

February
2017

Fund Commentary

Amundi Oasis Middle East & North Africa Fund

Investment Objective

Amundi Oasis Middle East & North Africa Fund (the "Fund") seeks a total return through investing as a feeder fund all or substantially all its assets in the Luxembourg registered and domiciled Amundi Funds Equity MENA (the "Underlying Fund"), a sub-fund of the Amundi Funds. The investment objective of the Underlying Fund is to seek a total return through investment of at least 67% of its total assets in Middle Eastern and North African ("MENA") companies listed on a regulated market in MENA countries.

What happened in February

MENA equities were flat (-0.3%) in February underperforming both emerging (+3.1%) and developed equities (+2.8%). February's drop in energy prices, a key driver for the market, dampened sentiment as the impact of OPEC-led production cuts transitioned from excitement to new normal. Egypt (+13%) jumped, followed by Qatar (+1.6%) while Saudi Arabia (-1.6%), Kuwait (-2.3%) and Morocco (-3.6%) were the worst performers in February. Egypt's performance was supported by the strong rebound in foreign exchange ("FX") seen over the month. Natural gas prices declined dramatically (-12.4%) over the month whereas Brent edged up 1.1%.

Following a strong start to the year (USD622m inflows in January), foreign inflows into the MENA region were largely muted in February, except for Qatar. The portfolio outperformed the S&P Pan Arab Large Midcap for the month, mainly due to our sector and stock selection whereas country allocation had a negative contribution. Underweighting Bahrain, Qatar and Jordan contributed negatively whereas overweighting consumer staples in Egypt and utilities in Saudi Arabia had a positive impact. As far as stock selection is concerned, our positions in Cooperative Insurance, NMC Health and Bupa Arabia were among the main contributors over the month.

Over the month, our principal changes were to trim exposure to the consumer staples sector, notably in Saudi Arabia as we took profit and expect further subsidy cuts. We also reduced our exposure to real estate in Abu Dhabi due to poor sentiment following announcements of job cuts in the oil sector. On the other hand, we increased exposure to materials in Saudi Arabia, notably through Saudi Arabian Mining which benefits from the priority on mineral extraction in the kingdom. Financials were also increased in February, mostly in Kuwait where valuation is attractive and interest margins are expected to improve as Kuwait follows every Fed hike.

In terms of positioning, we are currently overweight on UAE, Saudi Arabia and Egypt while we have underweight positions on all other countries, notably Qatar and Kuwait. The November OPEC Meeting paved the way for a better cooperation between Saudi Arabia and Russia and has already had consequences on the oil price. We expect the market to reach a more balanced equilibrium in the short to medium term, driven by positive developments on the supply side with first signs of lower oil production among non-OPEC countries. We maintain a scenario where oil prices remains in the range of USD 50-60 in the medium term, which would be manageable for the MENA region and reduce pressures on the USD peg maintained by Gulf Cooperation Council ("GCC") countries. Government debt leverage in the GCC is still limited and is much lower compared to most other EM and DM countries. Compared to some other EM oil producers, GCC countries still have decent buffers against lower oil prices. Governments in the region will push investments in key areas of development like education and healthcare as was highlighted in the Saudi 2030 National Transformation plan, precisely to diversify their economies outside of energy and address the challenge of high unemployment among the young population.

Unless otherwise stated, all performances are in USD terms, bid-to-bid.

Important Information:

This document is provided for information purposes only and does not constitute an offer or solicitation to purchase or sell units in the Fund. The prospectus and the Product Highlights Sheet for the above Authorised Fund are available and may be obtained from the Manager or its authorised distributors. Investors should read the relevant prospectus and Product Highlights Sheet before deciding to invest in the Fund. All applications for the Fund must be made on application forms accompanying the prospectus. Past performance and any forecasts made are not indicative of future performance of the Fund. Any opinion or view presented is subject to change without notice. The information on this factsheet is intended for general circulation without taking into account the specific investment objectives, financial situation or particular needs of any particular investor. An investor may wish to seek advice from a financial adviser regarding the suitability of the Fund taking into account the specific investment objectives, financial situation or particular needs of any person in receipt of the recommendation, before making a commitment to purchase units in the Fund. In the event an investor chooses not to do so, the investor should consider whether the Fund is suitable for him. Investments in the Fund are subject to investment risks, including the possible loss of the principal amount invested. Value of the units in the Fund and the income accruing to the units, if any, may fall or rise. Some of the information contained herein has been obtained from sources believed to be reliable but has not been independently verified, although Amundi Singapore Limited and its affiliated companies believe it to be fair and not misleading. As the Fund may invest in financial derivatives as part of the investment strategy, it will be subject to risks associated with such investments. Additional risk factors are described in the prospectus. References to specific securities are presented to illustrate the application of our investment philosophy only and are not to be considered recommendations by Amundi. It should not be assumed that investments in the securities identified were or will always be profitable. This document is not intended for citizens or residents of the United States of America or to any «U.S. Person», as this term is defined in SEC Regulation S under the U.S. Securities Act of 1933 and in the Prospectus of the Fund.

Amundi Singapore Limited

Company Registration No. 198900774E

168 Robinson Road, #24-01,

Capital Tower, Singapore 068912

Tel: (65) 6536 4822

Website: www.amundi.com/sgp