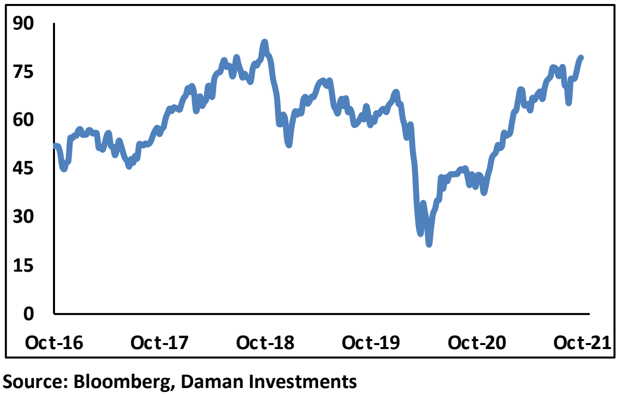
Source: IEA, OPEC, Daman Investments

Crude oil is expected to remain in deficit (mnb/d)



Source: Bloomberg, Daman Investments

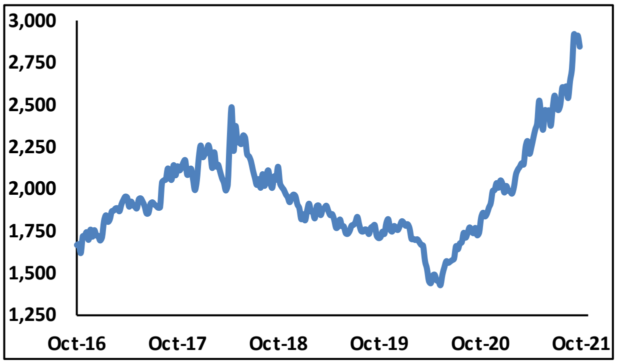
Brent crude oil prices continue to rise ($/bbl)



Source: Bloomberg, Daman Investments

Metals: Base metal prices witnessed a mixed performance. Aluminum prices rose 3.8%, while Nickel and Copper plummeted 8.4% and 6.1%, respectively. We expect aluminum price to average **$2,500/MT (+45% YoY) in 2021** due to a strong demand and China looking to constrain supply of smelters on environmental and energy concerns. We expect Aluminum price to remain strong ranging between $2900-3000 levels in 4Q 2021. We expect **US Midwest Steel Rebar price** to decline from the current inflated levels of $990/MT and to average $800/MT (+35% YoY) in 2021 as Iron Ore (key raw material in producing steel) price has already fallen 48% from its peak in June on China constraining steel production. **Copper in the near-term may face headwinds from a slowdown in Chinese economy and Chinese property sector, however, in the mid-term, it** should benefit from global infrastructure spending and shift towards green energy. We expect the copper price to average **$9300/MT (+50% YoY). Precious metals:** Gold price fell 3.1%. Rising yields and dollar would continue to act as a headwind for gold.

Increasing demand is pushing aluminum prices higher

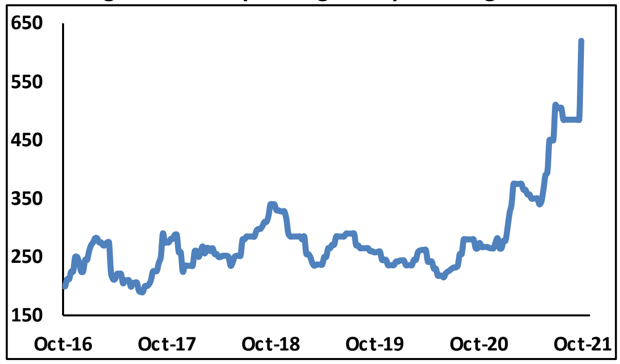


Source: Bloomberg, Daman Investments

Petchems: Olefins prices witnessed a positive performance on higher oil and naphtha prices. **LDPE and PP price rose 4.2% and 2.5%,** respectively. We expect LDPE price to **average $1,400/MT** in 2021 (+39% YoY) on strong demand tied to food/hygiene/medical related packaging, further inventory buildup from very low levels and lesser upcoming supply vs HDPE and LLDPE. Methanol: We expect methanol prices to **average $310/MT** in 2021 (+47% YoY) on higher oil and coal prices and higher demand for blending on recovering oil demand and near-term constrained supplies. Methanol prices rose 10.9% during September to reach $355/MT.

Fertilizers: Middle East **urea price remained flat**, however, in early October it has caught up with the **US price and** rallied strongly to $620/MT (+134% YoY). Saudi DAP prices gained 2.1% (+78% YTD). We upgrade our Urea prices to **average $450/MT in 2021 (+80% YoY)** and **DAP prices to average $570/MT (+82% YoY)** on strong demand, high gas and coal prices and supply being reduced in Europe and China on natural gas shortage.

Increasing demand is pushing urea prices higher



Source: Bloomberg, Daman Investments

Currencies: The dollar Index (DXY) rose 1.7% during the month on hawkish Fed, relatively dovish ECB and US dollar acting as a safe haven during the global markets' volatility. **JP Morgan EM Currency Index fell 2.9% (-4.6% YTD).** Russian Ruble (+1%) and Chinese Renminbi (+0.2%) were the best performers. **Turkish Lira (-6.4%), Brazilian Real (-5.4%) and Hungarian Forint (-4.7%)** were the worst performing currencies. With Fed looking to taper, rising US yields expected to cause potential outflows from the EMs and higher commodity inflation putting pressure on EM importers current accounts, we expect dollar to remain strong.

