

# SC GCC Equities Fund

Class I

## Investment policy

The investment objective of the Fund is to create long term appreciation of capital by outperforming the S&P Pan Arab Composite Shariah Total Return Index (Bloomberg ticker code: SPSHPAT) (the "Benchmark").

## Fund facts

Portfolio manager since	18/07/2014
Fund domicile	Luxembourg
Fund currency	USD
Close of financial year	31. Dec
Total net assets (in millions)	23.38
Inception date	22/07/2014
Price at Inception	100.00
Management fee in % p.a.	2.00
Benchmark (BM)	S&P Pan Arab Composite Shariah (TR)
Unit Class	Category I (capital growth)
Unit class currency	USD
ISIN number	LU1052683437
Bloomberg ticker	SGCCEQI LX
Valor no.	24074898
Net Asset Value	62.08
Purification per unit (Fiscal Year 2015)	\$0.00989
Min. Investment Amount	200,000
Redemptions	Weekly

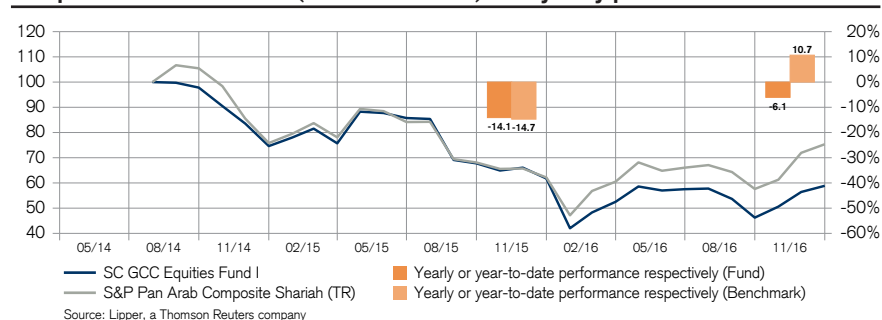
## Market Review

Market	Bloomberg Ticker	Monthly Perf (%)
Bahrain	SPSHDBDT index	11.82
Brent	CO1 Comdty	11.39
Morocco	SPSHMAUT index	9.94
WTI	USCRWTIC Index	9.34
Qatar	SPSHDQDT index	7.70
Kuwait	SPSHDKDT index	4.78
Pan Arab	SPSHPAT index	3.41
Oman	SPSHDODT index	3.12
Saudi	SPSHDSDT index	2.84
Share Class A	SGCCEQA LX Equity	2.51
Share Class B	SGCCEQB LX Equity	2.49
Share Class D	SGCCEQD LX Equity	2.49
Share Class I	SGCCEQI LX Equity	2.45
Jordan	SPSHJOUT index	1.20
UAE	SPSHDADT index	1.12
Tunisia	SPSHTUUT index	0.90
Egypt	SPSHEGUT index	-0.64
Gold	XAU curncy	-2.69

## Fund Statistics

	Since Inception
Annualized volatility in %	23.24
Information ratio	-0.97
Tracking Error (Ex post)	9.00
Beta	1.06

## Net performance in USD (rebased to 100) and yearly performance <sup>1)</sup>

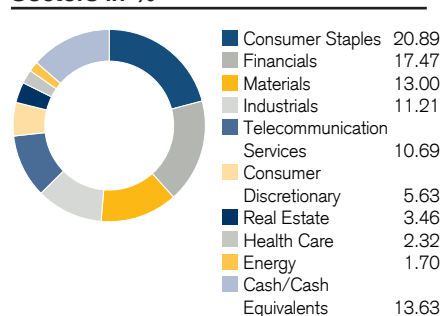


## Net Performance in USD in % <sup>1)</sup>

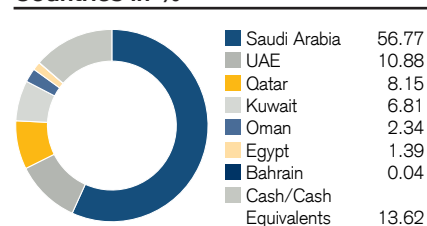
	1 month	3 months	YTD	1 year	3 years	2 years % p.a.	3 years % p.a.	5 years % p.a.	ITD <sup>2)</sup>
Fund	2.45	13.12	-6.06	-6.06	-	-	-	-	-37.83
Benchmark	3.41	18.64	10.68	10.68	-	-	-	-	-28.62
Difference	-0.96	-5.52	-16.74	-16.74	-	-	-	-	-9.21

<sup>2)</sup> Inception date 22 July 2014. However, performance start date is 1 September 2014 when markets were investable.

