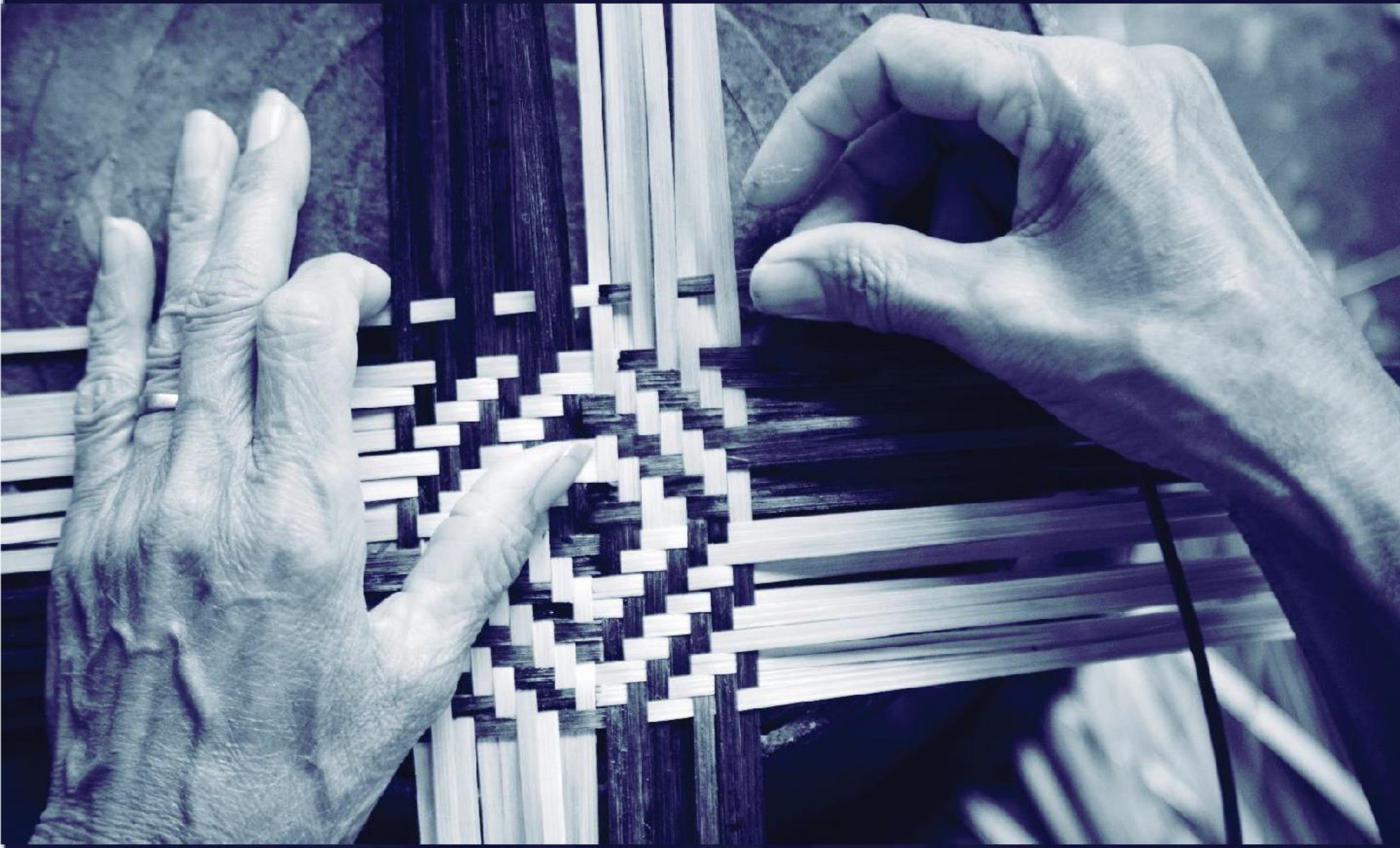
June 2022

Global and MENA Monthly Review

ضمان للإستثمار
DAMAN INVESTMENTS



Highlights of the Month

- June was the second-worst month of the year for global equities as peak inflation hopes were shattered
- MSCI All Country World Index fell 8.6%; EM outperformed DM
- MENA equities continued to correct with the S&P Pan Arab Composite Index losing 9.4%
- US 10y treasury closed at 3.01%, 11bps higher than the beginning of the month as the US FED raised rates
- In EM fixed income universe, Bloomberg Barclays EM USD Aggregate Index was down 4.6% during the month
- Brent oil, base metal and petrochemical prices fell on global growth slowdown concerns
- We downgrade equities to underweight and maintain a strong overweight on cash due to our defensive stance
- We underweight exposure to cyclical sectors and overweight exposure to defensive sectors

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Global Equities

After a flattish performance in May, June was the second worst performing month of the year for the global equity markets as **peak inflation hopes were shattered with headline CPI surging 8.6% YoY in May**. This was the highest inflation rate since December 1981. The consensus estimate was 8.3%. **Core CPI rose 6.0% vs the estimate of 5.9%. MoM headline CPI was up 1.0% while core CPI climbed 0.6%.** The respective estimates were 0.7% and 0.5%. Shelter costs, which comprise about one-third of the CPI, rose 5.5% YoY, the fastest 12-month pace in 31 years. Some of the biggest increases came in airfares up 12.6% MoM, used cars and trucks (1.8%), and dairy products (2.9%).

At its June meeting, the Federal Open Market Committee (FOMC) raised its key interest rate by 75bps, marking its largest rate hike since 1994 and taking the level of its benchmark funds rate to a range of 1.50%-1.75%. Based on recent comments of Fed policymakers another 75bps rate hike is likely at the FOMC's next meeting, scheduled for July 26 and 27. Powel indicated that the Fed remain strongly committed to bring down inflation. **According to the "dot plot" of individual members' expectations, the Fed's benchmark rate will reach 3.4% by the year end, an upward revision of 1.5% from the March estimate.** The committee then sees the rate rising to 3.8% in 2023, c.1% higher than what was expected in March. Officials also significantly cut their 2022 GDP growth outlook to 1.7% from 2.8% from March. The committee expects unemployment rate, currently at 3.6% to move up to 4.1% by 2024.