Global Asset Allocation and Outlook:

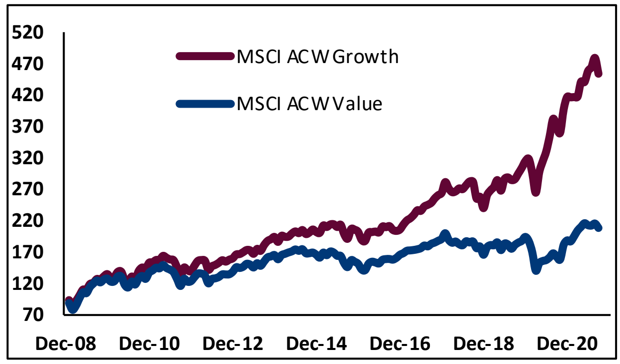
	Underweight	Neutral	Overweight
By Asset class:			
Equities			
Fixed Income			
Commodities			
Cash			
Equities - by region:			
US			
Japan			
Euro Area			
EM Asia			
EM Europe			
EM MENA			
EM LatAm			

	Underweight	Neutral	Overweight
Fixed Income - by region:			
Asia Pacific	X		
Africa and Middle East		X	
South and Central America			X
Eastern Europe		X	
Central Asia		X	
FI - Rates:			
US Treasuries			X
German Bunds	X		
FI - Credit			
Global Investment Grade		X	
Global High Yield	X		
EM Sovereign - Local Currency	X		
EM Sovereign - Hard Currency		X	

We believe in 4Q 2021, Fed tapering, energy prices, supply chain pressures and China property issues will remain the dominant factors driving investor sentiment. If the US job data comes in line with the consensus expectations of 470k, we expect the Fed to announce tapering in its November meeting as most of the Fed officials remain concerned about inflationary pressures and do not see the need for loose monetary policy. With covid cases declining, unemployment benefits expiring as of September 4 and recent ADP data showing strong job creation in service sector, we expect the employment to improve and fed to announce taper by the end of year. We believe Chinese regional authorities would contain the Evergrande debt issue to prevent it from spilling over into the broader economy as property sector contributes 28% to the country's GDP. Also, the Central Bank has been increasing liquidity in the system to make sure the flow of credit into the economy.

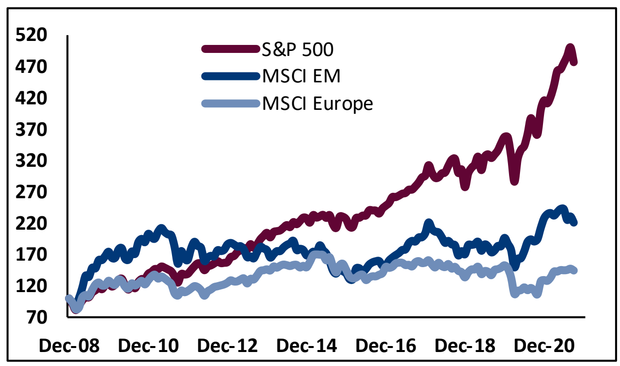
With the covid cases going down globally, supply chain pressure should start to ease up on improvement in labor shortages and production. Moreover, with economic reopening consumer spending should move away from goods to services thereby reducing further pressure on the global supply chains. We expect the global economy to regain its lost momentum in 4Q with declining covid cases and consumer spending remaining strong on strong pent-up savings, especially in developed markets. Therefore, we continue to see an upside case for equities and stay overweight on equities. With our view on the economy regaining momentum, we prefer to tilt towards cyclical sectors. However, given the near-term inflation concerns linked to energy crisis we prefer to tilt our cyclical exposure towards commodity linked equities which will provide a strong inflation hedge. Banks will also be a beneficiary of any upward move in yields. We think global equities may remain volatile in the near-term due to the inflationary concerns. We prefer to stay well diversified and prefer high quality companies with strong balance sheets.

MSCI All Country World Value vs growth



Source: Bloomberg, Daman Investments

Europe and EM underperformance vs US



Source: Bloomberg, Daman Investment

We are neutral on US given the index is dominated by growth equities on which downward pressure can continue from any further rise in yields. We keep our overweight on Europe given its valuation discount vs US and cyclical tilt. We maintain our neutral stance on EMs. Within EM we like an exposure to countries with strong foreign reserves, low external debt and low fiscal deficits as rising yields in US and higher global inflation can cause strong currency headwinds. We like an exposure to **South Korea, Taiwan and India in Asia; Saudi, UAE, and Qatar in MENA; Russia in Eastern Europe** and Mexico in **LATAM.** Strong YoY rise in energy prices should underpin GCC, Russian and Mexican equities.

EM Fixed Income - With **EMBIGD spreads moving beyond 360bps,** the worst of the widening is probably behind us. However, with upwards pressure on US real yields and EM FX combined with downwards risks to the growth outlook, **it's too soon to fully buy into HY on top of technical factors**. HY valuations are only slightly cheap, including the average cash price of single B credits still trading at par. Meanwhile, in IG, **LATAM** has lagged materially while **MENA** has outperformed. Further analysis & outlook of fixed income is mentioned starting **page 10**.

MENA Equities: MENA equity markets continued their upward trajectory as higher oil prices and a prudent lifting of Covid-19 restrictions helped in notching another month of gains. The **S&P Pan Arab Composite LargeMidCap Index rose 1.9%, taking its YTD gains to 29.0%.** In the UAE, **ADSMI outperformed, gaining 0.2%, while the DFMGI underperformed, declining by 2.0%**. In Abu Dhabi, banks and telecoms rose 3.5% and 1.7% respectively, while industrial and consumer staples underwhelmed, declining 10.0% and 9.7% respectively. ADNOC Drilling's IPO was oversubscribed 31x due to strong institutional and retail interest. The stock rose as much as 33% on its trading debut, after raising $1.1bn in Abu Dhabi's biggest ever listing. This also confirmed ADNOC Drilling's early FTSE inclusion, where it would generate USD46m passive inflows.