## Sectors in %



## Countries in %



## SC GCC Fund Top Holdings

Company	Country	Sector
Al Rajhi	Saudi Arabia	Financial Services
SABIC	Saudi Arabia	Materials
STC	Saudi Arabia	Telecommunication Services
Abdullah AlOthaim	Saudi Arabia	Consumer Staples
Mezzan Holding	Kuwait	Consumer Staples

## Liquidity Analysis

	5%	10%	15%	20%	25%	30%
25%	0.10	0.05	0.03	0.02	0.02	0.02
50%	0.64	0.32	0.21	0.16	0.13	0.11
80%	1.97	0.99	0.66	0.49	0.39	0.33
90%	6.98	3.49	2.33	1.74	1.40	1.16
95%	10.62	5.31	3.54	2.65	2.12	1.77
100%	29.65	14.83	9.88	7.41	5.93	4.94

## Contact

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<sup>1)</sup> Historical performance indications and financial market scenarios are not a guarantee for current or future performance. Performance indications do not consider commissions levied at subscription and/or redemption.

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### Main Points

- The fund returned 2.45% in December compared to the benchmark returns of 3.41%, resulting in a negative alpha of 0.96% for the month.

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### SC GCC Fund: Reducing Saudi Exposure as market overshoots

An unforgettable year has ended!

Not mentioning Brexit or Trump's victory, but being more MENA specific. Oil hit \$27 at year beginning and closes the year at \$57. Saudi Arabia launches a 2030 vision and a 2020 National Transformation Program and goes into relative austerity measures. Kuwaiti government resigns and the Emir dissolves the parliament. The Yemen war continues and puts a financial drag on the GCC countries. Egypt forms tight relationships with the GCC and tends to break them towards year end while it free-floats its currency in an aspiration to attract FDIs and touristic spending while money repatriation and security remain significant hurdles to both objectives.

A gloomy year by many measures. Markets disagree!

As markets look into 2017 and beyond and see a more efficient Saudi economy that is less dependent on oil driven by a young reform team, a non-deadlock Kuwaiti parliament, some kind of resolution of the Yemeni war on the horizon and a more stable oil environment with an agreement between producers on cutting production (albeit short term). The markets closed the year in positive territory driven by a Saudi market rally in the last quarter based on a milestone bond issuance and government settlement of many dues to the private sector.

In this highly volatile environment, your fund closed the year down by 4.45% underperforming its benchmark. The main reason for the underperformance for the year was the shift in value realization in the market. While we wanted to keep the portfolio in a defensive stance at the end of 2015, we reduced our Saudi petrochemical exposure driven by a falling oil price and increased our exposure to the Saudi consumer stocks. The "new norm" has put the consumer at a significant disadvantage even to the commodity producer! Hence the more than 50% of our underperformance for the year happened in January 2016.

While we lived markets extreme pessimism at the end of Q3, the market closed the year with an overconfident sentiment. We are firm believers that the medium term market and economic catalysts are going to provide positive macro shifts. Going into 2017, and as we analyzed the Saudi budget for the year, we are underweighting the Saudi market driven by our conviction that the fourth quarter results of 2016 will not sustain the market rally and would call for a short term correction before the market steadily builds its base for an interesting 2017 that should be full of catalysts of a Saudi MSCI emerging markets inclusion from one angle and uncertainties mainly coming from the new US president and his policy.

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### Shariah Advisors

The Fund's Shariah Advisors are:

Dr. Mohamed Ali Elgari

Dr. Mohamed Daud Bakar

Dr. Abdul Aziz Khalifa Al-Qassar

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