Market witnessed a steep drop post the inflation data and fed making a hawkish pivot, with MSCI All Country World Index (MXWD Index) falling almost 10.5% MoM by mid-June. **US 10-year Treasury yield hit 3.5% by mid-month, up 63bps MoM**. Real yield rose to 0.85% (+63bps MoM). However, the upcoming US economic data reflecting a sharply deaccelerating economic growth, led the 10-year nominal and real yields to back down and close the month at 0.67% and 3.01%, respectively. This gave a breather to the global equities with **MXWD Index rebounding slightly during the second half of the month and closing the month down 8.6%.**

Due to the expectation of a sharp slowdown in the US economic growth, US yield curve flattened with 10-2 spread declining 23bps MoM. As a result, growth slightly outperformed value with MSCI All Country World Growth Index falling 8.4%, an outperformance of 0.4% vs the value Index. Cyclical sectors such as materials, energy, banks and industrials took a beating on a sharp global economic slowdown concern. **Sell off in general was broad based with all sectors closing in red.** Emerging markets (EM) outperformed developed markets (DM) with MSCI EM Index declining 7.1% while MSCI World Index (MXWO Index) fell 8.8%. **In US, S&P 500 Index slipped 8.4%. Dow Jones Industrial Average Index (DJIA Index) and Nasdaq Composite Index fell 6.7% and 8.7%, respectively.** YTD DJIA Index is down 15.3%, which is an outperformance of 14.2% over the Nasdaq Index.

Jobs market continued to remain strong with unemployment rate holding firm at 3.6% in May and non-farm payrolls rising 390,000 versus expectations of 318,000. While it is a lowest gain since April 2021, it reflects a healthy pace of hiring and is above the 10-year average of 200,000 new jobs before the pandemic. Average hourly wages rose 5.2% YoY, but real wages were down 3.4% YoY. However, other economic indicators pointed towards a slowing economy. **University of Michigan's June sentiment index fell to a record low level of 50.0, from 58.4 in May, significantly below the consensus median forecast of 58.1.**

Major Indices Performance

	Value	MTD Return	YTD Return	PE (x) 1Yr Fwd	PB (x) 1Yr Fwd	Div. Yield 1Yr Fwd
Saudi Arabia - Tadawul	11,523	-10.8%	2.1%	16.5	2.5	2.7%
Dubai - DFMGI	3,223	-3.7%	0.9%	10.5	1.1	4.1%
Abu Dhabi - ADSMI	9,375	-6.8%	10.4%	14.7	2.0	2.7%
Qatar - DSM	12,191	-5.6%	4.9%	12.8	1.8	3.9%
Kuwait - All Share	7,409	-5.3%	5.2%	16.6	1.7	3.1%
Oman* - MSM30	4,123	0.2%	-0.2%	11.8	0.8	5.0%
Bahrain - BHSEASI	1,840	-4.2%	2.4%	7.1	0.9	6.0%
Egypt - EGX30	9,226	-9.1%	-22.8%	4.8	0.9	5.8%
Morocco - MOSENEW	12,009	-2.7%	-10.1%	18.0	2.4	3.2%
S&P Pan Arab Composite	172	-9.4%	0.2%	15.2	2.1	3.2%
Israel - TA35	1,829	-3.9%	-7.5%	9.0	1.6	1.7%
Turkey - XU100	2,405	-5.6%	29.5%	3.9	0.9	5.2%
Pakistan - KSE100	41,541	-3.6%	-6.9%	3.9	0.8	10.5%
S&P 500	3,785	-8.4%	-20.6%	16.7	3.5	1.7%
STOXX 600	407	-8.2%	-16.5%	11.7	1.6	3.8%
MSCI EM	1,001	-7.1%	-18.8%	11.2	1.5	3.4%
MSCI All Country World	597	-8.6%	-20.9%	14.4	2.3	2.4%
MSCI World	2,546	-8.8%	-21.2%	15.0	2.5	2.3%

Source: Bloomberg, Daman Investments Asset Management *Note: *Oman's PE, PB ratios and dividend yield are trailing*

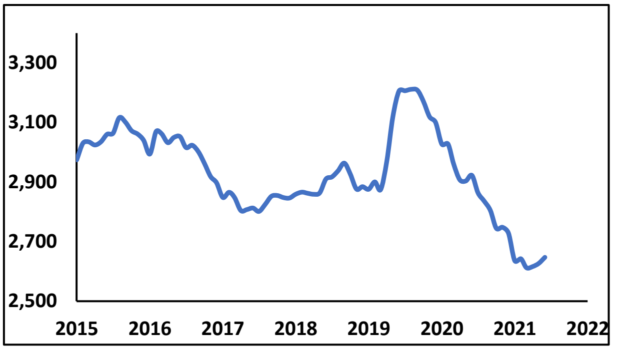
This reflected that soaring inflation continued to hurt household finances. Consumer are digging into their savings as saving rate dropped to 4.4% in April, the lowest level since 2008. US retail sales fell 0.3% MoM in May for the first time in five months, due to a plunge in auto purchases and other big-ticket items. **S&P Global US Composite PMI declined to 51.2 levels in June from 53.6 in May, reaching a 5-month low.** Service PMI declined to 51.6 (53.4) and manufacturing PMI declined to 52.4 (57). Manufacturing output index went into the contraction mode reaching 49.6, a 24-month low.

European equities also fell sharply with Stoxx 600 Index declining 8.2%. With conflict continuing in Ukraine, they key risk to the European economy is reduction in gas and oil supplies from Russia. **Inflation continued to head higher in both Eurozone and UK reaching 8.6% YoY (June) and 9.1% YoY (May), respectively.** Higher inflation has led central banks to strike a hawkish tone. ECB is expected to hike rates in both of its July and September meetings. As a result, the spread between Italian and German bonds have widened substantially. To confront this challenge, ECB is planning to come up with an antifragmentation tool to limit the rise in Italian borrowing costs.

Euro-Zone Consumer Confidence dipped to Near Worst Since Pandemic, reaching -23.6 in June down from -21.1 in May. However, consumer spending has held up so far, but the inflation and war have significantly increased the chances of recession in Europe in 2022. **Euro-area June Composite PMI fell to 51.9 in June from 54.8 in May**. That was below the median estimate of 54.0. Manufacturing PMI fell to 52.0 from 54.6. The services figure dropped to 52.8 from 56.1.

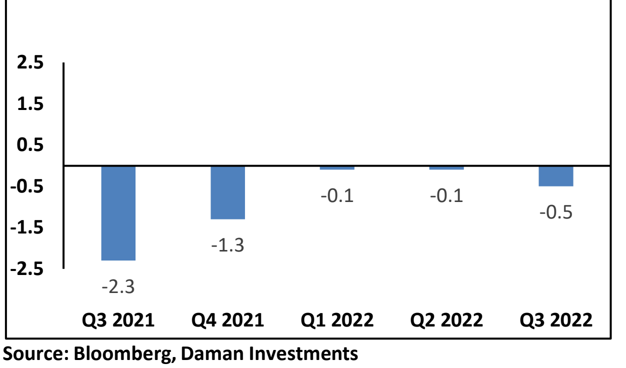
EM Equities: MSCI EM Index fell 7.1%. MSCI China gained 5.7% on loosening of lockdown and quarantine measures and on expectations of further fiscal and monetary support. Performances of other EM markets remained weak as high inflation and hawkish Fed pressurizing emerging markets central banks to hike rates to protect their currencies and stem capital outflows. **Amongst regions, Asia outperformed falling 5.5%, while LatAm and EMEA underperformed falling 17.1% and 10.6%, respectively**. Russia (20%) and China (13.4%) were the best performing markets**. Brazil (-19.3%), Chile (-19.3%), Peru (-16.9%), Taiwan (-13.2%) and Korea (-13.2%) were the worst performing markets**. LatAm underperformed due to a steep fall in metal prices on sharp economic slowdown concerns.