Aldar Properties and ADQ also submitted a joint offer to acquire up to 90% of SODIC at a price of EGP20 per share. Dubai's exchange corrected strongly in September after being the best performing market in the GCC during August. The transportation index reported the biggest decline, falling by 8.6%. Aramex shares dropped 12.2% during the month while the company confirmed that they were in talks to buy a Turkish delivery company MNG Kargo, a deal which could be worth as much as $500mn. Covid-19 cases declined by 53% MoM in the UAE, with the health authorities reporting that over 80% of the population had been fully vaccinated.

The Central Bank of the UAE noted that the local economy would expand by 2.1% this year, followed by 4.2% in 2022. Oil GDP is forecasted to grow by 2.0% in 2021 followed by 5.0% in 2022, while non-oil GDP is projected to grow by 3.8% this year and 3.9% in 2022. The Dubai real estate market showed no signs of slowing down, with September being the strongest month for sales this year, Q3 being the second strongest quarter on record and YTD sales being the highest ever in Dubai. Dubai also reduced the minimum financial requirement to apply for a three-year visa through investment in its residential property market to AED750k from AED1mn. The SCA approved the proposed merger between Emaar Properties and Emaar Malls. Shareholders are set to meet on October 10th to vote on the merger and if approved, the move would be effective on November 15th. We see both these names as direct beneficiaries of the country's reopening and the Expo 2020, which officially began on October 1st.

Saudi Arabia's Tadawul Index ended the month up 1.6%, with gains in materials and the services sectors and losses in the insurance and healthcare sectors. The banking sector also continued its upward trend as expectation of pickup in corporate loan growth tied to mega projects spending and expectations of higher interest rates drove investor sentiment. Saudi's PMI touched 58.6 in September, the highest reading in six years. This 13th consecutive month of expansion came on the back of an 86% decline in Covid-19 cases, MoM. Solutions by STC was priced at the higher end of its price range at SAR 151 and closed limit up at 30% on day 1 of its trading. The company raised $966mn by selling a 20% stake. The institutional book was oversubscribed 133x while the retail book was oversubscribed 236x. It's inclusion into the FTSE index was confirmed, which should bring in passive flows of $50mn. ACWA Power also priced its IPO at the higher end of its price range at SAR 56. The company is seeking to raise $1.2bn by selling a 11.1% stake. The institutional book was oversubscribed 248x while the retail book was oversubscribed 199x. ACWA Power should also gain a fast entry inclusion into the FTSE index and could see passive flows of up to $40mn.

Egypt's EGX30 underperformed, declining by 5.6% with heavyweight CIB down 8.8%. Egypt's PMI contracted to 48.9 in September from 49.8 in August, marking a four-month low. Given rising oil prices, limited liquidity in the market and lack of macro catalysts, we continue to keep a very selective exposure in Egypt. E-Finance for digital and financial investments, Egypt's first fintech platform and one of its leading developers of digital payments infrastructures, announced plans to proceed with an IPO. The offering represents up to 16.1% of the company's share capital. E-finance is the sole entity authorized to process and settle government payment and collection transactions and is the state's digital partner of choice for more financial inclusion. We see the company as well positioned to benefit from the government's regulatory push towards digital payments, particularly given that better compliance and adoption would lead to higher government revenues and an integration of the informal economy.

Kuwait's All Share Index gained 1.1% drive by gains in mid and small caps stocks. Covid-19 cases dropped 85% MoM with a government official noting that over 70% of the eligible population had been fully vaccinated. A local daily noted that the government was planning to merge certain ministries and abolish others as part of a large restructuring plan that would last over four years. **Bahrain's All Share index was the best performing market in the GCC during the month, gaining 3.7% and closing at a 13-year high.** Heavyweight AUB continued to surge, gaining another 8.0% during the month. Bahrain's government also announced that it was planning to double VAT to 10%, a move that would help it to shore up its finances without undermining economic recovery.

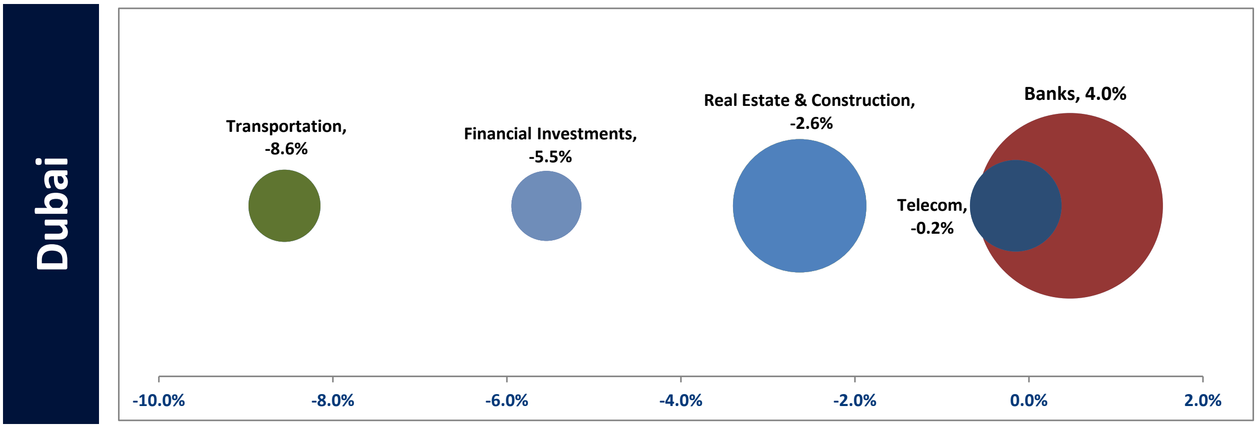
Qatar's DSM Index gained 3.5%, led by a 13.8% surge in the industrial sector, due to the rally seen in global commodity prices. IQCD led the charts, with a 20.2% gain followed by IHG (up 15%) and QAMCO (up 12.9%). **Oman's MSM30 Index declined by 0.6%,** with its YTD gains of 7.8% being the lowest within the GCC and **Israel's TA35 Index gained 2.5%,** as its Covid-19 booster shots rollout began to have a noticeable impact on cases and hospitalizations. Lastly, **Pakistan's KSE 100 declined by 5.3%** as high global commodity prices and the resurfacing of a Republican sponsored draft bill proposing to investigate Pakistan's involvement in Taliban's takeover of Afghanistan resurfaced. The currency also continued to depreciate against the dollar, reaching an all-time high of PKR 170.6.

