

# SC GCC Equities Fund

## Class D

### Investment policy

The investment objective of the Fund is to create long term appreciation of capital by outperforming the S&P GCC Composite Shariah Total Return Index (Bloomberg ticker code: SPSHGT) (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)	13.64
Inception date	22/07/2014
Price at Inception	100.00
Management fee in % p.a.	1.35
Benchmark (BM)	S&P GCC Composite Shariah (TR) (07/17)
Unit Class	Category D (capital growth)
Unit class currency	USD
ISIN number	LU1052683270
Bloomberg ticker	SGCCEQD LX
Valor no.	24074507
Net Asset Value	62.83
Purification per unit (Fiscal Year 2015)	\$0.00989
Min. Investment Amount	200,000
Redemptions	Weekly

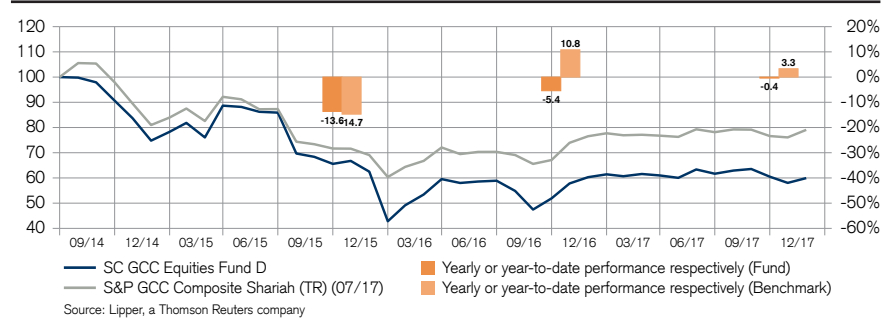
### Market Review

Market	Bloomberg Ticker	Monthly Perf (%)
Egypt	SPSHEGUT index	8.62
Qatar	SPSHDQDT index	8.20
Brent	CO1 Comdty	5.28
Oman	SPSHDODT index	4.40
Saudi	SPSHDSDT index	3.61
Tunisia	SPSHTUUT index	3.59
GCC	SPSHGT index	3.51
Kuwait	SPSHDKDT index	2.96
Share Class A	SGCCEQA LX Equity	1.91
Share Class B	SGCCEQB LX Equity	1.90
Share Class D	SGCCEQD LX Equity	1.90
Share Class I	SGCCEQI LX Equity	1.86
UAE	SPSHDADT index	1.64
Bahrain	SPSHDBDT index	0.85
Gold	XAU cumcy	0.28
Jordan	SPSHJOUT index	-1.62
Morocco	SPSHMAUT index	-1.92

### Fund Statistics

	Since Inception
Annualized volatility in %	19.86
Information ratio	-0.98
Tracking Error (Ex post)	6.89
Beta	1.02

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

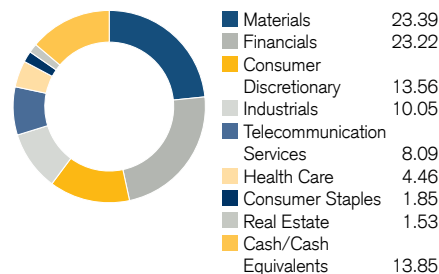


### Net Performance in USD in % <sup>1)</sup>

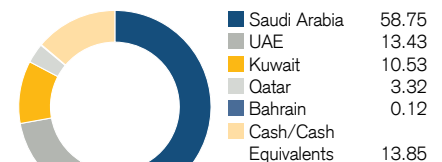
	1 month	3 months	YTD	1 year	3 years	2 years % p.a.	3 years % p.a.	5 years % p.a.	ITD <sup>2)</sup>
Fund	1.90	-3.63	-0.40	-0.40	-18.63	-	-	-	-37.24
Benchmark	3.94	-0.09	3.31	3.31	-2.36	-	-	-	-26.28
Difference	-2.04	-3.54	-3.71	-3.71	-16.27	-	-	-	-10.96

<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
SABIC	Saudi Arabia	Materials
Al Rajhi	Saudi Arabia	Financials
Humansoft	Kuwait	Consumer Discretionary
Dubai Islamic Bank	United Arab Emirates	Financials
Emirates Telecom Group	United Arab Emirates	Telecommunications

### Liquidity Analysis

	Market %					
	5%	10%	15%	20%	25%	30%
25%	0.04	0.02	0.01	0.01	0.01	0.01
50%	0.35	0.18	0.12	0.09	0.07	0.06
80%	1.32	0.66	0.44	0.33	0.26	0.22
90%	3.12	1.56	1.04	0.78	0.62	0.52
95%	6.30	3.15	2.10	1.58	1.26	1.05
100%	13.25	6.62	4.42	3.31	2.65	2.21

### Contact

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<sup>1)</sup> Historical performance indications and financial market scenarios are not reliable indicators of future performance. The performance data do not take into account the commissions and costs incurred on the issue and redemption of fund units.  
The disclaimer mentioned at the end of this document also applies to this page.