OECD inventories reflect market tightness (mn barrels)



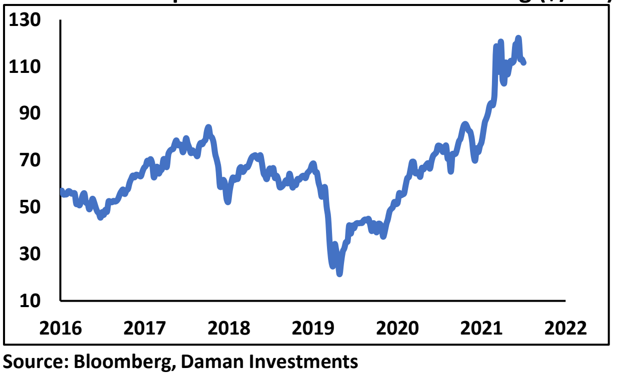
Source: Bloomberg, Daman Investments

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



Source: Bloomberg, Daman Investments

Brent crude oil prices continue to remain strong ($/bbl)



Source: Bloomberg, Daman Investments

Commodities: Oil: Brent oil closed at USD 114.8/bbl, down 6.5% MoM. The price fell as interest rate hikes from major central banks fueled fears about a sharp economic downturn. OPEC+ during its June end meeting agreed to increase production by 648k barrels per day in August. This latest output increase fully restored the 5.8mn bpd output that was cut during the Covid-19 pandemic. Despite OPEC+ accelerating its production increase, we expect the market to remain tight on limited production capacity, strong summer season demand, China reopening, and a decline in Russian production. As a result, we expect **oil prices to average around $110/bbl over the next 3 months. We would change our view if we envisage a potential recession in next 6 months.**

Metals: The S&P Industrial metals index was again in the red this month, falling 7.5% MoM, driven by demand concerns. Nickel, Copper and Aluminum prices fell 20.1%, 12.6% and 12.0%, respectively. **Precious metals: Gold prices fell 1.6%** as the strength of the USD and US treasury real yield outweighed the metals demand despite rising inflation. Given a slowing down global economy, **we continue to avoid an exposure to base metals** and **we are neutral on gold** due to stronger dollar and gradually increasing real yields.

Petchems: SE Asia LDPE and HDPE fell 6.1% and 2.4% respectively while LLDPE and PP were flat for the month**.** Methanol and MEG were also down 9.2% and 7.3% respectively, MoM. Despite high oil prices, we remain cautious on the petrochemicals due to a slowdown in global economy.

Currencies: EM currencies (EMFX Index) lost 2.2% in June, while the US Dollar (DXY Index) gained 2.9%. **The Russian Ruble, up 14.9% was the best-performing EM currency, taking its YTD gains to 38.0%**. On the other hand, Chilean Peso (-10.1%), Brazilian Real (-9.9%) and Colombian Peso (-9.4%) were the worst performers as metal prices fell. With the Fed looking to increase its pace of tapering, a rise in US yields expected to cause potential outflows from the EMs and higher commodity inflation putting pressure on EM importers current accounts, we expect the US dollar to remain strong against the EM currencies. However, EMs which are ahead of the curve in fighting inflation and are poised to have better growth in 2022, should fare better.

Global Asset Allocation and Outlook:

The recent economic data for the developed economies has shown a sharp deacceleration in economic growth as consumer sentiment takes a hit from high inflation and high interest rates start to bite. As a result, market narrative has started to shift from high inflation to slower growth which could be defined as stagflation. **Fed and some of the other DM central banks appear laser focused on monetary tightening to bring the inflation down to preserve their credibility after getting inflation wrong over the last 1 year** and to make sure that the inflation expectations do not get entrenched leading to a wage price spiral.

Although the fed appears to be confident of orchestrating a soft landing, the market seems to be more concerned. This is evident in a sharp reset in market expectation of peak Fed fund rate in a span of 15 days. **Market now expects the rate to peak by Feb 2023 reaching 3.37% vs expectation of 4% by mid-2023 as of 15 Jul 2022. Also, the market expects Fed to start cutting rate by mid-2023. Recession probabilities for 2023 have also started to go up.** World bank has cut down its 2022 global GDP growth forecast to 2.9% from 4.1% previously.

Given the uncertainty linked to peak in inflation, degree of Fed tightening and pace of economic slowdown, we continue to remain defensive in our asset allocation by maintaining **a significant overweight on cash**. **We downgrade equities to underweight** and keep our underweight on fixed income. We expect the markets to remain volatile on uncertain macro conditions.

Equities have seen a sharp reset in valuations on a steep rise in real yields with 1-year forward PE ratio of MXWD Index declining from 21x to 14.5x. However, earnings estimates have not yet come down, despite negative commentary that we have heard from a few companies and a deacceleration in economic data. Hence, we have downgraded the equities to underweight from neutral. We would be thoroughly watching the companies' guidance post 2Q results to understand the earning growth trajectory.

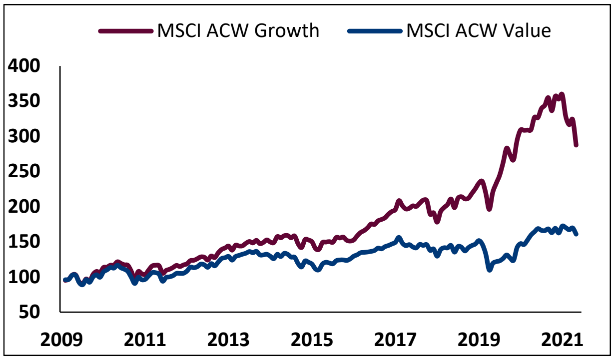
For us to be more constructive on equities we need to see inflation peaking soon and trending lower towards Fed's end-2022 inflation target as this would make Fed leave its hawkish pivot and reduce pressure on earnings. However, in the near-term we expect the equity market to remain volatile and range bound. We will not rule out short-term rallies, which we believe should be used for right sizing once portfolios. We continue to keep underweight on fixed income, however, post a strong sell-off in IG credit we have turned opportunistic to add to oversold names. In equities, we believe a proper bottom-up analysis is important to own companies with strong pricing power, solid balance sheets and low leverage to protect from market volatility.