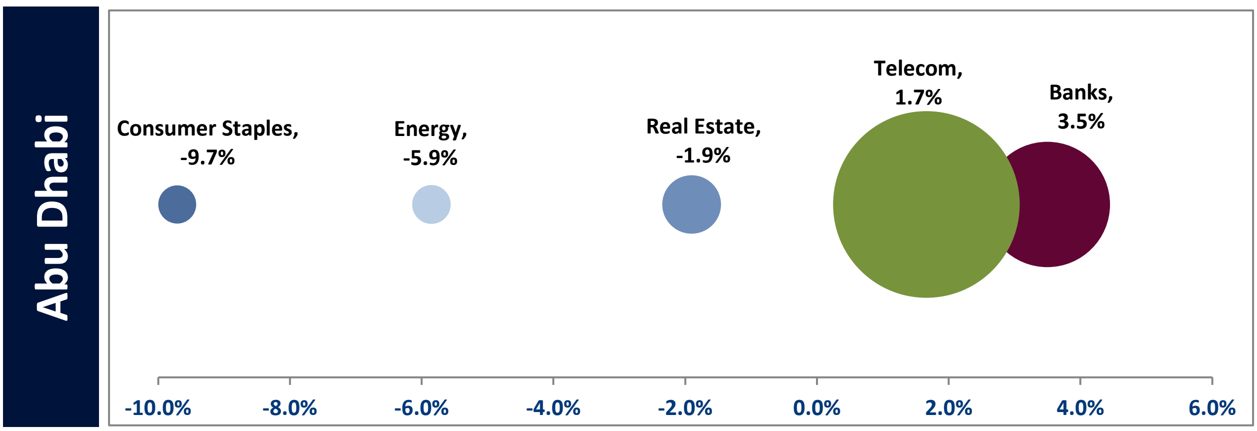
MENA recommendations: Given the strong oil price environment and PMI data showing strong expansion, we expect GCC economies to do well with most of the major economies reporting fiscal and current account surpluses. **Along with our liking for the value and cyclical names in banks, construction materials and industrials, we also prefer bottom-up plays in sectors such as retail, F&B and IT**. Given higher vaccination rates and lower new Covid-19 cases (cases were down 64% MoM within the GCC), we continue to like reopening names in airlines, hotels and malls. On the high dividend yield side, we like names within the communication services sector (Yahsat, Etisalat, etc.), construction supplies players (RAK Ceramics, Bawan) and regional top banks with high capital adequacy (ADCB, DIB, Riyad Bank, SNB, Masraf Al Rayan and NBK). We continue to avoid Turkey due their unconventional monetary policy of lowering interest rates when inflation remains high. The continuous devaluation of the Turkish Lira provides additional currency risk and with oil prices skyrocketing, we see a sustained strain on their current account balances. In Egypt, we continue to closely watch the PMI data to look for any sustainable signs of expansion as the data has been showing contraction for a while.

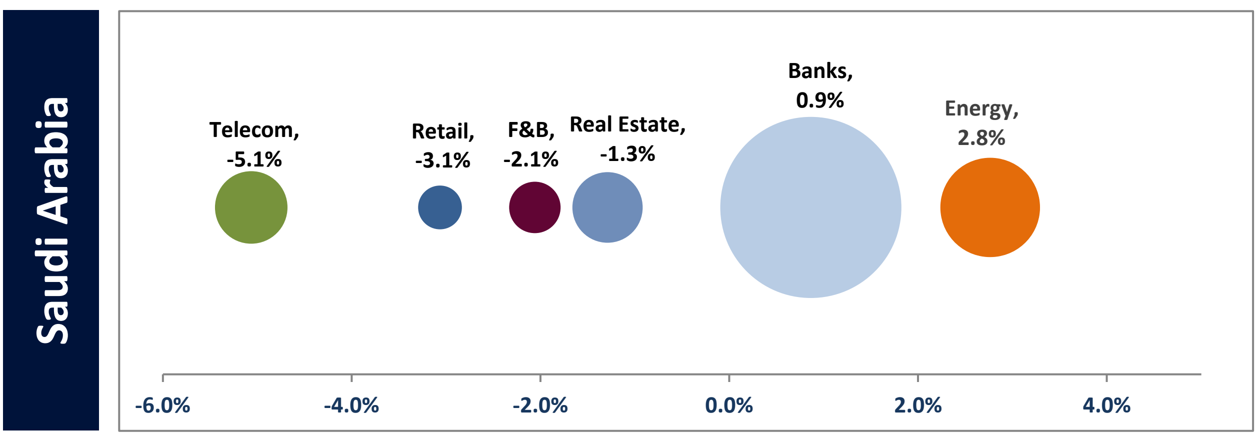
We reinitiated a position in Industrials Qatar. IQCD provides a diversified exposure to steel, fertilizers, and petrochemicals – all who have seen their prices hit multi-year highs amidst a strong economic recovery globally backed by high demand across various markets. In China, several factories across the country have been asked to curtail their production as mounting demand for electricity has coincided with record high coal and gas prices. The government is also keen to cut its carbon emissions as it prepares to hold the Winter Olympic Games in February 2022. This has led to a surge in prices for key commodities such as steel, fertilizers and potentially petrochemicals as a major portion of global production happens to be in China. Rising gas prices across Europe have also pushed factories to curb their production of ammonia and urea, as the squeeze on their margins is unsustainable, which has only further strengthened IQCD's position given their low cost of natural gas. IQCD trades at a 2021e PE of 14x vs its historical average of 16x and offers a high dividend yield of 7.0% on a 90% payout.