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### Main Points

- The fund returned 1.90% in December compared to the benchmark returns of 3.51%, resulting in a negative alpha of 1.61% for the month.

### SC GCC Fund

During December 2017 the Fund registered +2.02% return and its benchmark increased by 3.51%, thereby registering underperformance of 1.49%. SIPCHEM AB, ALMARAI AB and ALTAYYAR AB were the best performers contributing 35, 19 and 15 bps to the outperformance, while ALARKAN AB, SECO AB and HUMANSFT KK were the worst performers contributing 89, 30 and 27 bps of underperformance. In the GCC Shariah universe, Qatar, Saudi Arabia and Kuwait were the best performers closing +8.2%, +3.6% and +3.0% respectively. Oman, Bahrain and UAE were the worst performers closing -4.4%, +0.8% and +1.6% respectively.

KSA market mainly preempted the positive budget that was announced on 19th December, which envisages 6% YoY growth in expenditures (budgeted record high) while projecting a flat deficit. The budgeted average oil price is USD55/barrel, while non-oil revenue is projected to grow 8% as it showed 38% growth in 2017. Social spending is expected to reach 19% of GDP, which is another record in KSA.

On the macro side, the non-oil private sector recorded fastest growth in 2 years as Purchasing Managers' Index rose to 57.5. Sovereign reserves rose for a second straight month to USD487bn last month, while loan and deposit growth remained at -1% and -1.5% YoY respectively. Although Ministry of Housing launched Jeddah Gateway project covering 192,000 sqm encompassing 1,952 units and real estate transactions were up 8% YoY during November – December period, mainly driven by residential sales activity, while cement sales volumes recorded one of the lowest drops i.e. -8% YoY and Jeddah hotels RevPAR fell 25.4% YoY due to supply increasing 9.8% and demand falling 9.3%.

On the reform front, ban on cinemas was lifted, PIF announced venture with AMC Entertainment (USA) to open 300+ cinemas with more than 2,000 screens by 2030 and SAR433mn tourism projects were awarded. Al Haramain train announced start of trial run by end of December and commercial operations in 2018. The Shura Council ratified Bankruptcy Law, removing another hurdle for escalating mortgage penetration. More detainees related to corruption charges opted for settlement and got released.

UAE market reacted positively to USD15bn budget announcement i.e. +20% YoY, non-oil GDP growth closing at 2.7% for 2017 (expected at 3% for 2018) and November PMI at 57 vs. 55.9 in October. On the other hand Dubai PMI fell to 55.3 from 55.6, November real estate sales were -16% YoY and Dubai hotel occupancy, ADR and RevPAR went down by 2.4pp, 6% and 8.7% YoY respectively owing to increased supply. On the reform side, DFM launched regulated short selling and Abu Dhabi announced plans to sell its first T-Bill next year.

Qatar announced 2018 budget with 2.4% increase in spending and 1.1% decline in deficit. Although the budget numbers were not inspiring but the market reacted positively as QAR29bn worth of new projects were announced. Bahrain reacted negatively to S&P downgrading its long-term foreign and local currency sovereign credit ratings to 'B+' from 'BB-'. Oman also reacted negatively to the VAT postponement as it shows lack of commitment towards reform. On the contrary Kuwait market reacted positively as the Central Bank held the rates steady despite Fed cut and KSA, UAE, Bahrain following suit.

End of year window dressing related price moves caused us almost 200bps of underperformance as such stocks move purely on momentum and without fundamentals. Hence the fall from grace is also quite rapid. We avoid speculative stocks and such months are always challenging.

Going forward, the 4Q 2017 results announcement is exempted due to IFRS implementation; therefore, annual results are expected. This suggests that results flow will start from 3rd week of February. In March FTSE is expected to announce the inclusion of Saudi market in their emerging market index and June expects the same from MSCI. In addition VAT implementation in the region, energy subsidy removal + direct subsidy addition in Saudi Arabia and clarity on Saudi Anti-Corruption drive are likely to keep the market mixed on collective basis.

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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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