We have gone underweight economically sensitive sectors such as materials, consumer discretionary and industrials due to sharp economic slowdown concerns. We continue to recommend a moderate energy exposure due to tightness in supply and hedge against inflation. We avoid long duration technology names despite sizeable drops from their 52-week highs. However, we have started to increase allocation to quality tech (companies which are generating strong free cash flows), utilities, healthcare and telecommunication sectors. **We see a diversified portfolio with a dividend yield cushion to be better equipped to face market volatility.**

We downgrade US to underweight but play it through defensive sectors and quality tech. We remain underweight on Europe as it would witness a much faster economic growth slowdown vs US tied to tight energy supply. We maintain our neutral view on EM as monetary tightening by DM central banks would create a liquidity squeeze and pressure EM currencies. Within EM, we prefer a tilt towards energy exporting countries in GCC and Asian countries with relatively better managed fiscal and current accounts **such as China, Malaysia and Indonesia.** China is opening up its economy as covid cases decline in the mainland. We will not rule out the risk from cases flaring up again. However, with the country looking to target 5.5% GDP growth in 2022 we expect fiscal and monetary policy to loosen and regulatory policies to become less disruptive to businesses. Chinese monetary policy stance is opposite to rest of the world where we are seeing a strong monetary tightening on inflation concerns. Also, on the valuation ground China appears quite attractive as it trades at a froward PE of 12x which is in line with its 10-year average and the monetary policy is loosening.

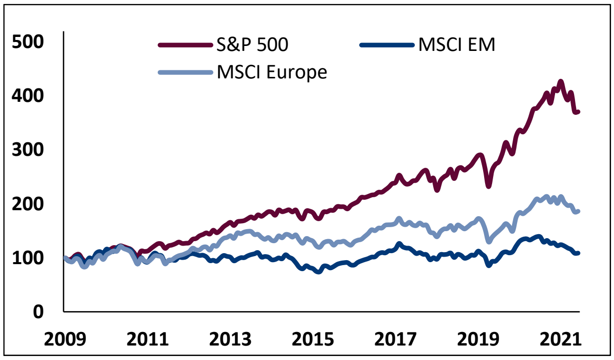
	Underweight	Neutral	Overweight
By Asset class:			
Equities	■		
Fixed Income	■		
Cash			■
Equities - by region:			
US	■		
Japan	■		
Euro Area	■		
EM Asia			■
EM Europe	■		
EM MENA			■
EM LatAm	■		
Fixed Income - by region:			
Asia Pacific		■	
Africa & Middle East			■
South & Central America		■	
Eastern Europe		■	
Central Asia		■	
Fixed Income - Rates:			
US Treasuries	■		
German Bunds	■		
Fixed Income - Credit:			
Global Investment Grade		■	
Global High Yield	■		
EM Sov - Local Currency	■		
EM Sov - Hard Currency	■		

MSCI All Country World Value vs Growth



Source: Bloomberg, Daman Investments

Europe and EM underperformance vs US



Source: Bloomberg, Daman Investments

EM Fixed Income: As markets have started to price in further rate hikes, we are remaining short in duration while being cautious of a possible recession in the future which would impact short term rates. Spread widening is now impacting credits, hence we would invest in IG sovereigns with strong foreign reserves and corporates with strong cash flows. Further analysis & outlook is mentioned starting **page 9**.

MENA Equities:

Regional equity markets continued to sell-off in the month of June as recession fears spooked investors and elevated inflation further dampened demand. S&P Pan Arab Composite Large Mid Cap Index fell 9.4% MoM. **Saudi Arabia's TASI (-10.8%) was the worst performing market, followed by Abu Dhabi's FTSE ADX General Index (-6.8%) and Qatar's QE 20 Index (-5.6%).** Other key markets also closed in the red, with Kuwait's All Share Index and Dubai's DFMGI down 5.3% and 3.7% respectively. For H1 2022, all GCC markets apart from Oman remained in the green, with Abu Dhabi leading the charts and returning 10.4%.

In Saudi, most sectors recorded double digit declines with **value traded also declining 14.4% MoM**. Retal Urban Development priced its IPO at SAR 120, implying a market capitalization of SAR 4.8bn. The market debut was lukewarm, with the stock closing flat on day 1.

Alamar Foods set its IPO price at SAR 115, at the high end of the price range. The book was oversubscribed 42x with the US PE firm Carlyle Group set to exit by selling their 42% stake in the company, raising USD 325mn in the process. **The Saudi Central Bank raised rates following the US Fed hike, by lifting its repo and reverse repo rates by 50bps to 2.25% and 1.75%, respectively**.

In the UAE**, Borouge surged on its trading debut, rising as much as 22%**. The IPO raised USD 2bn – the largest ever listing for Abu Dhabi. In Dubai, **Dubai Holding sold a 12.5% stake in TECOM, raising USD 463mn.** The book was oversubscribed 21x, with the IPO priced at AED 2.67 per share, at the high end of the price range. Trading volume was substantially down MoM on the DFM exchange, with value traded decreasing by 24.4%. **The Central Bank of the UAE raised its benchmark base rate for the overnight deposit facility (ODF) by 75bps, matching the Fed's 75bps rate hike.** The Abu Dhabi government announced plans to invest USD 2.7bn across six industrial programmes to double the size of the emirate's manufacturing sector to USD 47bn by 2031.

Other Gulf central banks also followed the US Federal Reserve, with the Central Bank of Kuwait raising its discount rate by 25bps to 2.25%, Qatar Central Bank raising its repo rate by 75bps to 2.5%, its deposit rate by 75bps to 2.25% and the lending rate by 50bps to 3.25%.

MENA Recommendations: **Despite high oil prices, we have seen increased volatility across our regional markets, given that they have started to move in tandem with their global peers. Accordingly, we have significantly increased the cash position across all our MENA portfolios.** We caution that any sharp slowdown globally or a potential recession could result in a significant decline in oil prices. With the start of a rate hiking cycle, we continue to like an exposure to banks that will gain from NIM expansion on future rate hikes, declining cost of risk and rising loan growth expectations due to a strong macro backdrop. We prefer regional top banks with high capital adequacy (ADCB, DIB, SNB, SABB, RIYAD, QNB, and NBK).