We also reentered ADNOC Distribution as its recent correction due to the momentum of regional IPOs along with global macroeconomic conditions had exposed a significant value. It offers a compelling dividend yield of 4.9%. Lastly, **we initiated a new position in Saudi Airlines Catering**. We see the stock to be a direct beneficiary of Saudi's reopening, particularly given the increase in numbers being witnessed for Umrah and Hajj pilgrims. Domestic travel within Saudi has almost reached pre-Covid levels while international travel continues to improve as Saudi began allowing vaccinated expats to return to the country.

Sectors Performance of Key MENA Indices (MoM Change)







Source: Bloomberg, Daman Investments Asset Management   Note: Size of the bubbles represent weight of the sectors in the respective index

MENA Valuations

PE (x) 1Yr Fwd

Kuwait	24.8
Morocco	22.1
Saudi Arabia	20.8
Abu Dhabi	17.8
Qatar	14.0
Dubai	12.7
Oman	12.6
Bahrain	12.0
Egypt	7.9

Dividend 1Yr Fwd

Egypt	4.2%
Qatar	3.6%
Dubai	3.5%
Abu Dhabi	3.0%
Morocco	2.9%
Saudi Arabia	2.3%
Kuwait	2.3%

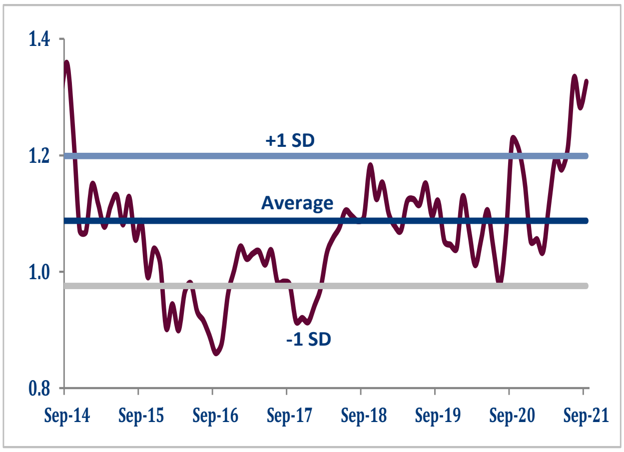
Source: Bloomberg, Daman Investments Asset Management

MENA Relative Valuations Versus Emerging Markets

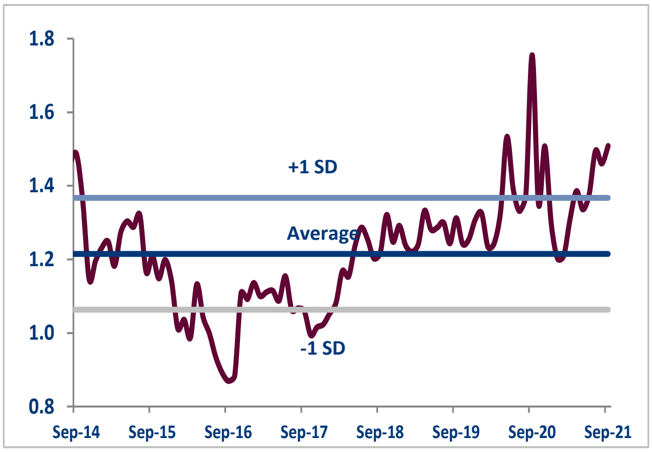
Based on our relative PE analysis of MENA markets versus Emerging Markets, we believe that MENA markets offer selective value. The market currently trade more than 1 standard deviation above the historical average relative PE of 1.08 vs MSCI EM as it offers higher earnings growth. Also, MENA offers higher 1 year forward dividend yield of 2.9% vs EM at 2.8%.

UAE is trading at 1 standard deviation above the historical average relative PE of 0.93 vs MSCI EM. However, UAE's 1 year forward dividend yield is quite attractive at 3.2%. Relative PE is calculated by dividing the PE of MENA markets by Emerging Markets. Standard Deviation measures the variation in the relative PE from its average over the last 5 years.

