

January  
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 January

MENA equities underperformed both emerging and developed equities in January. Energy prices, a key driver for the market, dropped during the month. This dampened sentiment as the impact of OPEC-led production cuts transitioned from excitement to new normal. Saudi (-1.1%) underperformed while Kuwait (+12.2%) and Morocco (+6.4%) were the best performers in January. Brent was down -1.3% month-on-month. Overall, Q4 earnings in Saudi surprised on the downside. Sector-wise, oil & gas earnings surprised on the upside while financials surprised on the downside.

The Fund slightly outperformed the S&P Pan Arab Large Midcap during the month, which was mainly due to sector and stock selection while country allocation had a negative contribution. Underweight Kuwait contributed negatively whereas overweight on industrials in UAE had a positive impact. In terms of stock selection, positions in Yanbu Petrochemical, Al Rajhi Bank and Al Mouwasat Medical Services were among the main contributors in January.

Over the month, on the back of rising interest rates globally, our principal changes were to trim exposure to the telecom sector, notably in Egypt, and increase exposure to financials in Egypt, Kuwait and Morocco. In terms of positioning, we are currently overweight on UAE, Saudi Arabia and Egypt while having 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 oil prices. 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 remain 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 GCC countries.

GCC countries still have large foreign exchange reserves and sovereign funds, which represent more than 250% of 2016 GCC GDP. There is a large backlog of assets for potential privatisation and markets are becoming more accessible to foreign capital. Furthermore, 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 the key areas of development, such as education and healthcare, as was highlighted in the Saudi 2030 National Transformation plan. This is to diversify their economies outside of energy and to 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.

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