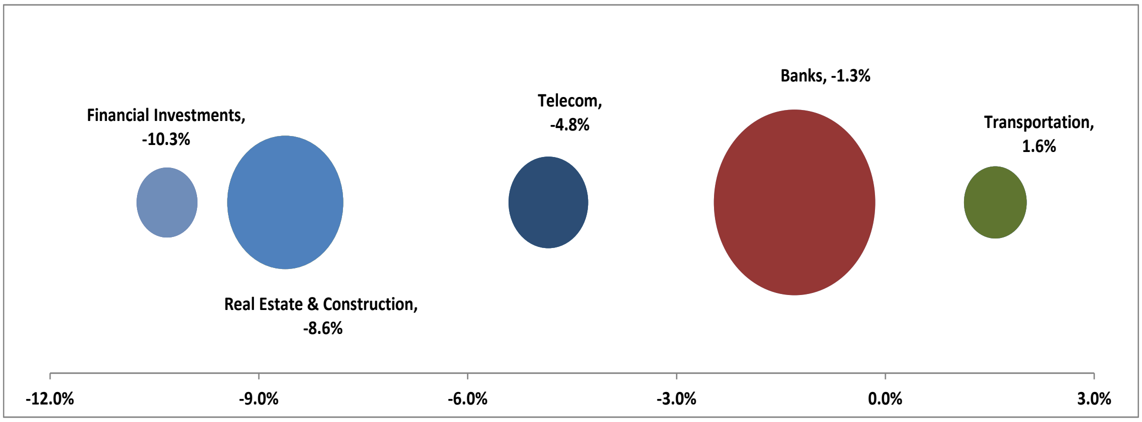
We also like reopening names (Emaar, Leejam and Seera) and airlines (Air Arabia and Jazeera Airways). On the high dividend yield side, we like names within the communication services sector (Yahsat), utilities (DEWA), oil and gas drillers and retailers (Adnoc Drilling and Adnoc Distribution), insurance providers (ADNIC) and construction supply players (Bawan and Yanbu Cement). **We are keeping the portfolio well diversified and continue to prefer a high dividend yield mix along with utilities and telecom to provide defense to our portfolios during the market sell-offs.**

We continue to avoid Turkey, Egypt and Pakistan on low foreign reserves and stretched current and fiscal accounts. In Turkey, headline inflation rose to 78.6% YoY in June while the current account deficit reached USD 21bn for the first four months of the year. The Central Bank kept policy rates unchanged for the sixth consecutive month, further exacerbating inflation. The Turkish Lira has depreciated 20% against the USD this year, in addition to the 44% witnessed in 2021**.**

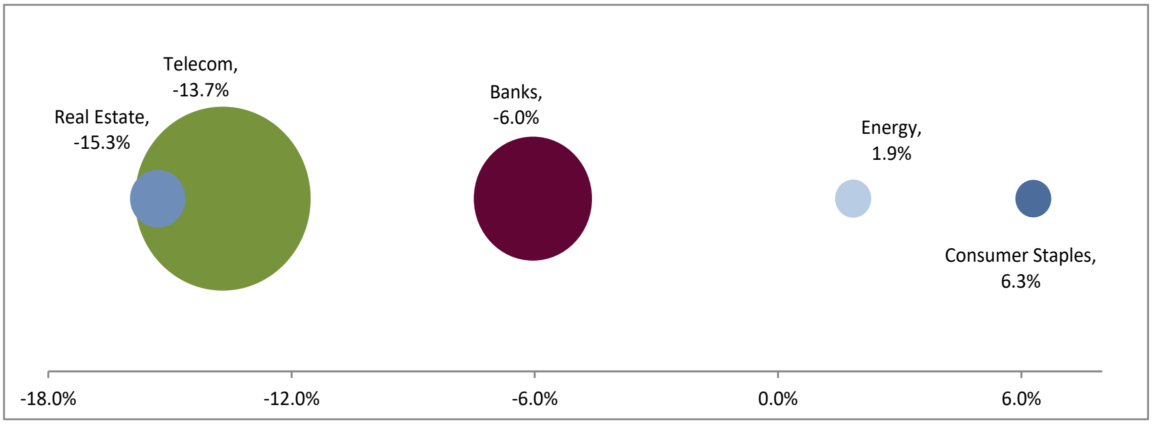
In Egypt, inflation touched 13.5% YoY in May, the highest since May 2019. To counter this growing inflation, Egypt has taken several measures including devaluing the EGP by 15% in March, increasing overnight interest rates by 300bps this year, seeking a new IMF loan, indicating its willingness to sell state assets, and receiving deposits worth USD 20bn from friendly GCC nations. Given that real interest rates are negative, Egypt has seen USD 20bn of foreign outflows from its local debt market. **We continue to be cautious as we expect further rate hikes and FX depreciation this year.** We are also underweight Pakistan given its high external financing needs, growing current account deficit, and diminishing FX reserves.

Sectors Performance of Key MENA Indices (MoM Change)

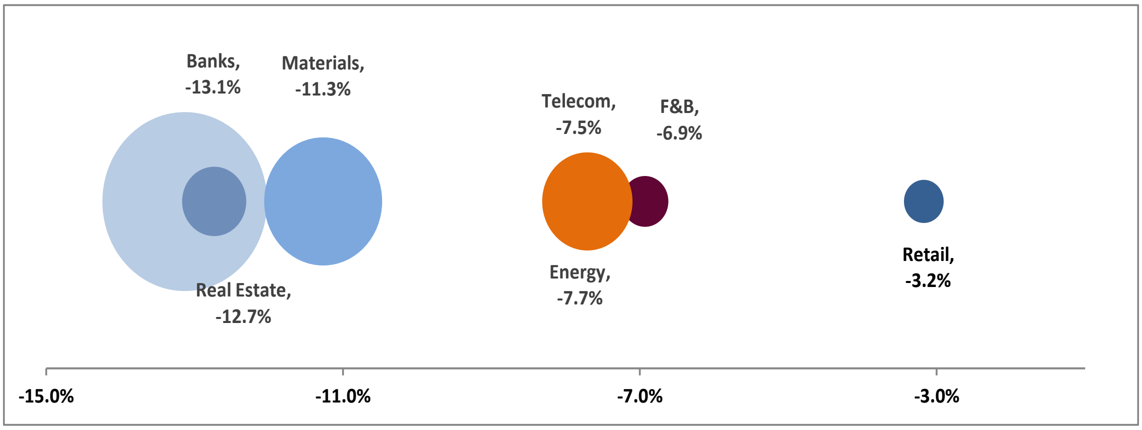
Dubai



Abu Dhabi



Saudi Arabia



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

Morocco	18.0
Kuwait	16.6
Saudi Arabia	16.5
Abu Dhabi	14.7
Qatar	12.8
Oman	11.8
Dubai	10.5
Bahrain	7.1
Egypt	4.8

Dividend 1Yr Fwd

Egypt	5.8%
Dubai	4.1%
Qatar	3.9%
Morocco	3.2%
Kuwait	3.1%
Abu Dhabi	2.7%
Saudi Arabia	2.7%