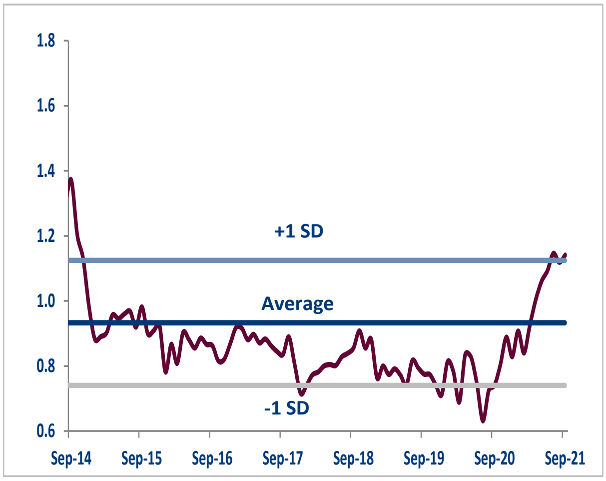
Relative PE (1yr Fwd.): MENA vs MSCI EM



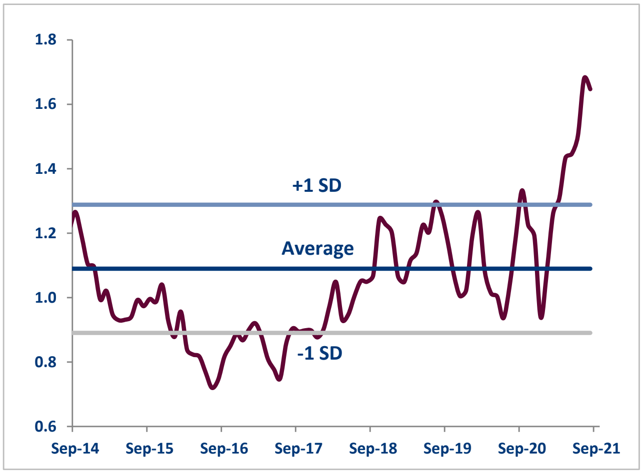
Relative PE (1yr Fwd.): Saudi vs MSCI EM



Relative PE (1yr Fwd.): UAE vs. MSCI EM



Relative PE (1yr Fwd.): Kuwait vs MSCI EM



Source: Bloomberg, Daman Investments Asset Management

Emerging Markets Fixed Income

The **Bloomberg Barclays EM USD Aggregate Total Return Index** returned -122bps during the month of September 2021. With **EMBIGD spreads moving beyond 360bps,** the worst of the widening is probably behind us. **However, with upwards pressure on US real yields and EM FX combined with downwards risks to the growth outlook, it's too soon to fully buy into HY on top of technical factors**. HY valuations are only slightly cheap, including the average cash price of single B credits still trading at par. **From a top-down spread perspective the HY underperformance is also clear.** IG sovereign spreads are only few basis points off year-to-date tights while HY spreads are 57bps off the year-to-date tights and instead only 15bps off the year-to-date wides. So, **on a year-to-date basis, EM HY sovereign are cheap.**

In addition to valuations not being cheap enough and challenging fundamentals, factors such as higher US Tsy real yields and weaker EM FX are here to persist over the coming period. Additionally, downside risks to EM remain, with **China** as top risk. We see it as too early to add back a lot of risk. With none of the factors above really improving and valuations only slightly cheap, we suggest remaining cautious with an overall preference for IG over HY. Meanwhile, in IG, **LATAM** has lagged materially while **MENA** has outperformed.

Within IG, we are still constructive for MENA likes but start shifting to LATAM credits which have been the clear laggard not just recently but since 1Q20 (and this is without accounting for Colombia, which is now HY). All other IG regions are now very near record tights. So far, we have been adding exposure to LATAM gradually while still maintaining longs in MENA. We now suggest shifting this further.

MENA IG has been the clear outperformer from a broader context, as like previous episodes of real yield driven US 10y Tsy sell-offs, Abu Dhabi and Qatar lower sensitivity to rising real yields left the curves better off in total return terms. Saudi Arabia relative performance was more moderate but Israel lagging trend versus exporter peers (which started prior to the US 10y Tsy moves) is noticeable. With overall spreads now near year-to-date tights, we think that now is the time to dial back on our exposure. Abu Dhabi should remain resilient with its lower beta and hydrocarbon strength but our thesis on US 10y Tsy has started to play out and spreads at these levels provide little buffer for further moves. **We prefer relative value opportunities in the quasi-sovereign space, where we favour Investment Corp of Dubai versus Dubai Aerospace Enterprise and buy Galaxy Pipeline versus Abu Dhabi Ports Company for the UAE.**

While we still favour Qatar given that the top-down arguments for Abu Dhabi apply to the Qatar curve too, **we prefer Abu Dhabi to Qatar on a relative basis**. The fundamentals and technicals for Qatar remain solid given the outlook for declining leverage and supply most likely being out of the way, but at current spread levels, much of this is in the price and the room for further material spread compression is simply too limited from here.

In LATAM IG**, Mexico has not lagged as much as Peru or Panama, and we see the fundamentals and political risks as more favourable in Mexico and therefore would use Mexico as the LATAM preference.** While the 2022 budget does acknowledge the increasing fiscal slippage. We also don't expect further issuance from Mexico in 2022. **In HY space, El Salvador is cheap across the long-end. Ecuador fits into this bucket as well where positioning had become increasingly heavy and with most of the good news out of the way as the IMF review came through.**

In the past weeks there has been a large divergence between the single B credits, and especially among the long-end bonds. **In Asia HY**, we continue to **favour Pakistan as technically there remains room for upside while adding Bangladesh to our watchlist for a probable future allocation if they decide to issue their first dollar denominated sovereign bond**. A low single digit current account and fiscal deficit in tandem with sustained real GDP growth rate of 6-7% and FX reserves worth USD 48bn (9 months of import cover) makes it an interesting story.