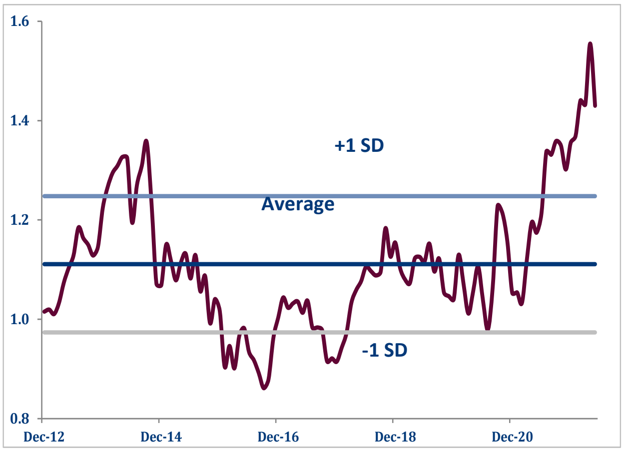
Source: Bloomberg, Daman Investments Asset Management

MENA Relative Valuations Versus Emerging Markets

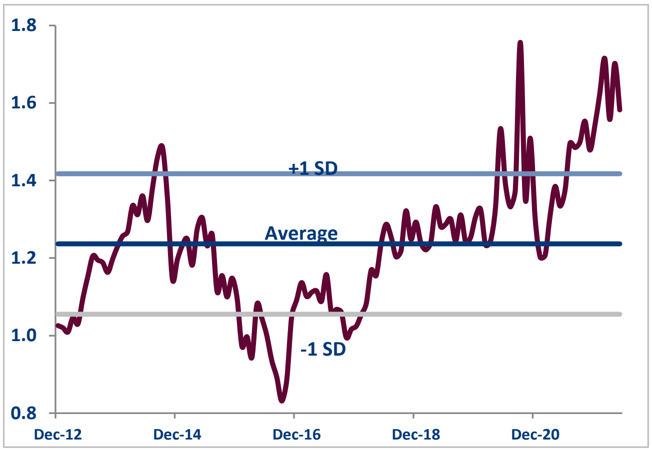
Based on our relative PE analysis of MENA markets versus Emerging Markets, we believe that MENA markets offer selective value. The market currently trade more than 1 standard deviation above the historical average relative PE of 1.11 vs MSCI EM as it offers higher earnings growth. Strong oil price backdrop justify a low equity risk premium for the GCC markets.

UAE is trading at 1 standard deviation above the historical average relative PE of 0.97 vs MSCI EM. However, UAE's 1 year forward dividend yield is quite attractive at 3.4%. 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.

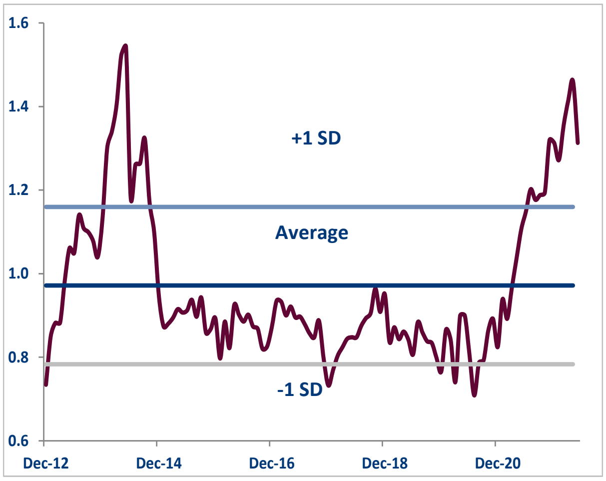
Relative PE (1yr Fwd.): MENA vs MSCI EM



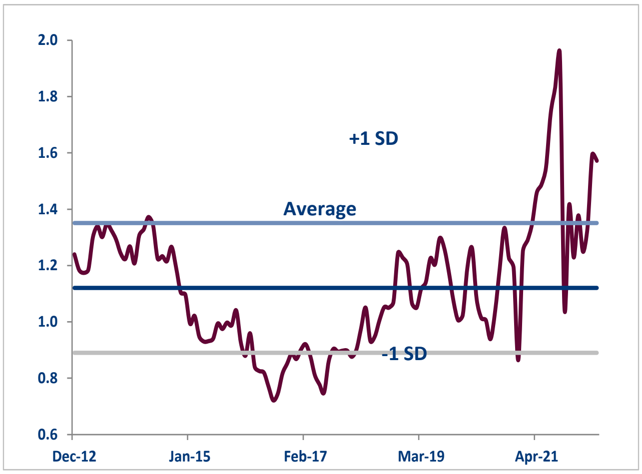
Relative PE (1yr Fwd.): Saudi vs MSCI EM



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 global macroeconomic outlook has deteriorated materially since end 2021. The global economy is being buffeted by several macro headwinds, and this is leading to a sharper-than-expected cyclical slowdown in growth. These headwinds include a significant **tightening of monetary policy and financial conditions** resulting in **elevated inflation**, which has been exacerbated by a sharp **re-pricing of interest rate expectations** in the US and a more hawkish Fed. Financial market volatility has remained elevated, with an approximate a 20% decline in the S&P 500, a 30% decline in the Nasdaq and a 70% decline in crypto assets such as Bitcoin. These losses will weigh on household balance sheets and confidence, and tighter monetary policy and a **stronger US dollar** will continue to weigh on global and emerging markets.

The Russia-Ukraine war and persistent coronavirus lockdowns in China are augmenting and perpetuating a **global supply-chain crisis** that has upended prior expectations for inflation, interest rates and growth. Growth in 2022 is weaker than initially forecast and macroeconomic risks have grown in potential impact and probability. **Oil prices** have remained elevated and **wheat prices** are about 44% higher since December. There is also increasing evidence of rising **services inflation**, particularly in the US, where the labour market is very tight. **Stagflation** has become the dominant risk theme since late 1Q22 and a plausible potential risk scenario.

The **S&P Global Composite Purchasing Managers' Index** remained above the expansionary 50 mark in the largest DM economies in May but eased relative to April, indicating a milder pace of sectoral expansion, and reinforcing outlook of decelerating DM growth. Momentum in the US labour market may have started weakening, with the economy adding 390,000 payrolls in May, which was the lowest level since April 2021 (but above market forecasts of 325,000). The US's **University of Michigan consumer confidence** indicator fell to an 11-year low of -58.4 in the same month, primarily due to concerns over inflation. Eurozone consumers also remain downbeat, as illustrated by the European Commission's consumer sentiment indicator hovering around multi-year lows in May. Soaring energy prices have pushed DM inflation to its highest level in decade in April, weighing on **consumer confidence** as households lose purchasing power.

In their efforts to curb inflationary pressures, **DM central banks** have become increasingly hawkish. On June 9, **ECB** left its deposit rate unchanged at -0.50% but stated that it will discontinue its asset purchase programme from July 1 and start raising its benchmark interest rates by 25 basis points in July. On June 15, the **US Fed** raised the fed funds rate by 75bps, bringing the target range to 1.50%-1.75%, and we forecast interest rates to end the year at 3.25%. On June 16, **BoE** hiked its benchmark policy rate by 0.25bps to 1.25%, marking the BoE's fifth consecutive rate hike to tame inflation.

China growth forecast was cut from 4.5% to 3.6% and since China makes up 42.5% of total **EM** GDP, this revision more than offset slight upward revisions elsewhere in the EM world. The value of exports from major EMs continued to rise rapidly in March, jumping by 18.9% YoY, however, this number is being inflated by rising commodity and other prices. Most EMs are also facing domestic challenges, notably elevated inflation. Inflation in major EMs excluding China rose to 8.1% YoY, the fastest rate so far this century. Accelerating inflation prompted many EM central banks to hike their policy interest rates in May and June. Policymakers went furthest in **Ghana** (15.50% to 17.00%), **Argentina** (47.00% to 49.00%), **Egypt** (10.5% to 12.5%), **Poland** (4.5% to 6.00%), **Brazil** (11.75% to 13.25%), and **India** (4.00% to 4.90%) and the **Czech Republic** (5.00% to 5.75%). Despite policy tightening across most EMs, EMs continued to experience net capital outflows in May. With DM central banks set to continue to hike interest rates amid rising global risk aversion, we expect that EM net capital outflows will continue over the coming months.

While elevated energy prices are pushing up inflation and cutting consumers' purchasing power in most EMs, they are significantly boosting incomes in most of **MENA**. In **Saudi Arabia**, a more optimistic view was driven by an upward revision to the Q122 GDP figure and expectation that investment spending will accelerate this year. **UAE** forecast was revised upward because net exports is expected to rise and reform momentum is expected to stay strong. As the Russia-Ukraine conflict has further brightened the outlook for net hydrocarbon exporters in MENA, more than offsetting the negative spillovers of the war on net hydrocarbon importers. The region's economic growth is expected to accelerate to 6.4% in 2022. MENA's fiscal balance is expected to also improve even more than initially anticipated, shifting from a deficit of 2.1% of GDP to a surplus of 2.1% of GDP in 2022, the first since 2013. MENA's largest economies have continued to make significant progress in enacting market-friendly reforms, and this trend is expected to continue in the months ahead. Saudi Arabia and the UAE have focused on reforming their labour markets and opening new sectors for investment.

Emerging Markets Fixed Income

In **Oman**, authorities reinitiated talks about privatisation, announcing plans to list three state-owned entities on the Muscat Stock Exchange in the short term and about 35 companies over the next five years. There has also been a strong push towards reform in **Egypt** and **Iran**, in a bid to counter heightened pressure on their external and fiscal positions.

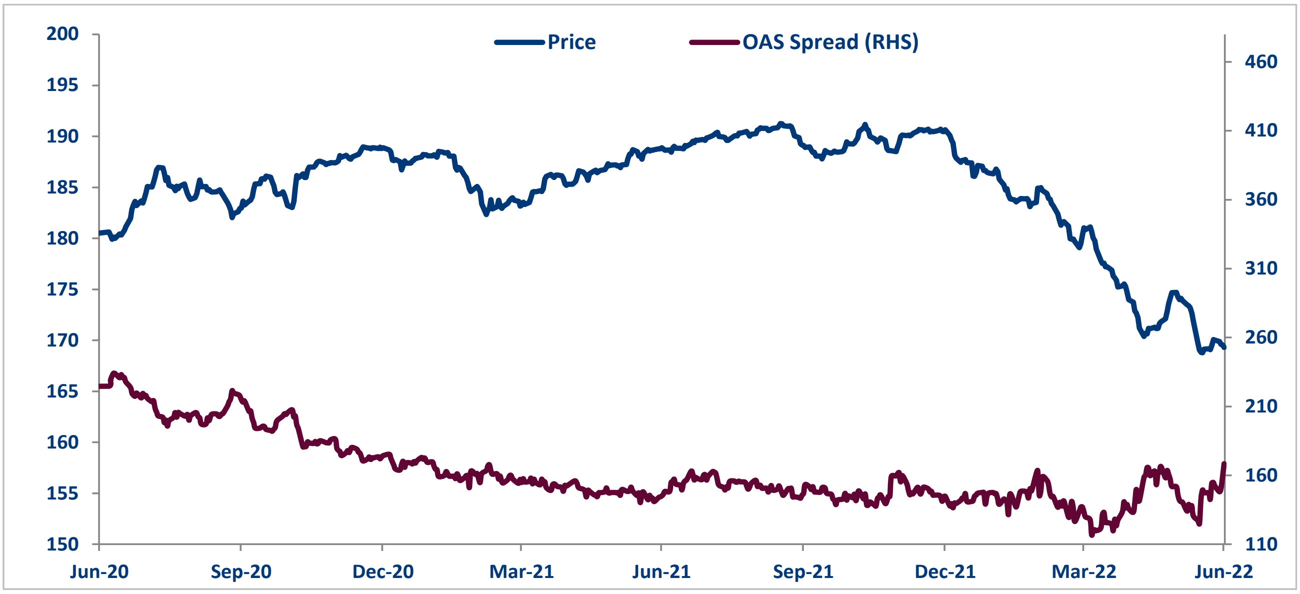
The Q122 real GDP prints in **Brazil** and **Colombia** surprised to the upside, as the region's commodity exporters have benefited from higher metals, grains and oil prices in recent months. Nevertheless, growth is expected to continue to lag behind other regions, weighed down by persistently **elevated inflation**, the mounting impact of **aggressive interest rate hikes**, withdrawn **fiscal stimulus**, weaker **external demand** and a **political environment** that has limited room for the passage of market friendly policy. Recent and upcoming elections pose a further challenge to the reform outlook. In Colombia, populist outsider Rodolfo Hernández is a slight favourite against leftist Gustavo Petro in the June 19 president runoff election. In Brazil, leftist former president Luiz Inácio Lula da Silva (Lula) is expected to defeat the incumbent, right-wing Jair Bolsonaro, which will likely lead to a higher level of spending and state intervention in the economy. While we do not expect **Chile**'s newly written constitution will receive majority support in the September 4 plebiscite, indicating that the current, more business-friendly constitution will remain in place, we believe that reform efforts will likely be on hold in the run up to the vote.