In Africa, we continue to favour both Angola and Ghana which are still relatively technically attractive whilst we switch to underweight in Ivory Coast and Gabon given recent outperformance. In the **MENA HY**, we **prefer Bahrain which is cheap on a technical basis across the belly of the curve.** While Egypt and Nigeria are cheap across the long-end, given our cautiousness on EM credit, it's too soon to turn bullish on Egypt due to its high beta nature. **However, we are concerned about fundamentals, and we are looking for the right entry point to add risk for both Egypt and Ecuador on a tactical basis.**

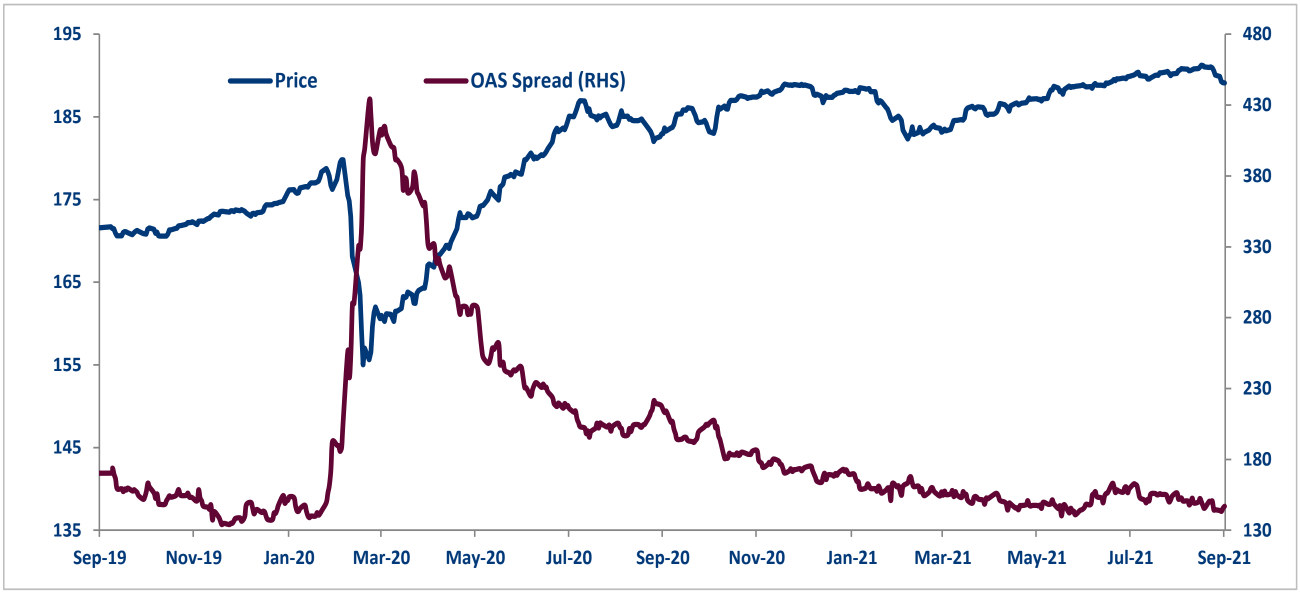
Overall, we remain very selective within the HY space until valuations turn more attractive as there are plenty of opportunities. While dispersion is high in this bucket **negative year-to-date index returns also leave little cushion to absorb the recent weakness,** which has led to fund outflows**. However, the risk is that at least some of these headwinds remain, making a further HY positioning unwind likely in the near term.**

Performance

	Value	MTD Change	YTD Change
Barclays GCC Credit +HY Index	189	-0.8%	0.1%
FTSE MENA Broad Bond Index	174	-0.9%	-0.1%
Dow Jones Sukuk	109	-0.5%	-1.4%
Barclays Global Aggregate Index	536	-1.8%	-4.1%
Barclays Global High Yield Index	1,540	-1.1%	1.7%
Barclays US Treasury Index	2,496	-1.1%	-2.5%
Barclays US Corporate Index	3,516	-1.1%	-1.3%
Barclays US Corporate High Yield index	2,444	0.0%	4.5%
JPM EM Global Bond Index	631	-2.3%	-1.8%
Bloomberg Barclays Emerging Markets Hard Currency Aggregate Index	1,273	-1.7%	-1.1%
Bloomberg Barclays US Aggregate Bond Index	2,355	-0.9%	-1.6%
Markit CDX Emerging Markets Index	96	-1.6%	-1.6%
Barclays EM High yield	1,439	-2.4%	-0.9%
Barclays EM Corporate Index	314	-1.6%	-0.9%
10-year US Treasury yield* (%)	1.49	18	57
30-year US Treasury yield* (%)	2.04	11	40
US Treasury 2-10 Spread*	120.79	11	42
US Treasury 2-30 Spread*	176.54	4	24
10-year Germany Treasury yield* (%)	-0.20	18	37
US Breakeven 10 Year*	2.38	4	39
9-year Saudi Arabia Govt USD Bond yield* (%)	2.35	16	29
10-year Abu Dhabi Govt USD Bond yield* (%)	2.08	19	40
7-year Kuwait Govt USD Bond yield* (%)	1.43	18	30
10-year Oman Govt USD Bond yield* (%)	5.32	30	-37
10-year Bahrain Govt USD Bond yield* (%)	5.71	11	84
9-year Qatar Govt USD Bond yield* (%)	2.20	4	56
10-year Egypt Govt USD Bond yield* (%)	7.04	103	118
EIBOR 3M* (%)	0.32	-4	-19
QAIBOR 3M* (%)	1.15	13	3
Dubai 5 Year CDS* (bps)	38	1	-9
Qatar 5 Year CDS* (bps)	44	3	6