Performance

	Value	MTD Change	YTD Change
Barclays GCC Credit +HY Index	169	-2.8%	-11.2%
FTSE MENA Broad Bond Index	153	-3.9%	-12.5%
Dow Jones Sukuk	98	-1.5%	-9.0%
Barclays Global Aggregate Index	458	-3.2%	-13.9%
Barclays Global High Yield Index	1,271	-7.5%	-16.9%
Barclays US Treasury Index	2,271	-0.9%	-9.1%
Barclays US Corporate Index	3,017	-2.8%	-14.4%
Barclays US Corporate High Yield index	2,112	-6.7%	-14.2%
JPM EM Global Bond Index	498	-6.6%	-20.8%
Bloomberg Barclays Emerging Markets Hard Currency Aggregate Index	1,050	-4.57%	-17.1%
Bloomberg Barclays US Aggregate Bond Index	2,111	-1.6%	-10.3%
Markit CDX Emerging Markets Index	90	-2.7%	-6.2%
Barclays EM High yield	1,153	-7.8%	-18.0%
Barclays EM Corporate Index	257	-3.6%	-16.2%
10-year US Treasury yield* (%)	3.01	17	150
30-year US Treasury yield* (%)	3.18	14	128
US Treasury 2-10 Spread*	5.15	-23	-72
US Treasury 2-30 Spread*	22.25	-26	-95
10-year US Treasury Real yield* (%)	0.67	47	177
10-year Germany Treasury yield* (%)	1.34	21	151
US Breakeven 10 Year*	2.34	-31	-25
10-year Saudi Arabia Govt USD Bond yield* (%)	4.09	55	169
9-year Abu Dhabi Govt USD Bond yield* (%)	3.79	42	179
5-year Kuwait Govt USD Bond yield* (%)	3.54	55	184
10-year Oman Govt USD Bond yield* (%)	6.90	93	159
10-year Bahrain Govt USD Bond yield* (%)	7.72	107	194
8-year Qatar Govt USD Bond yield* (%)	3.79	46	169
10-year Egypt Govt USD Bond yield* (%)	14.21	325	586
EIBOR 3M* (%)	1.88	21	151
QAIBOR 3M* (%)	2.45	130	133
Dubai 5 Year CDS* (bps)	57	13	19
Qatar 5 Year CDS* (bps)	71	9	27

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)	114.81	-6.5%	47.6%
Natural Gas (USD/mmbtu)	5.42	-33.4%	45.4%
Gold (USD/Ounce)	1,807	-1.6%	-1.2%
Copper (USD/MT)	8,254	-12.6%	-15.3%
Aluminium (USD/MT)	2,426	-12.0%	-13.5%
Nickel (USD/MT)	22,643	-20.1%	8.4%
Urea Middle East (USD/MT)	690	0.0%	-28.1%
Methanol China (USD/MT)	317	-9.2%	2.6%
SE Asia Polyethylene (USD/MT)	1,230	-2.4%	3.4%
Polypropylene (USD/MT)	1,250	0.0%	5.0%
US Dollar Index	104.69	2.9%	9.4%
MSCI EM Currency index	1,666.83	-2.2%	-3.9%
JPM EM Currency index	51.64	-2.2%	-1.8%
EGP/USD	0.05	-0.9%	-16.4%
TRY/USD	0.060	-1.8%	-20.2%
PKR/USD	0.489	-3.0%	-13.6%
ILS/USD	0.286	-5.0%	-11.3%
EUR/USD	1.05	-2.3%	-7.8%
GBP/USD	1.22	-3.4%	-10.0%
USD/JPY	135.72	5.5%	17.9%

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.

	2022	Inception (30 Jul 2020) (Class I)
Total Return*	4.5%	55.3%
Annualized Return	9.2%	25.7%
Annualized Volatility	12.9%	10.0%
Sharpe Ratio	0.5	1.5

** NAV as of June 30th, 2022*

The fund lost 1.5% during the month. In terms of asset class, equities contributed nearly all this negative performance. Geographically, UAE, Saudi Arabia and Qatar were the key negative contributors to the fund return.

We significantly increased cash by further reducing our exposure to the cyclical sectors.

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.

	2022	Inception (May 2021)
Total Return*	0.9%	8.7%
Annualized Return	1.8%	7.8%
Annualized Volatility	10.1%	8.0%
Shape Ratio	-0.1	0.7

** NAV as of June 30th, 2022*

The fund lost 3.8% during the month. In terms of asset class, equities contributed nearly all of this negative performance. Geographically, UAE, Saudi Arabia and Qatar were the key negative contributors to the fund return.

We significantly increased cash by further reducing our exposure to the cyclical sectors.

Daman Global Sukuk Fund
The Daman Global Sukuk Fund seeks to maximize total returns over the medium to long term through a prudent combination of moderate-income generation and capital appreciation by investing in Global Sukuk.

	Inception (Jan 2020)
Total Return**	-6.4%
Rating	BB+
Annualized Return	-2.6%
Annualized Volatility	4.2%
Sharpe Ratio	NA

*** Indicative of June 30th, 2022*

The total return of the fund during the month was -1.3%. Pakistan positively contributed, whereas the biggest detractors were Bahrain and Saudi Arabia. Amongst our corporate positions Aramco and Mazoon were the main detractors given the idiosyncratic stories attached to the name.

As expected, the rise in treasury yields and the volatility in spreads explains most of the performance.

Performance of our Fixed Maturity Products

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.

	2022	Inception (Nov 2020)
Total Return*	-9.9%	-0.9%
Dividends Paid*	3.6%	11.4%
Rating	BB	
Annualized Return	-	
Annualized Volatility	-	
Sharpe Ratio	-	

** NAV as of May 30th, 2022*

The fund was down 2.0% during the month. The biggest contributor was Jordan, and the main detractors were Egypt and Saudi Arabia. Amongst our corporate positions ADIB was the main contributor given the idiosyncratic stories attached to the name and SNB was the main detractor.

As expected, the rise in treasury yields and the volatility in spreads explains most of the performance.

Daman GCC Term Income Fund (2025)

The Fund will seek to generate a regular stream of fixed income returns and cash distributions through a Shari'a Compliant Salam mechanism linked to a portfolio of fixed income securities issued in GCC. The Fund will target to invest at least 75% of its gross assets in issuers having at least 25% holding by a government or government related entity.

	Inception (Jan 2022)
Total Return*	-4.8%
Dividends Paid*	2.1%
Rating	BBB-
Annualized Return	-
Annualized Volatility	-
Sharpe Ratio	-

** NAV as of May 30th, 2022*

The total return of the fund was -1.2% during the month. The main detractors were UAE and Kuwait. The main contributors were Bahrain and Saudi Arabia. Amongst our corporate positions Aramco was the main contributor given the oil prices and Dubai Aerospace was the main detractor given the idiosyncratic stories attached to the name.

As expected, the rise in treasury yields and the volatility in spreads explains most of the performance.

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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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