Source: Bloomberg, Daman Investments Asset Management *Note: *In basis points*

Barclays GCC Credit +HY Index



Source: Bloomberg, Daman Investments Asset Management

Major Commodities and Currencies

Performance

	Value	MTD Change	YTD Change
Brent crude oil (USD/bbl)	78.52	7.6%	51.6%
Natural Gas (USD/mmbtu)	5.87	34.0%	131.1%
Gold (USD/Ounce)	1,757	-3.1%	-7.4%
Copper (USD/MT)	8,945	-6.1%	15.4%
Aluminium (USD/MT)	2,842	3.8%	44.0%
Nickel (USD/MT)	17,947	-8.4%	8.4%
Urea Middle East (USD/MT)	485	0.0%	83.0%
Methanol China (USD/MT)	355	10.9%	16.8%
SE Asia Polyethylene (USD/MT)	1,160	0.9%	10.5%
Polypropylene (USD/MT)	1,240	2.5%	-2.4%
US Dollar Index	94.23	1.7%	4.8%
MSCI EM Currency index	1,722.27	-1.0%	0.1%
JPM EM Currency index	55.24	-2.9%	-4.6%
EGP/USD	0.06	-0.2%	0.2%
TRY/USD	0.113	-6.4%	-16.4%
PKR/USD	0.586	-2.5%	-6.0%
ILS/USD	0.310	-0.5%	-0.3%
EUR/USD	1.16	-1.9%	-5.2%
GBP/USD	1.35	-2.0%	-1.4%
USD/JPY	111.29	1.2%	7.8%

Source: Bloomberg, Daman Investments Asset Management

Performance of our Funds

Concerto IS Daman MENA UCITS Fund (DAMENAI LX EQUITY)
The aim of this strategy is to achieve medium to long-term capital appreciation by investing primarily in securities of issuers listed in the MENAPT Region or investing in securities of issuers listed outside of the MENAPT Region but deriving most of their revenues from the MENAPT Region.

	2021	Inception (30 Jul 2020) (Class I)
Total Return*	18.8%	29.8%
Annualized Return	25.8%	24.9%
Annualized Volatility	6.1%	6.3%
Sharpe Ratio	4.0	3.8

** NAV as of 30th September, 2021*

The fund gained 0.9% during the month. In term of asset class, equities contributed 0.8% while fixed income added 0.1%. Geographically, UAE and Saudi were the key contributor to the fund return with each contributing 45bps.
In equities, ee continue to favor well provisioned banks in the region, given the management's guidance for a reduction in cost of risk and an increase in loan growth during H2 2021. We also like banking names in Qatar, given the passive flows expected due to the foreign ownership weight increase to 100%.
We initiated a position in IQCD given its exposure to steel, fertilizers and petrochemicals – prices of which have rallied to multi-year highs.

Daman Balanced High Income Fund
The aim of this fund is to generate income along with achieving medium to long-term capital appreciation, by investing principally in securities of issuers located in, or deriving at least 50% of their revenue from the MENA region, South Asia and Turkey. Portfolio diversification is further achieved by adding high yield fixed income securities where market is overpricing systematic and/or idiosyncratic risks.

	2021	Inception (May 2021)
Total Return	3.0%	3.0%

*** NAV as of 30th September 2021*

The fund lost 1.5% during the month. Geographically, UAE and Egypt were the key contributor to the fund's negative return. The fund got negatively impacted form the sell-off in the dividend yield names as the investors amassed liquidity to invest in IPO of ADNOC Drilling.

In fixed income, our corporate exposure outperformed the sovereign allocation and contributed 26bps; Brooge Petroleum was the highest contributor at 18bps. In the sovereign space UAE was the largest contributor at 29bps.
In equities, we initiated positions in IQCD and ADNOC Distributions due to their strong cash flow generation and dividend yields above the MENA average

Daman Islamic Enhanced Income Fund (2024)
The Daman Islamic Enhanced Income Fund seeks to generate an attractive risk-adjusted total return through a Sharia Compliant Salam mechanism linked to a portfolio of fixed income securities. Coupons may be distributed or accumulated monthly with maturity in December 2024.

	2021	Inception (Nov 2020)
Total Return**	5.8%	10.4%
Dividends Paid**	5.6%	6.7%
Rating	BB-	
Annualized Return	-	14.0%
Annualized Volatility	-	3.2%
Sharpe Ratio	-	4.0

*** Indicative of 30th September 2021*

The fund was down 16bps in September 2021 where the price return contributed to the lag in monthly performance. Given the fixed maturity setup of this fund (maturity 2024), our positioning on short dated instruments at continues to capture most of the market performance.

The positive contribution was attributed DP World Sukuk and DARALA 2025 Sukuk while the drag on performance was attributed to Turkey 2024 and 2026 Sukuk. UAE and Saudi Arabia were the highest contributors with 13.8bps and 8bps respectively, while underperformance was attributed to Turkey. High Beta positions in Oman and Bahrain made positive contributions on the back of high income returns.

ضمان للاستثمار
DAMAN INVESTMENTS

About Daman Investments

Daman Asset Management is a dedicated MENA specialist offering mutual funds strategies and bespoke investment products, which have been built on our independent research insights and backed with a proven track record of delivering superior risk-adjusted returns which have substantially outperformed peers and regional benchmarks. Our experienced team manages investments on behalf of local and regional institutions, family offices and high net worth individuals.

The document is issued by Daman Investments PSC, which is authorized and regulated by the Emirates Securities and Commodities Authority (SCA).

To receive a list of Daman Investment's composite descriptions and any other information, please contact the Marketing & Communications Department.

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